

# All on board to increase productivity for a more inclusive world

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For Chile, it is a great honour and opportunity to chair the 2016 OECD Ministerial Council Meeting. It is an opportunity to celebrate Chile's first five years as a member of the OECD and is yet another demonstration of the increasing relevance of emerging and developing economies, which today account for more than half of world GDP. It is also a way to influence the OECD agenda from the perspective of a group of prosperous, but still unequal, countries.

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Several emerging economies, including my own, have grown at a relatively rapid pace over the past couple of decades. Income has increased considerably, enabling a significant improvement of citizens' quality of life. Poverty has also declined substantially and people have gained access to more and better goods and services.

Despite this success, we face two looming challenges. First, in many countries inequality is unacceptably high. Among OECD countries, emerging economies, such as Chile and Mexico, rank among the top in terms of income inequality and have made limited progress in narrowing the income gap. Inequality has also increased in some advanced economies, and has become a source of concern, particularly since the crisis. Inclusiveness thus remains a key goal.

Second, productivity growth has softened almost everywhere, affecting medium-run growth forecasts both in rich and emerging countries. Structural reforms are essential, as only higher productivity can sustain growth in the long run.

The good news is that equity and growth have the potential to boost each other. Without growth it is not possible to create quality jobs and expand social rights. On the other hand, more inclusive societies have more cohesion, are less prone to conflict, and generate more confidence and stability, all of which favour growth.

And this is where productivity plays its part: it has the potential to foster economic growth and equity simultaneously. Investment in human capital, for example, not only makes workers more productive but can also reduce income gaps. Similarly, market competition not only encourages firms to become more innovative and efficient but also makes goods more accessible.

The question is, then, how do we foster productivity? When economies are less developed, the reforms needed are relatively well known. However, in more mature economies, policies to reinvigorate productivity are less straightforward. Greater innovation and better human capital are needed as well as an adequate regulatory framework and well-functioning markets. Competitive markets provide the incentives for the creation of new and efficient firms.

Taking action, Chile launched the Productivity Agenda in 2014, which included several measures that sought to encourage firms to invest in new technologies and knowledge-based capital, boost strategic areas to create quality jobs, and increase diversification of the economy—all steps that are necessary to cope with the end of the commodities super-cycle. An important step was the creation of the National Productivity Commission, a permanent, independent and participatory body that will help to ensure that productivity is the focus of policymaking, and will recommend policies from a long-term perspective.

Continuing with these efforts, the government declared 2016 the Year of Productivity. We presented a set of new structural reforms to improve productivity by decreasing financing costs for entrepreneurs and small businesses, simplifying administrative procedures to cut red tape, and implementing changes aimed at increasing services exports. The private sector has also done its part: the Business Association (CPC) proposed more than 100 measures to eliminate obstacles to productivity improvements for Chilean firms. Soon, the Workers' Union (CUT) is expected to launch a proposal to enhance workers' productivity.

Our economies face an enormous challenge to strengthen productivity and to create the conditions for a fairer and more inclusive society. To succeed, it is imperative that both governments and the private sector keep working together with a shared vision of the future of our countries. It is also critical that countries work together, as productivity enhancements usually have positive spill-overs across borders. We can all gain with a more productive world.

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