

## CHILE

- The income gap related to the advanced OECD countries has narrowed, reflecting strong growth in labour force participation and physical capital, but the gap remains significant as a result of slow growth in productivity.
- Income inequality has declined somewhat in recent years, yet remains one of the highest among OECD countries. Poverty remains also very high.
- Progress has been made in improving the quality and equity of the education system following the implementation of initiatives at multiple education levels. Pro-competition amendments to regulations have been made, while increases in unemployment benefits have improved social benefits. A productivity agenda, complemented by further measures to boost the growth capacity of the economy, has also been rolled out.
- Embracing policies to promote female labour force 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 a similar level of development while facilitating industry and research linkages with public-private co-ordination would lift innovation and improve productivity. Improving the quality and equity of education while ensuring that the system meets labour market needs would increase employability among young workers, boost productivity, reduce inequalities and dampen the risk of social exclusion. The strengthening of innovation policies could help to boost growth and to protect the environment.

### Going for Growth 2017 priorities

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

**Actions taken:** Previously approved laws are under implementation and others under review in Congress. More recently, the Government sent the draft of the Reform of Higher Education to Congress, proposing a financing framework to ensure free access for all, the creation of a new institutional framework requiring mandatory accreditation of all higher education institutions, the strengthening of the National Council to co-ordinate public and private actors of vocational technical education, and the introduction of improvements in the admission system.

**Recommendations:** Fully implement the education reform. Introduce further incentives to promote technology-oriented fields such as engineering and basic science. Strengthen vocational education by updating curricula to better reflect job market developments. Undertake a skills strategy to assess labour market needs and guide training and education policies.

**Enhance competition and ease regulatory procedures.** Strengthening product market competition and facilitating regulatory procedures for businesses would boost productivity.

**Actions taken:** An amendment to competition laws, approved in 2016, criminalises cartels, punishes anti-competitive practices, sets higher fines for those who collude and makes merger notification compulsory.

**Recommendations:** Further reduce the complexity of administrative procedures for businesses and simplify sector-specific regulations.

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## Growth performance and inequality indicators

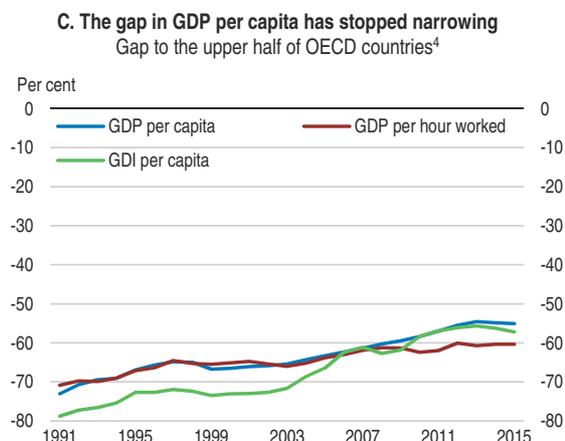
A. Growth		
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	3.3	3.1
Labour utilisation	0.5	1.9
of which: Labour force participation rate	0.6	1.3
Employment rate <sup>1</sup>	0.0	0.6
Employment coefficient <sup>2</sup>	0.0	0.0
Labour productivity	2.1	0.8
of which: Capital deepening	1.4	1.4
Total factor productivity	0.7	-0.5
Dependency ratio	0.6	0.3

B. Inequality		
	Level	Annual variation (percentage points)
	2013	2009-13
Gini coefficient <sup>3</sup>	46.5 (31.7)*	-0.4 (0)*
Share of national disposable income held by the poorest 20%	4.9 (7.7)*	0.1 (0)*

\* OECD average

- 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.
- This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
- The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
- Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

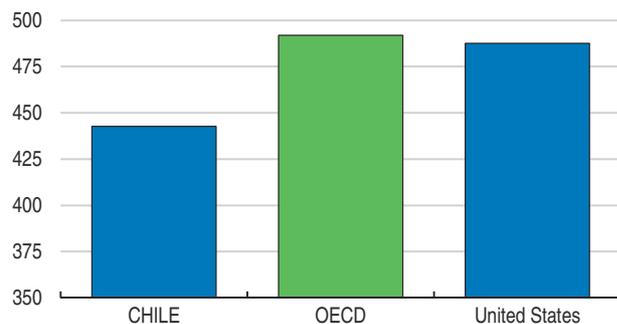
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.



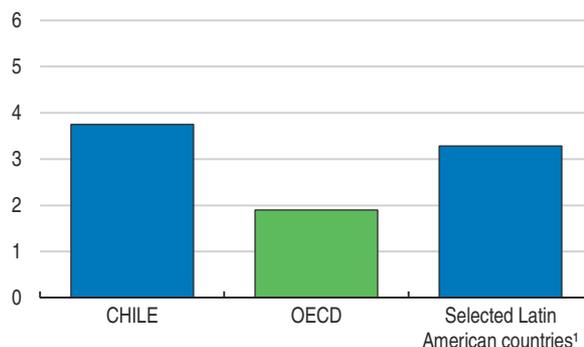
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## Policy indicators

**A. Student performance is relatively weak**  
Average of PISA scores in mathematics, science and reading, 2015



**B. Regulatory procedures for businesses are comparatively complex**  
Index scale of 0-6 from least to most restrictive, 2013



- Average of Brazil, Chile and Colombia.

Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Product Market Regulation Database*.

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**Ease employment protection legislation.** Lowering severance pay for regular workers can reduce labour market segmentation, notably by increasing youth employment.

**Actions taken:** Congress approved in 2015 a bill that modifies unemployment benefits by increasing replacement rates and the upper and lower limits of monthly payments for both workers with open-ended and fixed-term contracts. The limit on the number of payments was increased by an additional month.

**Recommendations:** Lower the severance pay for regular workers to ease the adjustment of the regular labour force and to encourage the formalisation of employment.

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

**Actions taken:** The Productivity, Innovation and Growth Agenda, which supports entrepreneurship, innovation and strategic investments, is progressively implemented since 2014. In addition, the Government has adopted most of the 22 measures announced in 2016 to boost productivity and expand the growth capacity of the economy. The initiatives are concentrated in three areas: expanding programme funding, promoting exports of services, and simplifying procedures to facilitate entrepreneurship and investment.

**Recommendations:** In order to close the R&D spending gap related to countries at similar levels of development, expand direct R&D support, 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, as scarcity of qualified workers in these areas limits R&D investment.

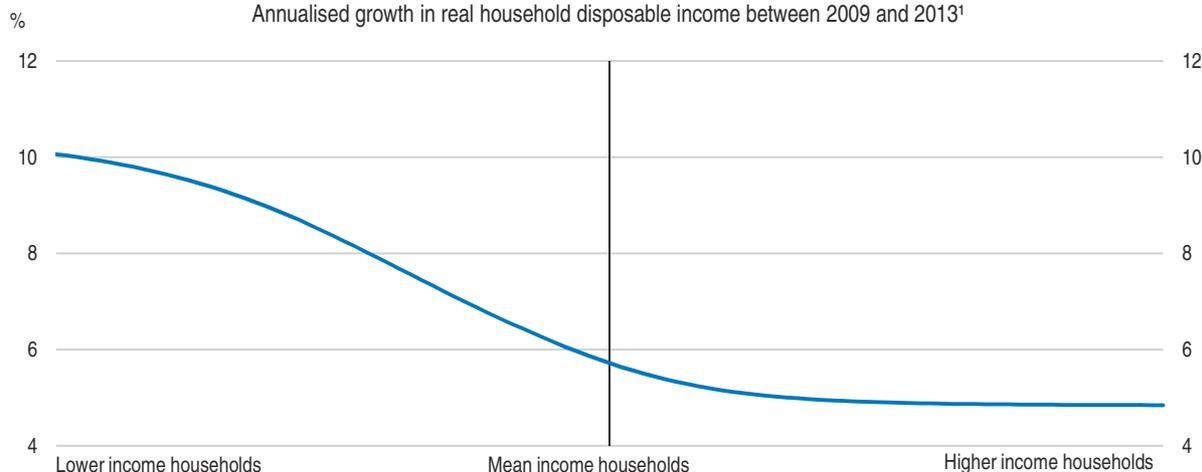
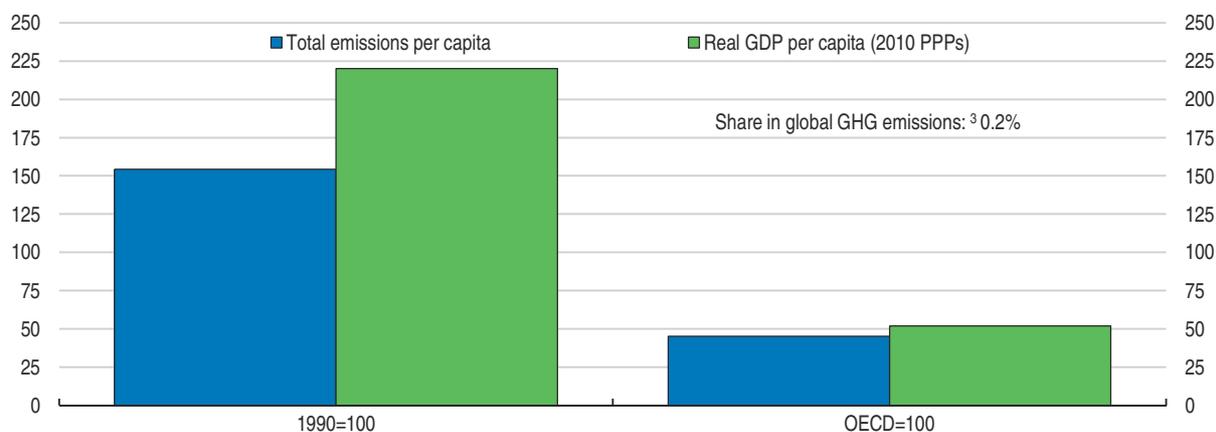
**Strengthen policies to foster female labour force participation.** Encouraging more women to join the labour market can increase employment, contributing to growth.

**Actions taken:** A Ministry of Women and Gender Equity was created in 2016. The current government is building more than 3 000 childcare centres during the period 2014-18, and expanding spaces in existing establishments.

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

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## Beyond GDP per capita: Other policy objectives

A. Income increased more for households in the lower part of the distribution  
Annualised growth in real household disposable income between 2009 and 2013<sup>1</sup>B. Emissions per capita remain low and have risen by less than GDP since 1990  
2010<sup>2</sup>

1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2009 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
  2. Total GHG emissions in CO<sub>2</sub> 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.
  3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.
- Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

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