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- The GDP per capita gap with OECD countries is slowly diminishing but remains large and is mainly due to comparatively weak labour productivity performance.
- Among key priority areas, progress has been made in improving access to education (notably through the effects of conditional cash transfers), in promoting infrastructure investment and in reducing informality in labour market. However, the areas of tax reform and financial markets have seen less progress.
- A more educated workforce, better infrastructure, less tax distortion and more efficient financial intermediation would support productivity improvements, while labour utilisation could be enhanced by raising effective retirement ages.
- Educational attainment displays a highly uneven distribution, although better access to education has contributed to decreasing income inequality in recent years. Additional action in this area would not only increase economic growth, but could at the same time lead to further reductions in income inequality.

Growth performance indicators

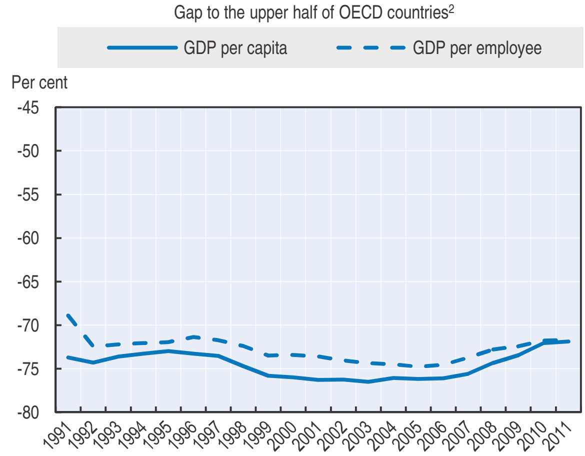
A. Average annual growth rates

Per cent

	2001-06	2006-11
GDP per capita	2.1	3.3
Labour utilisation[1]	1.4	0.9
Labour productivity	0.7	2.4

B. Gaps in GDP per capita and productivity are large but have started to decline

Gap to the upper half of OECD countries[2]



1. Labour utilisation is defined as the ratio of total employment over population.
2. 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).

Source: OECD, *National Accounts and OECD Economic Outlook 92 Databases*; World Bank (2012), *World Development Indicators* (WDI) and ILO (2012), *Key Indicators of the Labour Market (KILM) Databases*.

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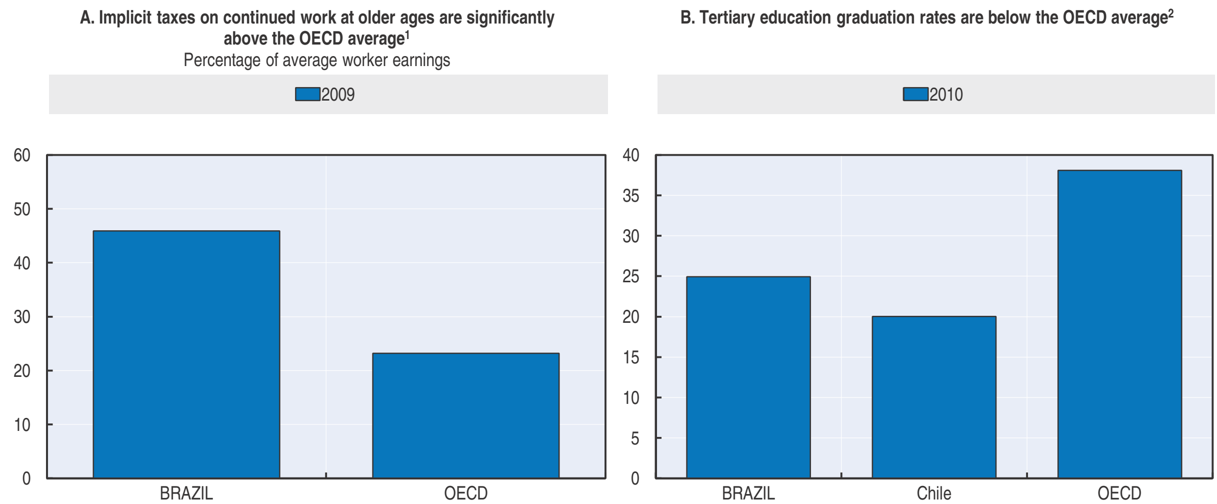
Policy indicators



1. Implicit tax on continued work for five more years embedded in the regular old-age pension scheme for 60 year-olds.
2. First degree graduation rates for typical age at tertiary-type A level.

Source: Duval, R. (2003), "The Retirement Effects of Old-Age Pension and Early Retirement Schemes in OECD Countries", *OECD Economics Department Working Papers*, No. 370, OECD Publishing; OECD calculations and OECD Pension models; OECD, *Education at a Glance 2012: OECD Indicators*.

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Identifying *Going for Growth 2013* priorities

Priorities supported by indicators

Enhance outcomes and equity in education. Increasing the overall education level of the workforce would accelerate productivity growth.

Actions taken: The 2011-20 National Education Plan continues to provide additional funding and incentives for basic and professional education. New programmes, established in 2011, finance vocational training of low-skilled workers and scholarships for tertiary education.

Recommendations: Focus on improving the quality of education through better teacher pay, training and stronger performance incentives. Expand tertiary vocational and professional training programmes to address skill shortages and reduce drop-out rates.

Improve incentives for formal labour force participation, especially among seniors. Reforming public benefit programmes would raise the currently low formal-sector participation levels.

Actions taken: The March 2012 reform of the public-sector pension regime introduced savings-based benefits and will improve incentives for continued work. Payment of unemployment benefits to repeated claimants has been made conditional on training participation in July 2012.

Recommendations: Remove disincentives to formal labour force participation ensuing from benefit programmes and related contributions. In particular, introduce a general minimum retirement age, contain pension increases and reduce social contributions for low-paid workers.

Reduce distortions in the tax system and lower the labour tax wedge. A less onerous tax system and lower labour tax wedges would contribute to faster productivity gains.

Actions taken: In 2012, labour contributions have been cut in tradable sectors such as automotive parts, textiles and electronics. Indirect taxes on imports have been harmonised across states.

Recommendations: Reduce fragmentation and complexity of the tax system. Unify state-level value-added tax (VAT) rates and bases for domestic goods, and ease the tax burden on labour income more broadly.

Other key priorities

Increase private investment in infrastructure and remove remaining barriers to competition. Better infrastructure, accessible at competitive prices, would lead to higher productivity growth.

Actions taken: New concessions for airports have been successfully offered to the private sector in 2012. Furthermore, sale of concessions for 9 highways and 12 railways has been announced.

Recommendations: Promote private-sector participation in infrastructure, through more public-private partnerships and concessions. Promote competition where possible, including by regulating network access charges. Improve management capabilities for infrastructure projects at the state and municipality level. Scale down public current expenditures to promote infrastructure investment.

Improve the efficiency of financial markets. Long-term financial markets are underdeveloped, hampering capital allocation and productivity.

Actions taken: Despite measures to encourage private engagement in long-term credit markets and a slight decrease in directed lending volumes by the public development bank in 2011, the public sector remains dominant in this segment. Public banks have taken the lead in cutting intermediation spreads.

Recommendations: Gradually phase out mandated credit provisions to certain sectors, including agriculture and housing. Allow private banks to compete on equal terms with public entities in long-term lending. Ease bank reserve requirements to lower intermediation costs over the medium term, in accordance with the objective of ensuring both the stability and development of financial markets.

Previous *Going for Growth* recommendations no longer considered a priority

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

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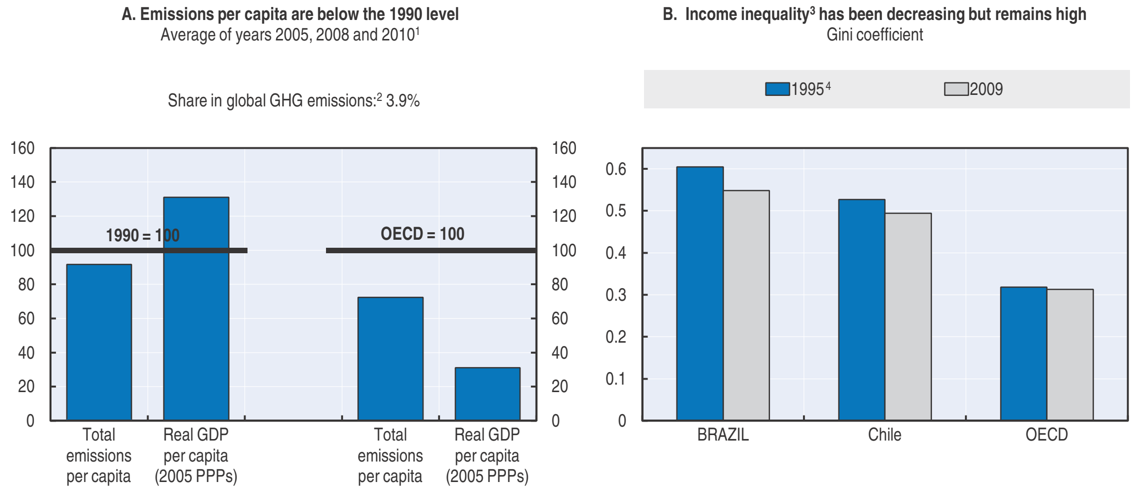
Other dimensions of well-being: Performance indicators



1. Total GHG emissions in CO_2 equivalents from the *International Energy Agency (IEA) Database*. These 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 IEA data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on per capita income for Brazil.
4. Data refer to 1993 for Brazil and to 1996 for Chile. The OECD average excludes Estonia, Iceland, Korea, Poland, Slovak Republic, Slovenia and Switzerland.

Source: OECD, *Energy (IEA) Database*; OECD (2011), "Special Focus: Inequality in Emerging Economies", in *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing, and *OECD Income Distribution Database*, provisional data (*www.oecd.org/social/inequality.htm*).

StatLink http://dx.doi.org/10.1787/888932776048