



Comisión
Nacional de
**Evaluación y
Productividad**

EXECUTIVE SUMMARY

Annual Productivity Report

2019

Productivity Report 2019

Over the last few years, Chile has had a cross-cutting agreement regarding the importance of improving our productivity in aggregate and sectoral terms, both in private and public institutions. This agreement is essential because higher productivity leads to a substantial improvement in quality of life. In countries with higher productivity levels, individuals enjoy increased leisure time and a wider selection of high-quality goods at affordable prices. Real wages are elevated, ensuring dignified work for individuals. Lower production costs and greater business profits incentivize long-term investments. Higher tax revenues enable the provision of improved public services. Additionally, the efficient utilization of natural resources helps promote environmental sustainability by reducing resource consumption rates.

For the fourth consecutive year, the National Productivity Commission (CNP) presents the Annual Productivity Report. This report provides the CNP's estimate for 2019 productivity and revises previous calculations based on the most recent available data. It also contains three additional chapters:

- The first is on Chile's statistical institutional framework and its relevance for improving the quality of public policies.
- Another chapter analyzes the impact of the recommendations made by the CNP during 2016 and 2017. The CNP shall repeat this periodically to evaluate the effect of studies on creating public policy.
- A final chapter that highlights the main findings and recommendations made during this year.

The main messages of this 2019 Annual Productivity Report are as follows:

1. Regarding TFP figures, both for the aggregate economy and non-mining economy, it is necessary to consider the possible impact of the social unrest of October 18. In particular, the uncertainty and events have resulted in a sharp drop in GDP and employment growth. In this context, scenarios are simulated based on information

from the Ministry of Finance and the Central Bank of Chile for the last quarter of the year. In addition, we consider capital losses reported by the Financial Market Commission (CMF) based on insurance companies' information. The projected results indicate that for 2019, aggregate TFP growth would range from -0.3% to 0% (depending on the unemployment scenario and capital adjustment used), while non-mining TFP would grow between 0.1% and 0.4%.

2. The dynamics of TFP (Total Factor Productivity) in 2019 were notably impacted by the shift in expectations and subsequent events following October 18th. The estimation of TFP data covers the first three quarters of the year, which are compared to the corresponding periods in previous years. It is important to note that the figures used are the latest official available data. Until September, aggregate GDP grew by 2.5% and non-mining GDP by 2.7%, showing robust but lower growth than in 2018. The aggregate number of workers grew by 1.3% and non-mining workers by 1.2%, while aggregate hours worked fell by 0.3% and non-mining hours fell by 0.1%. With these data until September, aggregate TFP would have grown between 0.5% and 0.7%, while non-mining TFP would have grown between 0.9% and 1.2%.

3. As in 2018, given the possible underestimation of the labor force in INE's information due to increased immigration (see 2018 Annual Productivity Report), this is repeated, estimating what would have happened to aggregate and non-mining TFP if corrected for migration. The estimated growth for aggregate TFP would be 0.7 and 0.9 percentage points lower during 2018 and 2019 if using the updated employment measure.

4. Sectoral estimates of Total Factor Productivity (TFP) for 2018 are also presented. The sectoral results confirm the change in trend observed in aggregate TFP during the previous year compared to last year. The Commerce, Hotels and Restaurants, Transport, and Communications sectors showed favorable growth rates in 2017, which accelerated in 2018. The exception is the Services sector, which maintained negative growth, although less so than in 2017 (-2.8% in 2017 vs -0.1% in 2018).

5. As we have mentioned on other occasions, it is necessary to improve Chile's statistical institutional framework so that data obtained with public resources are effectively shared. This would contribute to the development of informed technical debates, boosting research and improving the quality of public policies (see, for example, the recommendations in the Productivity Agendas Review report published in 2016). In the second chapter of this annual report, citizens, in addition to the governance of these information-generating institutions, analyze the statistical institutional framework and the availability of data among public services, as well as the ease of access to their databases. The degree of independence and confidence of the coordinating body of the system is relevant to ensure the willingness of individuals to provide certain information voluntarily, its degree of centralization, and how data collected by different state agencies are integrated.

6. However, it is necessary to explicitly establish the obligation of government bodies to provide data generated for non-statistical purposes (administrative data) when requested by the corresponding authority and that its formation is subject to the highest standards of objectivity and transparency. In addition, to ensure compliance with the proper protection of data compiled by public institutions while allowing unrestricted access to them, the responsible authority should only enter into agreements to disclose administrative data to other government agencies, public or private institutions, and natural persons with research or statistical objectives. Under these circumstances, the organizations that receive the data should be subject to the same security and confidentiality rules as the statistical authority.

7. Since its creation in 2015, the National Productivity Commission (CNP) has published eight studies, which include findings based on empirical evidence and policy recommendations. The third chapter of this Annual Productivity Report presents a first impact evaluation of these works. The reports published during 2016 and 2017 are considered the Productivity Agendas Review, Productivity in Large Copper Mining, Women in the Labor World: More Opportunities, Growth, Well-

being, and finally, Skills Formation for Work. According to a classification that grouped the recommendations in these reports according to their implementation paths, 34 have some degree of implementation. This development of compliance indicators for the recommendations contained in the studies mentioned above, while posing challenges for their evaluation, is a first step towards advancing the generation of a methodology that allows evaluating the work of this Commission and the behavior of regulations. Thus, in the future, the spaces for improvement for them can be identified clearly and promptly, contributing to improving the quality of public policies and, ultimately, increasing people's well-being.

8. Chapter 4 reviews the studies carried out during 2018 and 2019. Among the reports commissioned by the CNP is the study "Efficiency in Operating Rooms and Prioritization of Patients for Elective Surgery." This report presents crucial findings, such as the low occupancy of elective operating rooms in high-complexity public hospitals. By efficiently using support staff in the operating room and improving other management aspects, the use of operating rooms could be significantly extended. The report provides management and public policy recommendations that would allow the operation of up to twice as many patients, thus considerably reducing waiting times.

Additionally, the report "Regulatory Quality in Chile: A Review of Strategic Sectors" was concluded. Four hundred permits granted by 53 entities were analyzed; concluding that there are problems of low efficiency in the processing of permits and growing legal uncertainty and that how the State exercises its regulatory role negatively affects the behavior of investment project holders. In addition, Chile is one of the few OECD countries that does not conduct ex-post reviews of its regulations, aggravating the situation. A series of recommendations are provided to improve regulatory design and service management.

9. In September of this year, President Sebastián Piñera commissioned the CNP to conduct the study "Evaluation and Consequences of the Current 45-Hour Workweek Reduction," aimed at evaluating the effects of the legal reduction of the maximum

weekly working hours on wages, employment, formality of the labor market, and economic growth. A preliminary report was delivered in November, pending the final piece in January 2020.

In October 2019, President Sebastián Piñera entrusted the CNP with the study "Productivity in the Construction Sector." The project seeks to identify the main barriers to growth in the sector. We expect to publish the final report by mid-2020.

Finally, the project "Disruptive Technologies: Regulation of Digital Platforms" was part of the self-mandated work of the CNP, partially published in 2018 and completed in 2019. This study influenced the debate on the regulation of digital platforms.