

Colombia

Colombia is a fast-growing middle-income country. Colombia's large income gap with OECD countries has been narrowing, driven by improvements in labour productivity and employment growth. Its GDP per capita as well as its productivity level are however only just over a third the OECD average. Employment rates have increased substantially and are now close to the OECD average.

The gap in income per capita vis-a-vis the OECD average is large, but narrowing

COLOMBIA	Pre-crisis 2003-08	Post-crisis 2011-16
<i>Levels</i>		
GDP per capita**	9471 (33712)*	12200 (35776)*
GDP per employee**	24.1 (71.6)*	27.3 (76.2)*
Employment rate, %	60.9 (66.4)*	66.6 (66.8)*
<i>Average annual growth rate</i>		
GDP per capita	4.2 (2.8)*	2.5 (1.4)*
GDP per employee	4.5 (1.8)*	1.6 (0.9)*
Employment	1.3 (1.6)*	2.0 (1.0)*

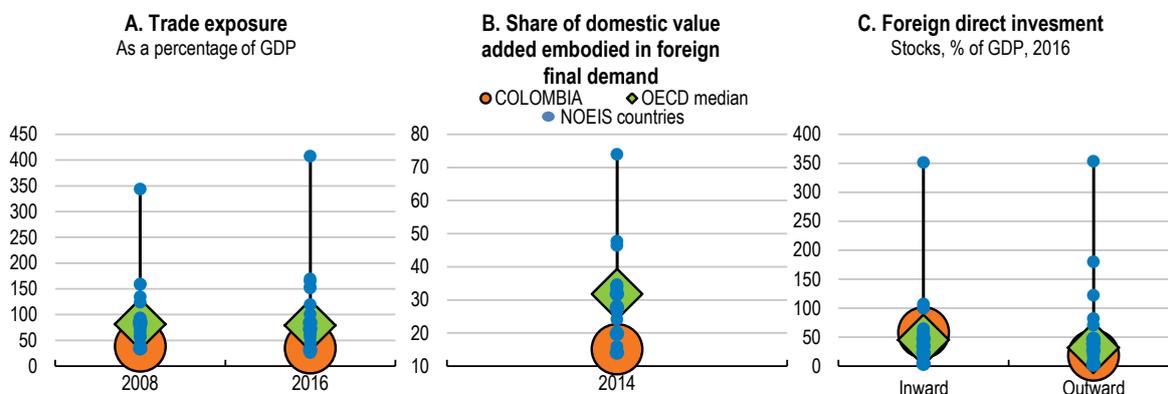
Notes: * Unweighted OECD average in brackets.

** USD, constant 2010 PPPs and constant prices.

Source: OECD, National Accounts, Productivity, Labour Force Statistics and Income Distribution Databases.

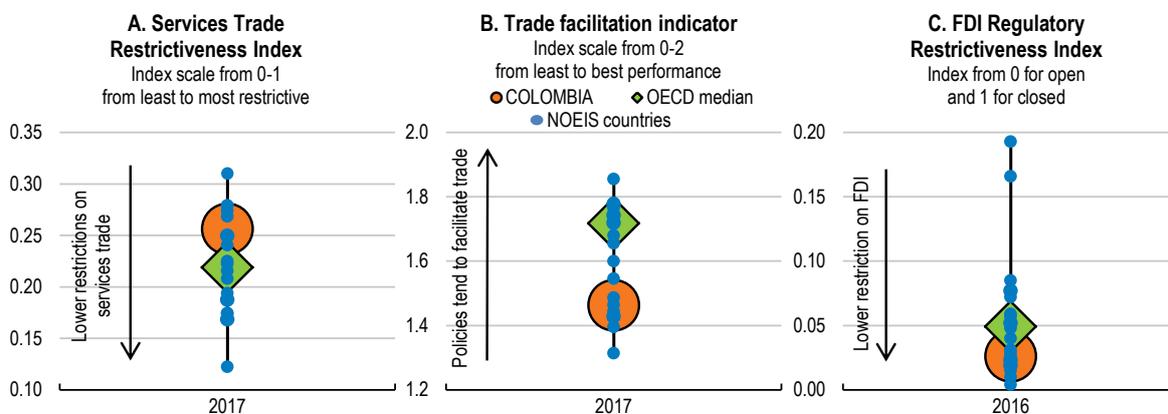
Colombia is less exposed to trade than other NOEIS countries but receives more FDI. It is also less integrated in global value chains, to which it mainly participates via the supply of primary inputs, resulting in a very low foreign value added incorporated in exports. Tariffs have declined sharply since 2010 following the negotiation of several trade agreements including with the US and the EU, and they are considered as relatively low – in particular in comparison with some of its neighbouring countries. But there are still significant restrictions to trade that limit Colombia’s participation to global value chains, including high protection of the service sector. Colombia has more barriers to trade in services – measured by the OECD’s STRI score - than the sample average in half of 22 sectors, with particularly high protection in broadcasting and commercial banking. Services account for a low share of exports (30% in gross terms and only 25% in value added terms) and one-third of inward FDI, but around 60% of GDP and more than 70% of employment. Barriers to FDI are overall lower than in most OECD and NOEIS countries and Colombia is attracting relatively more FDI as a share of its GDP.

Trade exposure is not very high, but inward FDI is significant



Source: Panel A: OECD, [Economic Outlook Database](#) and World Bank, World Integrated Trade Solution; Panel B: OECD, [TIVA Nowcast estimates Database](#); Panel C: OECD, [Foreign Direct Investment Database](#) and UNCTAD.

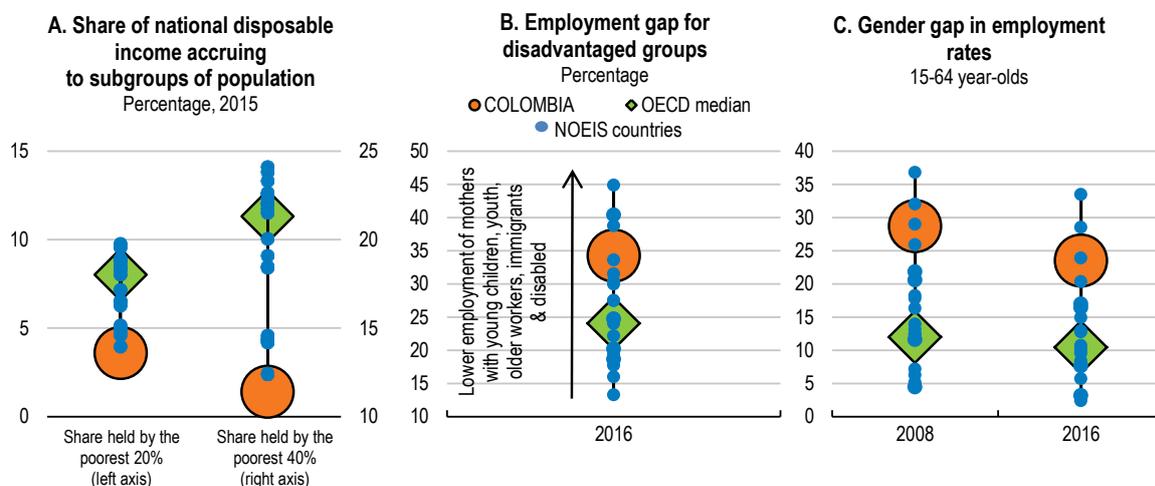
Trade and FDI face some important restrictions



Source: Panel A: [OECD, Services Trade Restrictiveness Index Database](#); Panel B: OECD, [OECD, Trade Facilitation Indicators Database](#); Panel C: [OECD, FDI Regulatory Restrictiveness index database](#).

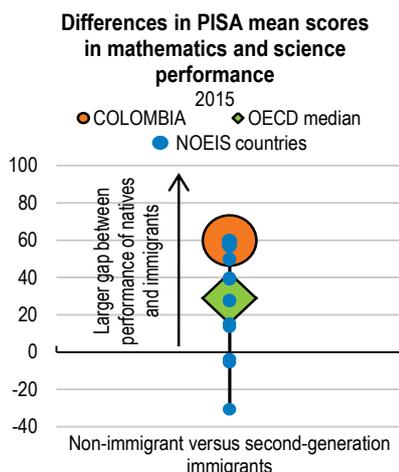
Inequality is very high and is a key challenge. Colombia is among the most unequal NOEIS countries, with a very low share of national income accruing to the low-income groups. Recent tax reforms have aimed to improve the redistribution of the tax and benefit system and poverty has declined substantially in the past decade. Still it remains very high by OECD standards. Employment rates of the potentially disadvantaged groups, such as mothers with children, youth, older workers, non-natives, and persons with partial disabilities, are also well below those of prime-age men. Moreover, more than half of the workers hold informal jobs, which are low paid and without access to social benefits. Women employment rates, while increasing, remain 25% below those of men. Moreover, women usually work shorter hours than men and more often hold informal jobs. The pay gap for full time employees is however less than the OECD average. Colombia's performance on PISA scores has improved substantially in the past decade, while it nonetheless remains below the OECD average and, socio-economically disadvantaged students, including immigrants, are less likely to succeed at school than their more advantaged peers.

Inequality in incomes and employment opportunities is a major challenge



Source: Panel A: OECD, [OECD, Income Distribution Database](#) and World Bank, World Development Indicators Database; Panel B: OECD (2018), OECD Jobs Strategy Analytical Volume, forthcoming; Panel C: OECD, Labour Force Statistics Database and ILO, Key Indicators of the Labour Market.

Inequality of opportunities in education is significant



Source: OECD, [PISA 2015 Results \(Volume I\): Excellence and Equity in Education](#), Annex B1.7 Results (tables): Immigrant background, student performance and students' attitudes towards science.

 METADATA ANNEX

Economic openness

- **Trade exposure** is defined as exports and imports over GDP.
- **The share of domestic value added embodied in foreign final demand** is defined as domestic value added, from industry, meeting foreign final demand, as a percentage of industry value added. It can be considered as a measure of an industry's reliance on foreign final demand. Here, the denominator is value added adjusted to be consistent with final demand (both domestic and foreign).
- **Foreign Direct Investment stocks** are defined as the total level of direct investment at a given point in time, usually the end of a quarter or of a year. The outward FDI stock is the value of the resident investors' equity in and net loans to enterprises in foreign economies. The inward FDI stock is the value of foreign investors' equity in and net loans to enterprises resident in the reporting economy. For the Netherlands, FDI stock data exclude positions to and from resident Special Purpose Entities (SPEs); SPEs are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in an economy. Excluding such entities from the FDI statistics provides a better measure of the FDI of the country that is having a real impact on its economy.

Trade and FDI

- **The Services Trade Restrictiveness Index (STRI)** identifies which policy measures restrict trade. It provides policy makers information and measurement tools to improve domestic policy environment, negotiate international agreements and open up international trade in services. It can also help governments identify best practice and then focus their domestic reform efforts on priority sectors and measures. The index presented is a geometric average of all sectors and takes value from 0 to 1, where 0 is completely open and 1 is completely closed.
Data are missing for Argentina and Peru.
- **Trade facilitation indicators (TFIs)** identify areas for action and enable the potential impact of reforms to be assessed and help governments to improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The index takes values from 0-2 (least to best performance). The index presented is a simple average over 11 dimensions of the TFI.
Data are missing for Iceland.
- **The FDI regulatory Restrictiveness Index** is gauging the restrictiveness of a country's foreign direct investment rules by looking at four main types of restrictions: foreign equity restrictions, discriminatory screening or approval mechanisms, restrictions on key foreign personnel and operational restrictions. Implementation issues are not addressed and factors such as the degree of transparency or discretion in granting approvals are not taken into account. The index takes values between 0 for open and 1 for closed.

Inequality

- **The share of national disposable income held by the poorest 20% and 40%** is defined as the share of income that accrues to subgroups of population indicated by deciles or quintiles.
For the poorest 20%, data refer to 2014 for Argentina, Germany, Hungary, Luxembourg; 2012 for Japan.
- **The employment gap for disadvantaged groups** is expressed as a percentage of the benchmark group (prime-age male workers). Disadvantaged groups include mothers with young children, youth (15-19 years old) excluding those in full-time education or training, older workers (55-64 years old), non-natives and people with disabilities.
Data are missing for Colombia and Costa Rica in 2006 and for Peru in 2006 and 2016.
- **The gender gap in employment rates** is defined as the difference between employment to population ratios of men and women aged 15-64.
Data refer to 2010 and 2014 for Argentina.

Redistribution, activation and inequality of opportunities

- **The redistribution of the tax and transfers system** is measured as the difference between pre-tax and transfer and post-tax and transfers Gini coefficients, relative to the pre-tax and transfer Gini coefficient. The Gini coefficient measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. The coefficient takes the value of 0 in the case of perfect equality and 100 for perfect inequality.
Data refer to 2014 for Germany, Hungary, Luxembourg and Peru; 2012 for Japan. Data are missing for Argentina and Colombia.
- **Public expenditure on active labour market policies per unemployed** are measured by all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. It includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. Data are expressed as a percentage of GDP per capita. Original data can be accessed under: <http://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP>. *Data are missing for Argentina, Colombia, Costa Rica and Peru. For Canada, data include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' and territories' additional or complementary funding of these programmes.*
- **Differences in PISA mean scores (average of mathematics and science) between natives and first and second generations of immigrants.** PISA assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies
Data are missing for Japan, Poland and Peru. For Argentina, data refer to the region of the capital city of Buenos Aires.
- **The variance of educational achievement** is measured as the total variance in PISA scores in reading, mathematics and science, compared to the OECD (OECD=100). The Programme for International Student Assessment (PISA) assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis.
For France, average of PISA scores in mathematics and reading only in 2015. For Argentina, data refer to the region of the capital city of Buenos Aires.