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OECD reports mixed progress on key economic reforms, highlights the importance of innovation

OECD governments have been more effective at bringing in reforms to raise labour productivity than at helping increase the number of people in work, according to a progress report on action taken over the past year to enhance economic growth in each of the 30 member countries.

The OECD's second **Going for Growth** report assesses the extent to which governments have followed the policy recommendations it published a year ago. By using a number of "benchmark" indicators ranging from labour costs and levels of educational attainment to obstacles to business start-ups and foreign direct investment, last year's report identified areas of weakness and outlined policy priorities for each country.

The 2006 edition of **Going for Growth** shows mixed results. To raise labour productivity, many governments have recently introduced, or initiated, laws to ease restrictions on business activity and boost competition. In the European Union, for instance, a draft Commission Directive to allow businesses to sell their services in any other EU country, though controversial, is currently under negotiation. In Japan, the competition law has been reinforced. In Germany, nation-wide educational standards have been agreed in some fields while most other countries identified as needing to strengthen some aspect of their education system are taking relevant measures.

But there has been less progress in increasing the number of people in the workforce, identified in the last report as a priority for many OECD countries. Reforms to remove tax incentives for retiring early have been limited while legislators have shown little enthusiasm for easing employment protection in those countries where it is seen to hamper job creation. However, the report notes greater progress in reforming sickness and disability benefits in Australia, Britain, Denmark, Hungary, Netherlands, Norway, Sweden and Switzerland.

The new report extends the scope of its surveillance of government policy by introducing benchmark indicators in the area of innovation, considered by the OECD to be one of the main engines of long-term economic growth. The indicators allow comparisons in areas such as the intensity of research and development with the more advanced economies, such as the United States. Where specific weaknesses are identified in a country, the report recommends what steps the government should take.

In a separate chapter the report also investigates whether GDP per head is an effective measure of well-being.

To obtain a copy of **Going for Growth 2006: Economic Policy Reforms,** or for further information, journalists are invited to contact the OECD's Media Division (mailto: news.contact@oecd.org or tel:+33 1 4524 9700).

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