

CHILE

- The income gap vis-à-vis the OECD economies has continued to narrow, reflecting strong growth in employment and physical capital, but it remains significant as a result of low growth in productivity.
- Progress has been made in the area of human capital. However, further improvements in the educational system and easier regulatory procedures for businesses are needed to increase productivity and reduce the income gap with other OECD countries.
- Embracing policies to promote female labour participation, easing labour market regulation and extending unemployment insurance would increase labour supply, enhance labour market efficiency and contribute to growth. Increasing R&D to the level observed in countries at similar level of development and facilitating industry and research linkages with public-private co-ordination would lift innovation and productivity.
- Improving the quality and equity of education while ensuring that the system meets labour market needs would increase employability among young workers, improve productivity, reduce inequalities and dampen the risk of social exclusion.

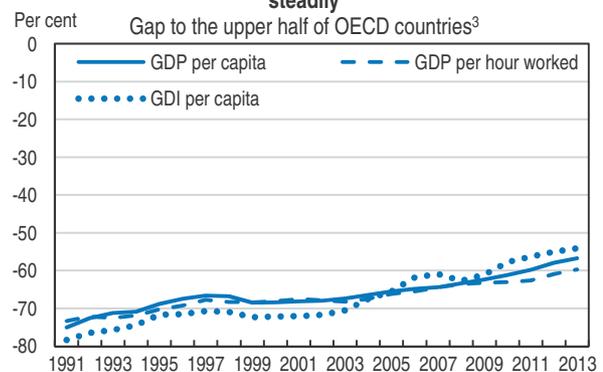
Growth performance indicators

A. Average annual trend growth rates

Per cent

	2003-08	2008-13
Potential GDP per capita	2.5	2.7
Potential labour utilisation	0.9	1.1
of which: Labour force participation rate	0.7	1.0
Employment rate ¹	0.2	0.2
Trend employment coefficient ²	0.0	0.0
Potential labour productivity	1.6	1.6
of which: Capital deepening	1.7	1.9
Labour efficiency	-0.9	-1.1
Human capital	0.7	0.7

B. The gap in GDP per capita has been narrowing steadily



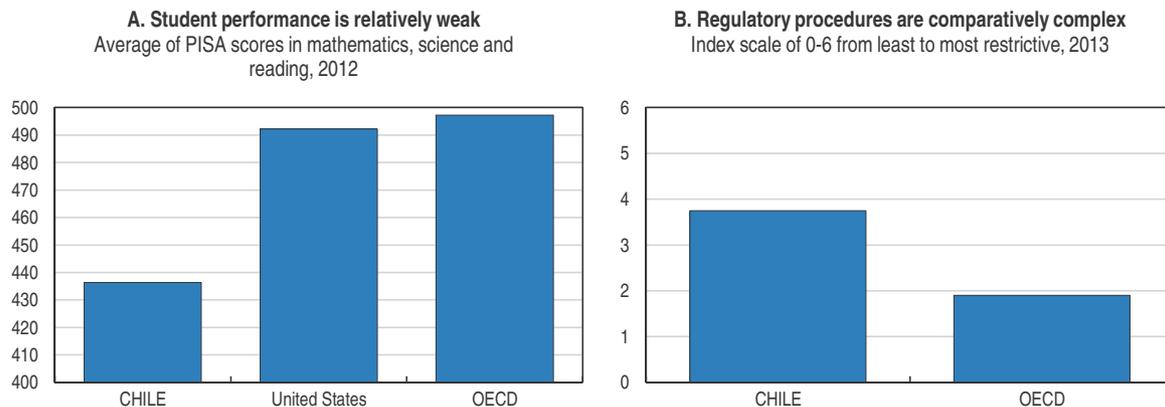
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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Policy indicators



Source: Panel A: OECD (2014), PISA 2012 Results: What Students Know and Can Do (Volume I, Revised edition, February 2014): Student Performance in Mathematics, Reading and Science, PISA, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264208780-en>. Panel B: OECD, Product Market Regulation Database, www.oecd.org/economy/pmr.

StatLink  <http://dx.doi.org/10.1787/888933178156>

Going for Growth 2015 priorities

Priorities supported by indicators

Improve quality and equity in the education system. Limited access to high-quality education lowers outcomes, inhibits productivity and increases income inequality.

Actions taken: A major educational reform was announced in 2014. Measures include ending public funding to private, for-profit schools; making all primary and secondary education free of charge; prohibiting selective practices in the admission processes of schools receiving state funding; and facilitating access to high-quality tertiary education for low-income groups.

Recommendations: Implement the educational reform rapidly. Introduce incentives to promote disciplines such as engineering and basic science. Strengthen vocational education by updating curricula to better reflect job market developments.

Enhance competition and ease regulatory procedures. Enhancing competition in sectors such as telecommunications, and facilitating regulatory procedures for businesses would boost productivity.

Actions taken: The government is promoting reforms to strengthen the antitrust system by creating a preventive merger control system, increasing fines and empowering the National Economic Prosecutor.

Recommendations: Simplify regulatory laws. Increase the level of fines and make price fixing a criminal offence to improve enforcement of the competition law. Improve co-ordination across regulatory agencies and monitor their effectiveness.

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Ease employment protection legislation and extend unemployment benefits. Lowering severance pay for regular workers can reduce labour market segmentation by e.g. increasing youth employment, while extending unemployment benefits can enhance labour market efficiency.

Actions taken: No action taken.

Recommendations: Lower the severance pay for regular workers to ease the adjustment of the regular labour force and to encourage the formalisation of employment. Complement this with the implementation of the proposed unemployment benefit reform.

Other key priorities

***Strengthen support to R&D and innovation.*¹** Chilean firms tend to spend relatively little on innovation, missing important productivity gains.

Recommendations: In order to close the R&D spending gap *vis-à-vis* countries at similar levels of development, facilitate industry and research linkages, and promote public-private co-ordination to exploit natural endowments. Expand government financial support for advanced degrees in fields with substantial technological content (such as engineering and science), as scarcity of qualified workers in these areas limits R&D investment.

Strengthen policies to foster female labour force participation. Promoting female participation rates can increase labour supply, contributing to growth.

Actions taken: The administration is planning to open 4 500 new childcare institutions for children under three years of age during the next four years. Of these, over 500 institutions were already created in 2014.

Recommendations: Ensure rapid implementation of the plan to expand access to childcare.

Reform areas no longer considered a priority in *Going for Growth*

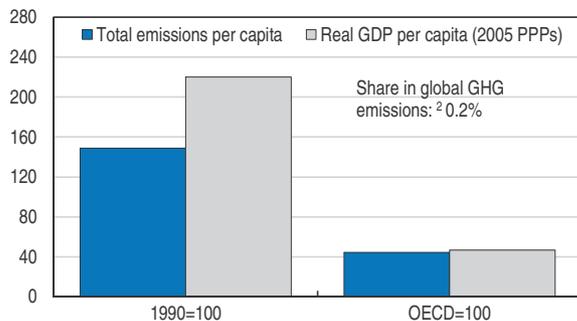
For Chile, all priority areas from the 2013 issue of *Going for Growth* are maintained.

1. New policy priorities identified in *Going for Growth 2015* (with respect to *Going for Growth 2013*) are preceded and followed by an “**”.

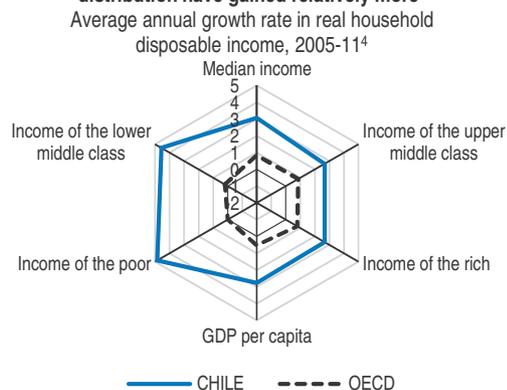
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Beyond GDP per capita: Other policy objectives

A. Emissions per capita remain low and have risen by less than GDP since 1990
2010¹



B. Households in the lower half of the income distribution have gained relatively more³
Average annual growth rate in real household disposable income, 2005-11⁴



1. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.
4. Data refer to 2006-11 for Chile.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and United Nations Framework Convention on Climate Change (UNFCCC) Database. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink  <http://dx.doi.org/10.1787/888933178583>