

APPENDIX B: OECD REGULATION INDICATORS

This appendix introduces the OECD indicators and presents these relations.

OECD regulation indicators

We use three sets of OECD regulation indicators: (i) Non-Manufacturing Regulation (*NMR*) indicators, available only for non-manufacturing industries ; (ii) Harmonized Tariffs (*HT*) indicators, available for manufacturing industries; and (iii) Employment Protection Legislation (*EPL*) indicators. The OECD provides anti-competitive regulation indicators only for non-manufacturing industries as most of the anti-competitive regulations are concentrated in these industries in OECD countries. Similarly, *HT* indicators are particularly relevant in manufacturing industries, as manufacturing products are the major component of trade. The following paragraphs present these OECD indicators.

The OECD NMR indicators measure the extent to which competition and firm choices are restricted where there are no *a priori* reasons for government interference, or where regulatory goals could plausibly be achieved by less coercive means. They are based on detailed information on laws, rules, market and industry settings and cover energy (gas and electricity), transport (rail, road and air) and communication (post, fixed and cellular telecommunications), retail distribution and professional services (see Conway and Nicoletti, 2007, for a more detailed presentation). Chart B1 shows the values of these indicators in 2013, which is the year used for the policy evaluation, as well as the lightest practice defined as the average of the three smallest indicator values in each industry.¹ We observe major differences across countries and between industry regulations within countries. Indeed, it is worth noting that the same country can be ranked among the most regulated in one industry and among the least regulated in another industry.

INCLUDE Chart B1 about HERE

¹ Note that the calculations of the 2013 OECD NMR indicators (used for the policy simulations) take into account new questions. The OECD provides an update including these questions for the 2008 NMR indicator values but not before this year. The comparison of 2008 values with and without these new questions shows some differences but does not change country rankings.

The OECD Harmonized Tariff (*HT*) indicators are computed from the 6-digit level of the Harmonized system product classification, with tariffs being defined as the *ad valorem* tariff rates applied to the most favoured nation. Tariff data have been aggregated into indicators for 2-digit ISIC Rev. 3 industries using import-based weights. The indicators are coded between 0 and 6 according to the average production weighted tariffs, with 0 for the smallest tariffs (see Nicoletti and Scarpetta, 2003, for a more detailed presentation). No *HT* indicators are available for the ‘Construction’ and ‘Hotels and restaurants’ industries, so we use the OECD Foreign Direct Investment (*FDI*) restrictiveness indicators for these industries. The latter measure different forms of discrimination against foreign firms, such as i) restrictions on foreign ownership, i.e. limitations of the share of companies’ equity capital in a particular sector that are not applied to domestic firms; ii) obligatory screening and approval procedures for foreign affiliates; iii) operational constraints or controls for affiliates of foreign companies, including constraints to the mobility of foreign professionals working in these affiliates. The *FDI* indicator is primarily based on information from the GATS Commitments and country submissions to the OECD Code of Liberalization of Capital Movements (see Golub and Koyama, 2006, for a more detailed presentation).

Chart B2 shows the *HT* indicator values in 2007, which is the year used for the policy evaluation, as well as the lightest practice. The *HT* indicators are higher in the food products (ISIC code 15-16) and in the textiles (17-19) industries than in other industries, with significant differences between countries.

INCLUDE Chart B2 about HERE

The OECD provides various labour market regulation indicators: unemployment replacement rates, expenditures on labour market programmes, statutory minimum wages, union members and Employment Protection Legislations (*EPL*). Bassanini and Venn (2008) provide an empirical analysis of the impact of these various indicators on productivity. Our analysis focus on the *EPL* indicators, which are the most frequently used in the empirical literature on the impact of labour market regulations on productivity and growth. Like the OECD *NMR* indicators, the *EPL* indicators are based on detailed information on laws, rules and market settings. They measure the procedures and cost involved in dismissing individual workers

with regular contracts (data on collective dismissal is available only since 1998) and regulations on temporary contracts, including regulations on fixed-term and temporary work agency contracts (see 2013 OECD Employment Outlook for more information).

Chart B3 shows the values of *EPL* on regular and on temporary contracts in 2013 as well as the lightest practice. The *EPL* indicator values are high in continental European countries relatively to the other countries, particularly for the regular contracts.

INCLUDE Chart B3 about HERE

Chart B1
OECD anti-competitive Non-Manufacturing Regulation (NMR) indicators in 2013
 Scale 0-6 for each indicator, 0 for the most pro-competitive

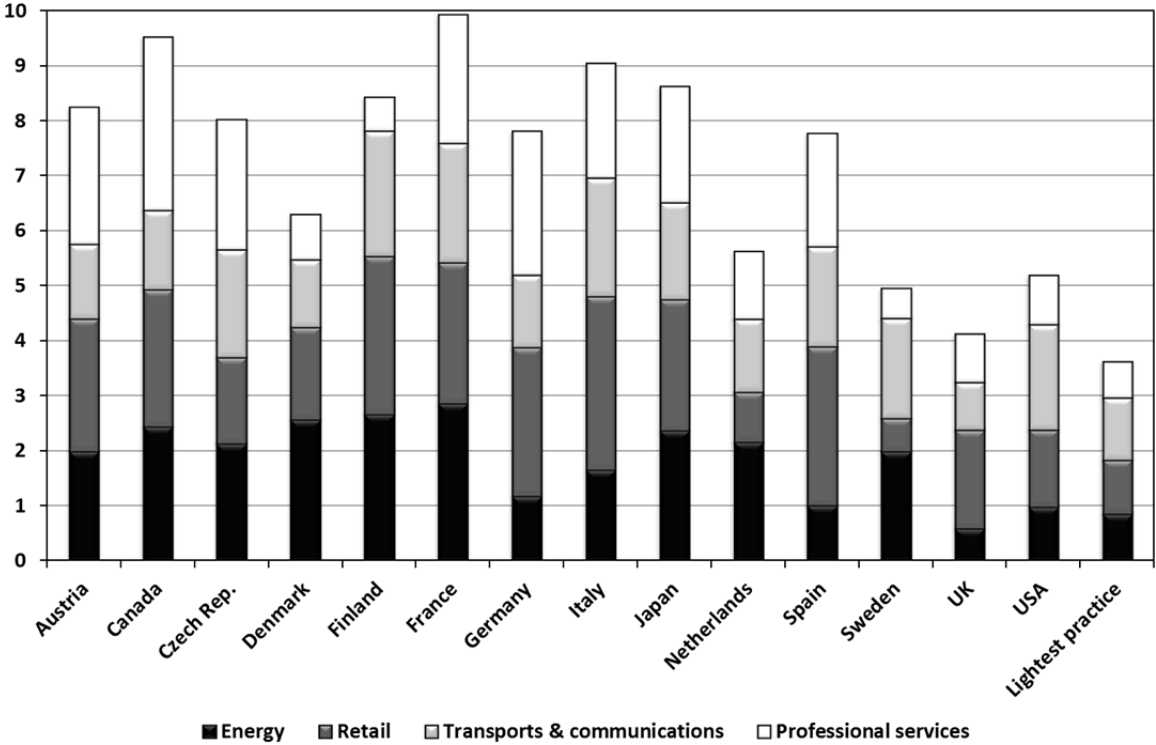
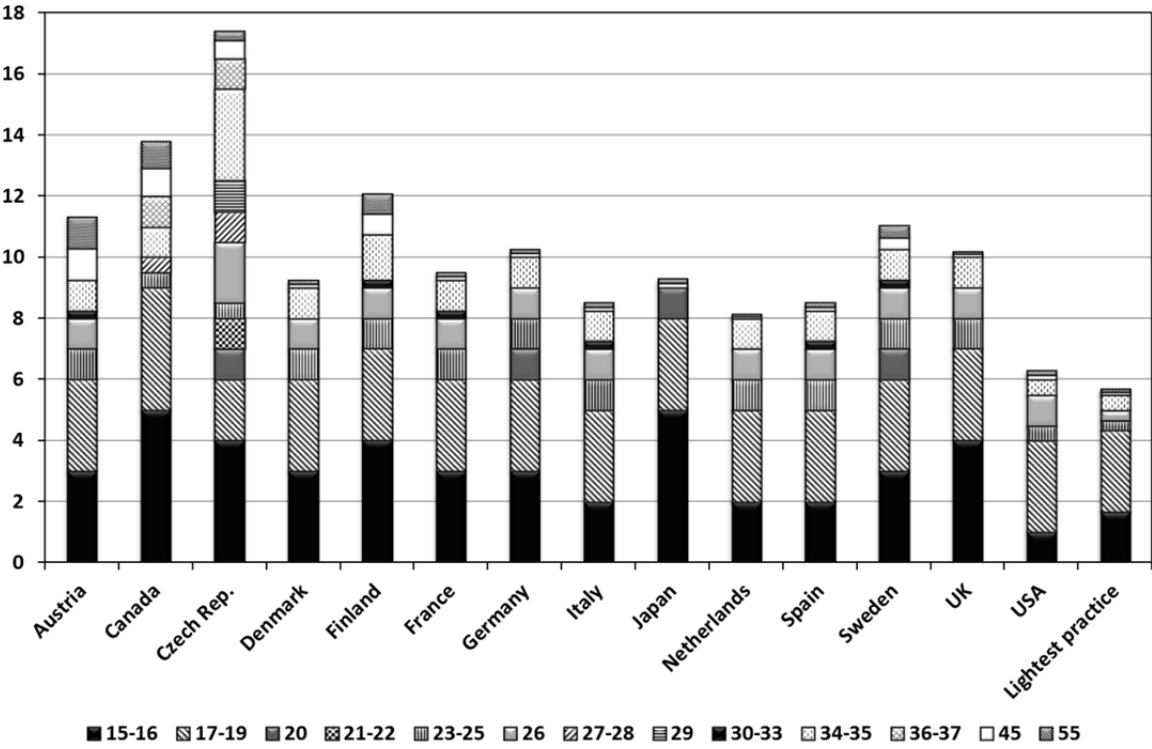
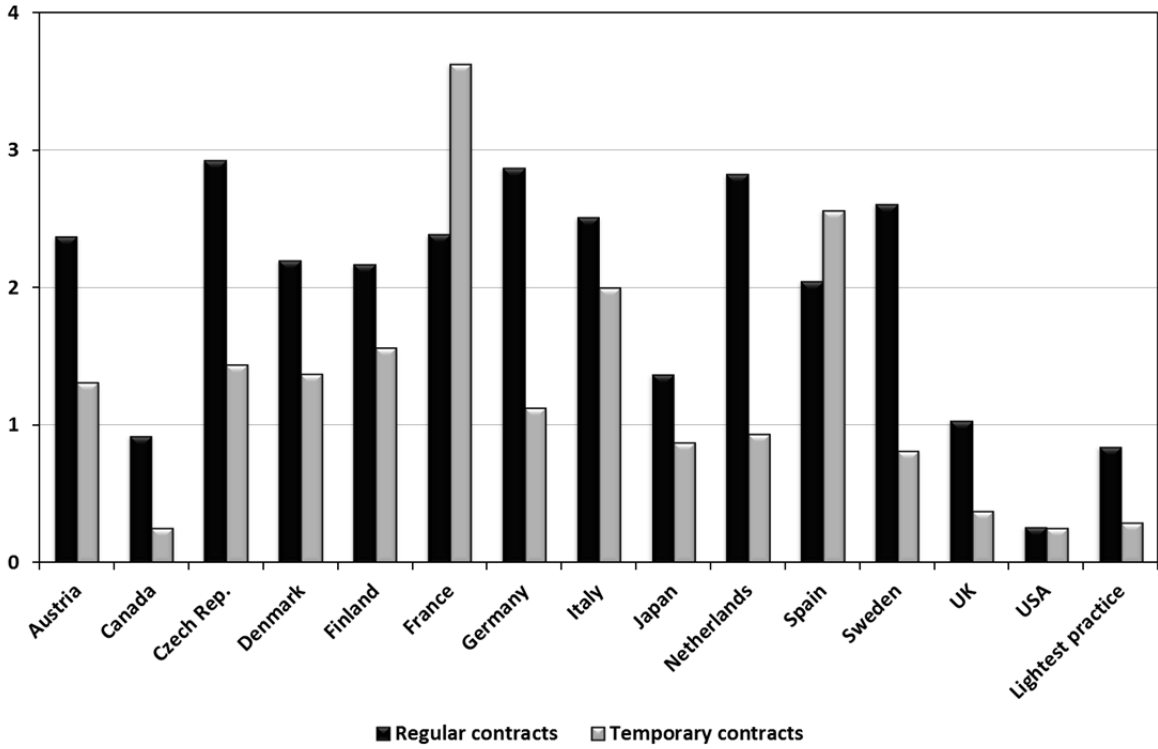


Chart B2
OECD Harmonized Tariff indicators in 2007, by country-industry
 Scale 0-6 for each industry, 0 for the smallest tariffs



ISIC rev. 3 codes are presented for each of the following industries (ISIC code between parentheses): food products (15-16), textiles (17-19), wood products (20), paper (21-22), chemicals products (23-25), non-metallic mineral products (26), metal products (27-28), machinery n.e.c. (29), electrical equipment (30-33), transport equipment (34-35), manufacturing n.e.c. (36-37), construction (45) and hotels & restaurants (55). For the ‘Construction’ and ‘Hotels and restaurants’ industries (ISIC code 45 and 55, respectively), the OECD Foreign Direct Investment restrictiveness indicators are presented.

Chart B3
OECD Employment Protection Legislation (EPL) indicator in 2013
 Scale 0-6, 0 for the most flexible country labour market



APPENDIX REFERENCES

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