THE OECD’S PRODUCT MARKET REGULATION INDICATORS – POLICY INSIGHTS FOR OECD AND NON-OECD COUNTRIES

Isabell Koske
OECD, Office of the Secretary General

6 July 2014
### What are the OECD’s indicators on product market regulation?

| **Aim** | • Enhancing the **knowledge of regulatory practices** in OECD and non-OECD countries  
• **Quantifying** a country’s regulatory stance and track reform progress over time  
• Investigating their **link with economic performance**. |
|---|---|
| **Scope** | • Economy-wide regulation (**PMR**)  
• Regulation in telecoms, electricity, gas, post, rail, air passenger transport, road transport, retail trade and professional services (**NMR**) |
| **Policy setting** | • The indicators capture foremost **de jure** regulatory settings  
• The implementation and enforcement of regulations and the associated institutional framework are not covered by the PMR and NMR |
| **Coverage** | • **Countries**: 34 OECD countries and 21 non-OECD countries  
### How do we proceed from data collection to computing the final indicator value?

<table>
<thead>
<tr>
<th>Data collection</th>
<th>Data verification</th>
<th>Coding of data</th>
<th>Data aggregation</th>
<th>Peer review</th>
</tr>
</thead>
</table>
| - OECD countries: Questionnaire sent out to governments  
  - Non-OECD countries: Questionnaire sent out to governments or local consultants | - Internal consistency check  
  - Cross-check with external data-bases  
  - OECD staff (with educational background/work experience in the area of product market regulation) | - Qualitative information coded by assigning numerical values to each reply  
  - Quantitative information divided into classes using thresholds | - Normalization over 0 to 6 scale, from least to most restrictive  
  - Aggregation into higher-level indicators based on equal weights | - Database and indicator scores presented to delegates at WP1 meeting |
The economy-wide PMR indicator aggregates information by regulatory theme

Product market regulation

State control
- Public ownership
- Involvement in business operations

Barriers to entrepreneurship
- Complexity of regul. procedures
- Admin. burdens on start-ups
- Regulatory protection of incumbents

Barriers to trade and investment
- Explicit barriers to trade and investm.
- Other barriers to trade and investm.

Scope of SOEs
- Gov’t involvement in network sectors
- Direct control
- Governance of SOEs

Price controls
- Use of command and control regulation

Licenses and permits system
- Communication and simplification of rules and procedures

Admin. burdens for Corporations
- Admin. burdens for sole proprietor firms

Legal barriers
- Antitrust exemptions
- Barriers in network sectors

Tariff barriers
- Barriers to FDI

Differential treatment of foreign suppliers
- Barriers to trade facilitation

Admin. burdens on start-ups

Barriers in services sectors

Barriers in network sectors

Regulatory protection of incumbents

Explicit barriers to trade and investm.

Other barriers to trade and investm.
The indicators on sector regulation aggregate information by sector – network sectors

Energy
- Electricity
  - Entry regulation
  - Public ownership
  - Vertical integration
  - Market structure
- Gas
  - Entry regulation
  - Public ownership
  - Vertical integration
  - Market structure

Transport
- Air
  - Entry regulation
  - Public ownership
  - Vertical integration
  - Market structure
- Rail
  - Entry regulation
  - Public ownership
  - Vertical integration
  - Market structure
- Road
  - Entry regulation
  - Price controls
  - Public ownership
  - Market structure
- Post
  - Entry regulation
  - Public ownership
  - Market structure
- Telecom
  - Entry regulation
  - Public ownership
  - Market structure

ETCR
The indicators on sector regulation aggregate information by sector – services sectors

- Legal
  - Entry regulation
  - (Shared) exclusive rights
  - Education requirements
  - Compulsory chamber membership
  - Quotas
- Conduct regulation
- Accounting
- Engineering
- Architecture

Professional services

Retail distribution
- Registration and licensing
- Special regulation of large outlets
- Protection of existing firms
- Regulation of shop opening hours
- Price controls
- Promotions/discounts

- Prices & fees
- Marketing/advertising
- Form of business
- Inter-professional cooperation
The 2013 reveals still a fair degree of heterogeneity across countries.

Economy-wide PMR indicator
Index scale 0 to 6 from least to most restrictive
Countries displayed different extents of regulatory reform over the period 2008-13.

**Economy-wide PMR indicator**

Index scale 0 to 6 from least to most restrictive
Changes in the overall PMR score can be traced back to specific areas of reform...

### Average change in PMR score across OECD countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State control</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barriers to entrepreneurship</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barriers to trade and investment</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Barriers to entrepreneurship**
- Admin. burdens for corp. firms
- Legal barriers to entry
- Antitrust exemptions
- Barriers in netw. sectors
- Barriers to FDI
- Tariff barriers
- Barriers to trade facil.

**State control**
- Gov't involve. in new. sectors
- Direct control
- Governance of SOEs
- Price controls
- Licenses and control reg.
- Comm. and simplification
- Admin. burdens for corp.
- Barriers in serv. sectors
- Diff. treatm. of foreign suppl.
... and to specific sectors in which reforms were concentrated.

Average change in PMR score across OECD countries
Product market regulations are converging across countries, but at a declining pace.

Convergence in PMR scores across countries

5-year change in PMR score versus initial level

Correlation coefficient: -0.63

Correlation coefficient: -0.53

Correlation coefficient: -0.48
The scope for improvement remains significant in some areas.
Structural reforms can make a difference to growth.

GDP effect of structural reform scenario
Percentage point deviation from baseline scenario, 2012-2030

Source: OECD Economic Outlook 2012, Issue 1. The GDP effect is based on a combination of education, pension, labour market and product market reforms.
Further information can be found on the PMR webpage.

The PMR webpage contains all detailed data and indicators as well as links to OECD studies that describe the data and indicators and assess their link with economic performance:

www.oecd.org/eco/pmr