

## CHILE

Chile has one of the largest GDP per capita gaps with respect to the upper half of OECD countries, primarily reflecting lower labour productivity. Convergence has slowed over the past decade, mainly owing to weak productivity growth. This performance shortfall could be addressed by implementing further reforms in the areas below. Female labour participation and schooling outcomes are also likely to be partly stimulated by the recent expansion of kindergarten places provided effective quality controls are put in place.

### Priorities supported by indicators

#### **Ease product market regulation**

Burdensome business regulations and an inefficient bankruptcy procedure hold back productivity growth.

**Actions taken:** A law reducing red tape for small and medium-size enterprises passed Congress in early 2010. A bill reducing the administrative burden for start-ups was submitted to Congress in June 2010. A commission is developing proposals to reform bankruptcy procedures for small businesses.

**Recommendations:** Further reduce the administrative burden for start-ups, including by establishing a one-stop shop. Ease registration and notification requirements for entry into the retail sector. Simplify the bankruptcy law to speed up and reduce the cost of closing down failed businesses.

#### **Improve secondary and tertiary education outcomes**

Uneven quality and equity of education hampers the adoption of new technologies and productivity growth.

**Actions taken:** An increased voucher subsidy for poor children was introduced and selection of pupils based on ability or socio-economic background was forbidden in primary school in 2008. Accreditation for initial teacher education is now mandatory and the government is developing standards for it. Government funding for scholarships has increased by nearly 70% over 2007-09.

**Recommendations:** Upgrade the subject-content knowledge of teachers through richer curricula and rigorous quality assurance in initial teacher education and extended on-the-job programmes. Implement the envisaged quality assurance system for primary and secondary schools. Hold schools accountable for their pupils' progress.

#### **Ease employment protection legislation for regular workers**

Low unemployment benefits in conjunction with elevated severance pay provide weak income support for workers in case of unemployment while resulting in high hiring costs for employers, contributing to fewer jobs with regular contracts and lower productivity.

**Actions taken:** The government has increased the duration of unemployment benefit receipts and eased access to the insurance component of the system, including by opening it for workers on short-term contracts. This improves the protection of unemployed workers and their ability to look for jobs that are a good match, contributing to higher productivity.

**Recommendations:** Consider lowering relatively high severance pay for regular workers to ease adjustment of the regular workforce. In return, consider increasing unemployment benefits further after a careful evaluation of recent reforms.

### Other key priorities

#### **Strengthen policies to foster female labour participation**

Low access to childhood education and care schemes hinders female labour participation, which is among the lowest across the OECD.

**Actions taken:** The government increased public nursery places nearly fourfold and kindergarten places for 2-3 year-olds by 50% over 2006-10.

**Recommendations:** Extend publicly-financed early childhood education and care further together with strong quality control, and review relatively strict part-time regulations.

#### **Strengthen competition law**

Weak competition law enforcement has curbed competition and productivity growth.

**Actions taken:** The competition law was reformed in 2009.

**Recommendations:** Implement the new competition law effectively by ensuring that the National Economic Prosecutor receives sufficient resources, by making price fixing a criminal offence, and by reviewing the maximum level of fines, which remain too low.

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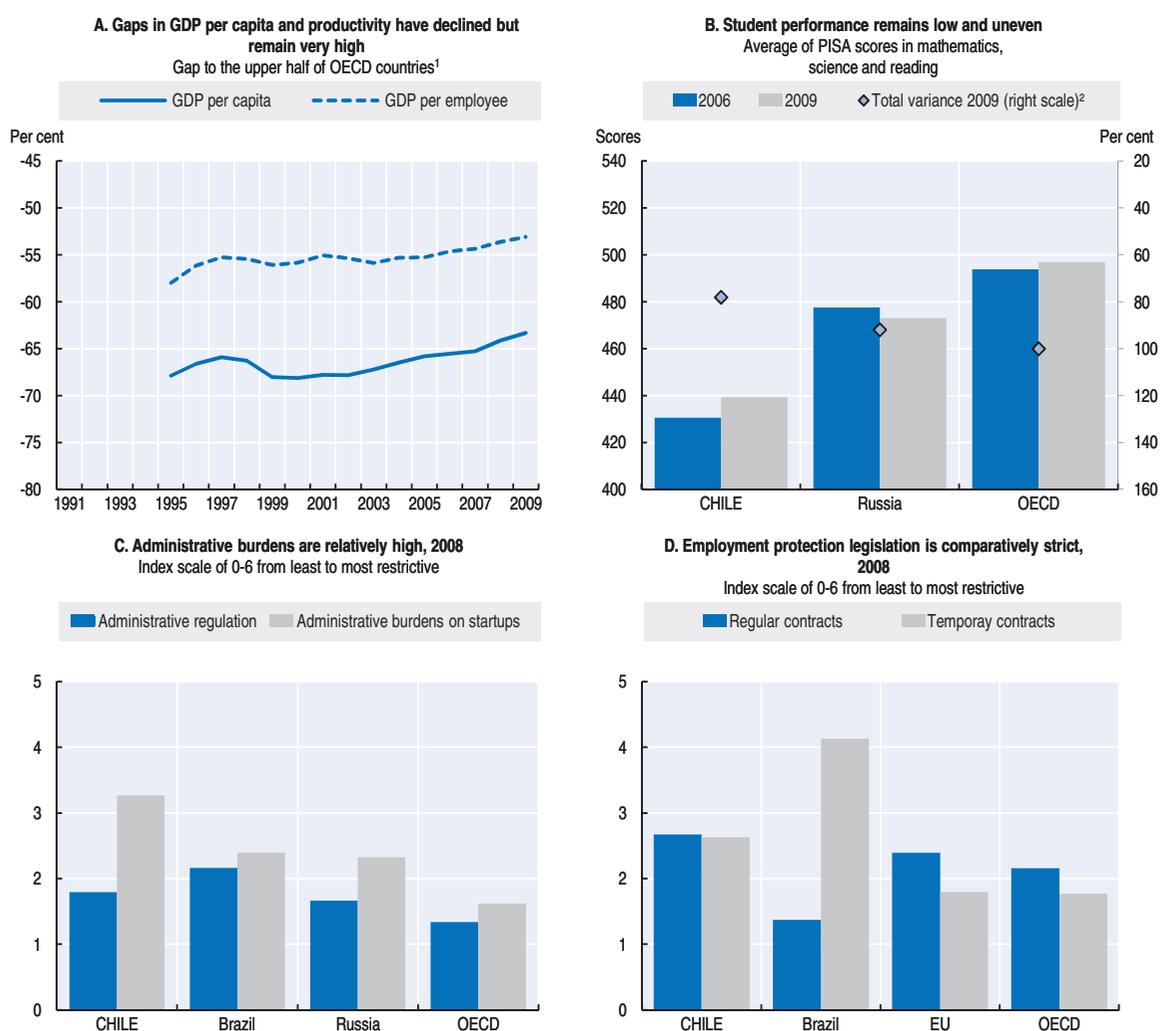
## Structural indicators

Average annual trend growth rates, per cent

	1999-2009	1999-2004	2004-09
GDP per capita	2.7	2.4	2.9
Labour utilisation	..	..	..
of which: Employment rate	1.3	0.9	1.7
Average hours	..	..	..
Labour productivity <sup>1</sup>	1.4	1.5	1.2
of which: Capital intensity	..	..	..
Multifactor productivity	..	..	..

1. Labour productivity is measured as GDP per employee.

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per employee (in constant 2005 PPPs).
2. The variance components, in reading performance only, were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance is calculated, as a percentage of the average OECD variance, from the square of the standard deviation for the students used in the analysis.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD, PISA 2009 Database; Chart C: OECD, Product Market Regulation Database; Chart D: OECD, Employment Database.

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