

## Costa Rica

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**Costa Rica has been converging towards higher income levels but the gap with the average OECD living standards remains wide.** Relatively strong productivity growth has supported Costa Rica's growth in the past decades. Gains in employment have been more modest and employment rates are below the OECD average, reflecting a low participation of women to the labour force as well as high youth unemployment rates. High levels of labour market informality prevail.

### An upper middle-income country with strong productivity growth but low employment

COSTA RICA	Pre-crisis 2003-08	Post-crisis 2011-16
<i>Levels</i>		
<b>GDP per capita**</b>	11299 (33712)*	13981 (35776)*
<b>GDP per hour worked**</b>	11.7 (41.6)*	15.4 (45.6)*
<b>Employment rate, %</b>	62.1 (66.4)*	60.5 (66.8)*
<i>Average annual growth rate</i>		
<b>GDP per capita</b>	4.1 (2.8)*	2.6 (1.4)*
<b>GDP per hour worked</b>	1.7 (2.0)*	2.7 (1.1)*
<b>Employment</b>	3.2 (1.6)*	1.7 (1.0)*

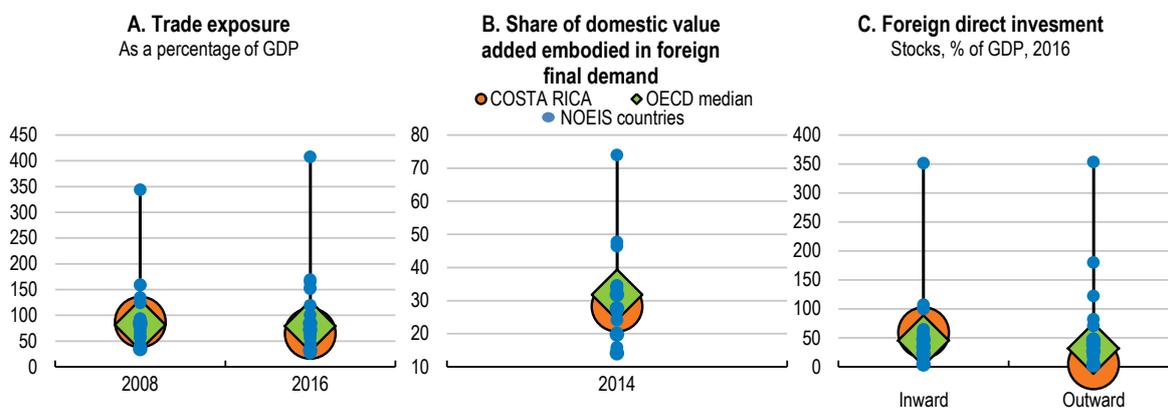
Notes: \* Unweighted OECD average in brackets.

\*\* USD, constant 2010 PPPs and constant prices.

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

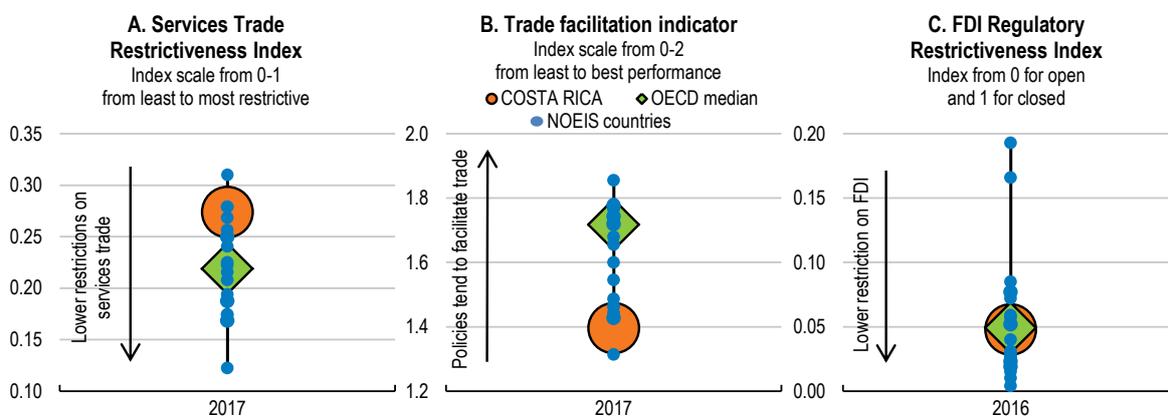
**Costa Rica is somewhat less exposed to trade than the OECD median, but it receives more FDI.** While exports and imports are lower relative to GDP than in most OECD countries, open trade and foreign direct investment are essential in Costa Rica’s development strategy. In particular, Costa Rica has a relatively friendly FDI regime, with regulatory restrictions at the OECD median. This has helped attract strong FDI inflows, which have supported the integration of the country in global value chains (GVCs). Costa Rica is also a member of the Central American Common Market (CACM) and, in recent years, it has expanded its network of regional and bilateral trade and investment agreements, including with European and Asian countries. Average tariff levels are relatively low, in particular in comparison with most other countries in the region. However, despite substantial improvements in the past decade, Costa Rica ranks among the NOEIS countries with the most burdensome border procedures and the highest barriers to trade in services. Costa Rica has a below the average STRI score in only eight out of 22 sectors, which reflects both the general regulations applying across the economy and sector-specific rules (especially in transport). Services account for a relative high share of exports (almost half of gross exports in 2017, and more than 60% in value added terms); they also account for around 70% of GDP and employ more than two-thirds of the workforce.

**A relatively open economy**



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.

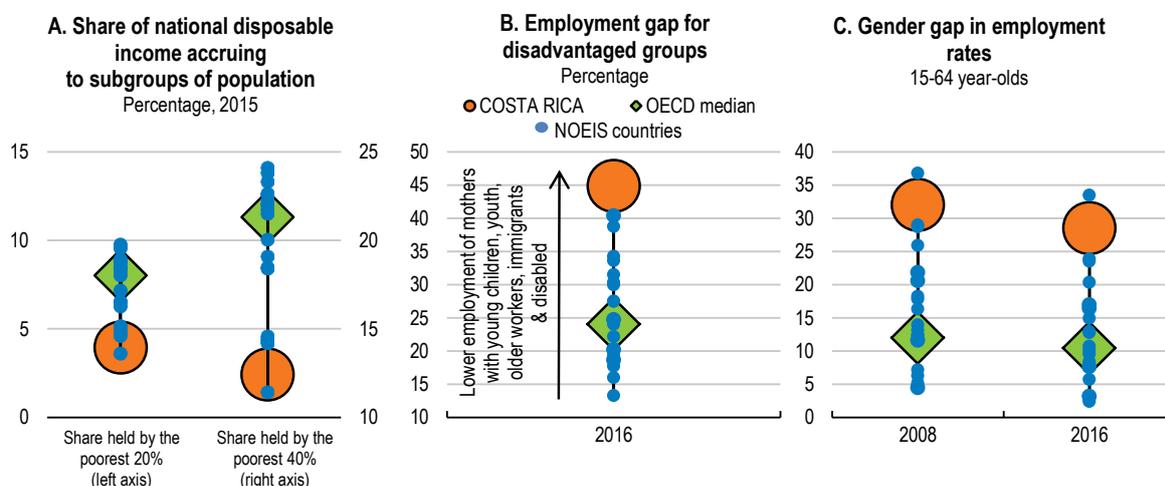
**Trade still faces important restrictions**



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](#).

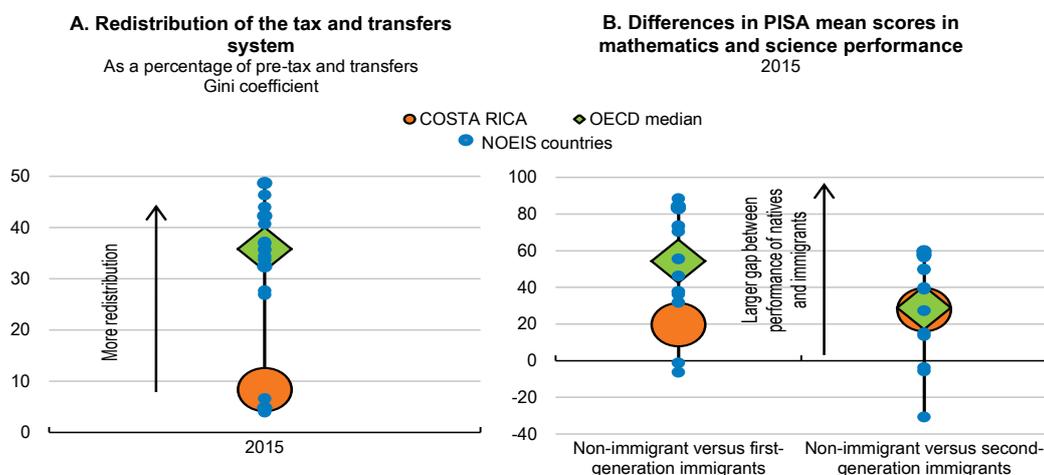
**Inequality has increased.** Income inequality is much higher than on average in the OECD and the share of income accruing to the low-income groups is among the lowest of the NOEIS countries. While absolute poverty rates are low, relative poverty is twice the OECD average. Moreover, in contrast with most other Latin American countries, inequality has increased in recent years. The tax and transfer system provides little redistribution. However, the contribution of public services to the reduction of inequality is close to OECD average. Employment rates of the potentially disadvantaged groups, such as mothers with children, youth, older workers, immigrants, and persons with partial disabilities, are particularly low. Over one third of the jobs are informal jobs, which is less than in other Latin American countries but high compared to OECD standards. The gender gap in employment is very high, and women also work much shorter hours than men, reflecting limited childcare provision. On the other hand, the pay gap for women working full time is on the low side. Access to education has substantially improved but quality remains a challenge. Despite spending more on education as a share of GDP than any OECD country, educational outcomes are relatively weak, with one third of the students lacking core competencies according to PISA results and outcomes are strongly influenced by socio-economic background.

**High inequality in income and access to employment**



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.

**The tax and transfer system does little to reduce inequality**



Source: Panel A: OECD, [OECD, Income Distribution Database](#); Panel B: 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.

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## METADATA ANNEX

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### *Economic openness*

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- **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.

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### *Trade and FDI*

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- **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.

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### *Inequality*

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- **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.*

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## *Redistribution, activation and inequality of opportunities*

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- **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.*