

Chile

Chile has been rapidly converging towards average OECD income levels but the gap remains large. Chile's GDP per capita was 53% below the OECD average before the crisis and the difference has narrowed to 44% in 2017. Employment rates, particularly for women, have increased significantly since 2008, but remain below the OECD average. At the same time, hours worked are among the highest in the OECD. The gap in productivity levels has also narrowed but remains large and productivity growth has been sluggish since the crisis.

The gap in income per capita vis-a-vis the OECD average is sizeable, but the catch up continues

CHILE	Pre-crisis 2003-08	Post-crisis 2011-16
<i>Levels</i>		
GDP per capita**	16266 (33712)*	20324 (35776)*
GDP per hour worked**	20.1 (41.6)*	23.1 (45.6)*
Employment rate, %	56.3 (66.4)*	62.1 (66.8)*
<i>Average annual growth rate</i>		
GDP per capita	4.4 (2.8)*	1.7 (1.4)*
GDP per hour worked	4.0 (2.0)*	1.9 (1.1)*
Employment	3.5 (1.6)*	1.3 (1.0)*
Median household disposable income***		5.7 (1.4)*

Notes: *Unweighted OECD average in brackets.

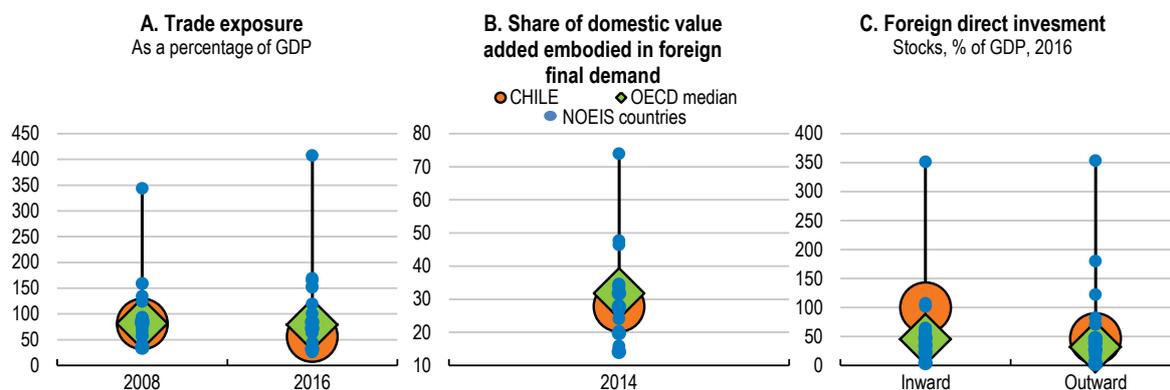
** USD, constant 2010 PPPs and constant prices.

*** Data are deflated by the consumer price index. 2011-15 for Chile.

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

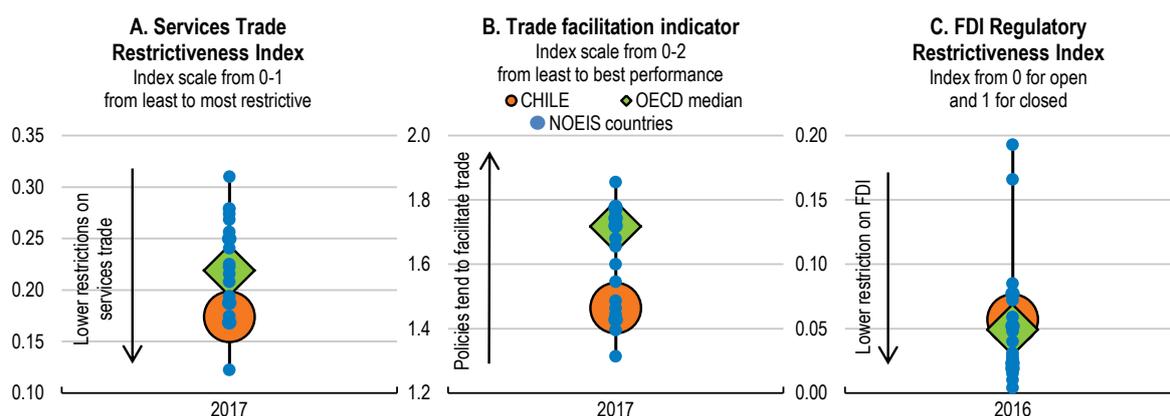
Chile is an open economy dominated by natural resources. Chile’s exposure to foreign trade, including intra-regional trade and participation in global value chains is somewhat below that of most other OECD countries. However, this is typical for an economy where raw material exports – in particular copper - play a major role, accounting for roughly 45% of exports. Cross-border tariffs are generally considered as low. Services account for some 11% of Chile’s gross exports, 36% of value-added exports and nearly a quarter of inward FDI. Trade restrictions on services are limited, lower than the OECD average in 19 out of 22 sectors. On the other hand, Chile ranks among the countries with the most burdensome border procedures. Chile receives more FDI as a share of its GDP than many other OECD countries, a large share of which (about 40%) goes to the primary sector. Restrictions on FDI are moderate, with most restrictions affecting transports and telecommunication sectors.

Chile’s trade openness is around the OECD median, while inward FDI is high



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.

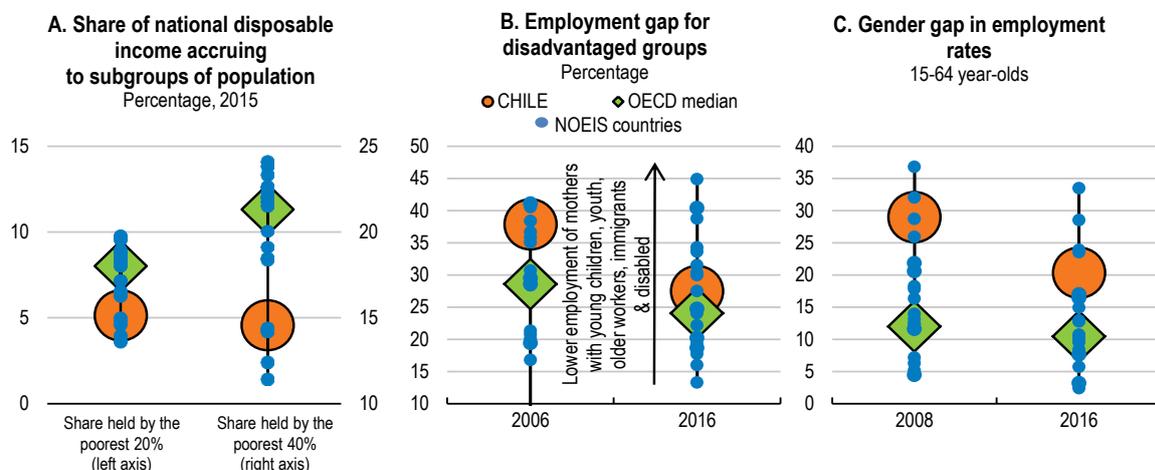
Services trade faces few restrictions, while non-tariff barriers to trade are high



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](#).

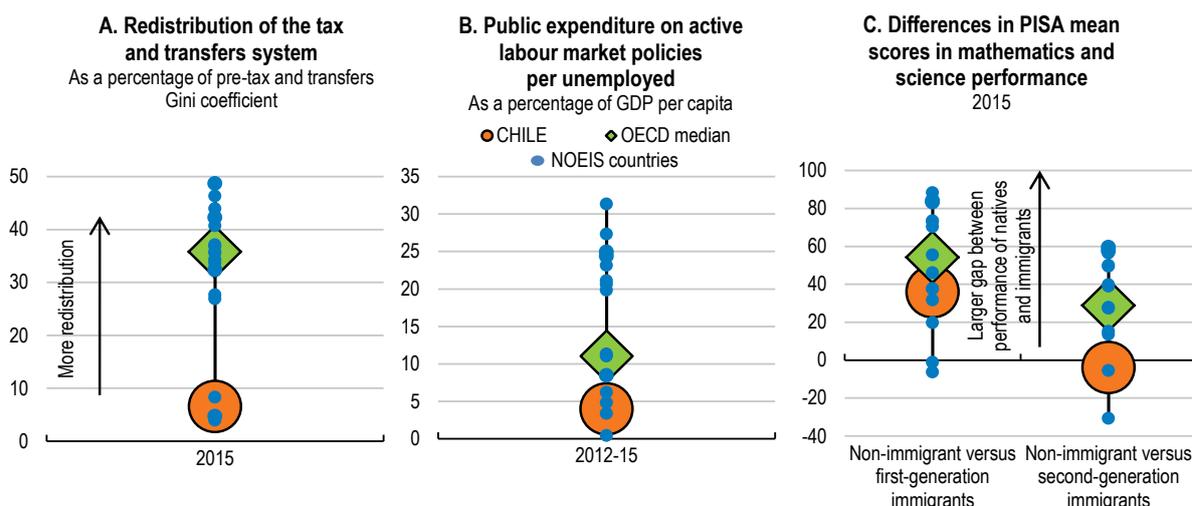
Inequality is high. Chile is among the most unequal OECD countries with relative poverty, informality, the share of low-skilled workers and youth unemployment all high by OECD standards. Income inequalities are only slightly tamed by the tax and transfer system which is among the least redistributive. The employment performance of traditionally disadvantaged groups – such as mothers with young children, youth, older workers, immigrants and disabled workers - has improved significantly in the past decade. With a rapidly increasing employment rate of women, the gender employment gap has narrowed by one third in the past decade though it remains among the highest in OECD countries. Women also earn significantly less than men and the wage gap has increased mainly owing to a relative increase of female employment in lower paid industries. First generation immigrants tend to have poorer education outcomes than non-immigrants but the gap is lower than in many other OECD countries and second-generation immigrants score much better. Still, the education system delivers relatively weak outcomes and students’ socio-economic background significantly impacts their performance.

Inequality in terms of household incomes and access to employment is high



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.

Redistribution and activation policies are limited



Source: Panel A: OECD, [OECD, Income Distribution Database](#); Panel B: OECD, [OECD, Public expenditure and participants stocks on Labour Market Programmes](#) on Labour Market Programmes and [Economic Outlook Databases](#); Panel C: 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.