An introduction to this year's country notes

The country notes in this year's edition of *Going for Growth* have two special features. One addresses the current crisis and recovery context, and the other marks the coming-of-age of the *Going for Growth* exercise.

At the present juncture, it is critical that OECD governments recognise which policies are most important for delivering a strong and sustainable economic recovery. Chapter 1 discusses such policies at a broad level, while in the following country notes those current (2009) *Going for Growth* priorities that may be most urgent to address in the current context are marked with an arrow.[1] These crisis-related reform priorities have been identified on the basis of two criteria, namely that they should: *i)* speed up the recovery, in order to minimise the overall temporary economic loss from the crisis; and, *ii)* alleviate risks that GDP and living standards will be durably reduced over the longer term — for example, through a persistent increase in unemployment and/or irreversible withdrawal from the labour force of groups with weaker attachment to the labour market. The identification of priorities that meet either or both of these criteria relies on available theoretical and empirical evidence – including OECD work – on the policy determinants of economic resilience and hysteresis effects, respectively (see Box 1.1 in Chapter 1 for more details). Nevertheless, it should be acknowledged that such evidence is not as robust as the existing research on the links between structural policies and long-term economic performance which underpins *Going for Growth*. Therefore some degree of judgemental expertise has also been exercised.

In practice, selected priorities include reforms that would:

- *Improve financial market regulation*. Though it was only singled out for the European Union, Iceland, and the United States in last year's edition of *Going for Growth*, improving financial market regulation is in fact necessary in nearly all OECD countries, as the crisis has revealed major market and regulatory failures in this domain (see Chapter 1).
- *Remove business entry barriers to boost short-term activity and job creation*. Reducing entry barrier regulation facilitates new business creation and expansion and can also help to accelerate resource re-allocation. In particular, many OECD countries would benefit from a relaxation of entry barriers in retail trade and/or liberal professions, as well as from reductions in administrative burdens on business and international barriers that restrict foreign direct investment. By contrast, the short-term benefits of some types of product market deregulation in network industries are less clear-cut, as incumbent monopolies may first lay-off workers while entry of competitors and the associated job creation may take more time, except possibly in telecommunications. Therefore, where countries' priorities include a mix of different regulatory reform priorities, those recommendations that are most conducive to short-term growth benefits should be given relative priority.
- *Facilitate the rebound of employment as economic conditions improve*. Overly stringent employment regulations can deter labour reallocation and businesses from taking on new staff as the recovery proceeds. At the same time, highly imbalanced employment

regulation that favours temporary contracts over permanent ones can lead to increased duality and insecurity. Therefore priority in general should be given to facilitating the smooth reemployment of regular workers.

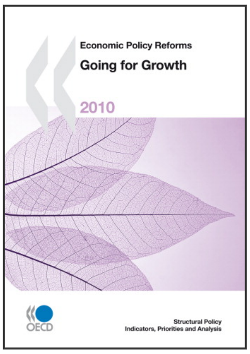
- *Upgrade the skills and job-search incentives of the long-term unemployed.* Strengthening activation of the unemployed, such as through increased spending on, and reforms of active labour market policies that provide compulsory training and job search support, can help to speed up transition toward new jobs.
- *Reduce incentives for older laid-off workers to withdraw permanently from the labour force.* Incentives for early retirement are often embedded in pension systems but also in other social transfer programmes such as unemployment benefit or disability schemes. Where there is still a risk of new entries in such schemes (*e.g.* where there is not just a sizable share of disabled workers, but also lenient enforcement of health-based criteria for new entrants into disability schemes), they should be tightened to prevent lay-offs of older workers from turning into irreversible withdrawals from the labour force.

For those countries in which previously identified recommendations did not include any of the above reforms, one measure has however been marked with an arrow that is judged as the most urgent one in the context of the crisis.

Another novelty is that this edition follows up not only on policy priorities that were made last year, but also on all of the priorities that were made since the beginning of the *Going for Growth* exercise. Thus, in cases where relatively more policy action has taken place, or where there has been some re-thinking of policy priorities, there are more than the usual five priorities to assess, in some cases as many as nine (the years that the priorities were made are noted in parentheses after the priority heading). In addition, the assessment of actions taken in priority areas attempts to take into account not only what has happened over the past year, but also what has happened since the priority was set. This gives this edition a longer time horizon than usual for evaluation, as reflected in Chapter 2.

Note

1. Although some of the past *Going for Growth* priorities from 2005 and 2007 exercises may not have been fully addressed even though they were replaced subsequently, they are not considered as candidates for urgent priorities in this exercise.



From:
Economic Policy Reforms 2010
Going for Growth

Access the complete publication at:
https://doi.org/10.1787/growth-2010-en

Please cite this chapter as:

OECD (2010), “An introduction to this year's country notes”, in *Economic Policy Reforms 2010: Going for Growth*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/growth-2010-5-en