



Comisión  
Nacional de  
**Evaluación y  
Productividad**

**Executive Summary**  
**Annual Productivity Report**

**2024**

## Introduction

The National Commission for Evaluation and Productivity (CNEP) is a technical, independent, autonomous, and permanent entity established in 2015 under the National Productivity Commission. In August 2021, its decree was revised to broaden its scope, granting it additional responsibilities in evaluation. The institution is governed by a council comprising five technically qualified members appointed by the President of the Republic. Additionally, three government representatives with speaking rights participate in the council: the Undersecretariat of Social Evaluation of the Ministry of Social Development and Family, the Undersecretariat of Economy and Small Businesses of the Ministry of Economy, Development, and Tourism, and the Budget Directorate of the Ministry of Finance.

The council convenes biweekly to discuss and analyze regulatory and public management issues, developing policy proposals in response to government requests or at the commission's initiative. Drawing from analyses prepared by the executive secretariat, the council determines the necessary actions to address these issues and approves the recommendations included in studies conducted by the CNEP.

A key attribute of the CNEP is its autonomy. While the government defines the primary research topics, the recommendations derived from these studies are based solely on rigorous evidence analysis and reviews of best practices, both domestic and international. The commission is not subject to government directives regarding the content or nature of its proposals and recommendations.

Since its establishment, the CNEP has produced 20 completed reports as of December 2024 and 13 exploratory studies. Additionally, seven studies are in progress and expected to be delivered in 2025. Alongside these outputs, the commission has generated eight annual productivity reports and one annual evaluation report. It has also organized numerous seminars, public hearings, workshops, and meetings with experts, aligning with its mission to propose strategies and recommendations to improve the country's productivity and enhance its population's well-being.

The CNEP also actively participates in various outreach activities. Raphael Bergoeing, the President of the CNEP, is a member of the Advisory Commission on State Modernization, contributing to the design and implementation of the Modernization Agenda, which aims to create a roadmap for transforming the relationship between the State and its citizens.

Meanwhile, Rodrigo Krell, the Executive Secretary of the CNEP, is a member of the ICARE Innovation Circle for the 2024–2025 period, demonstrating the commission's commitment to innovation in public management and its collaboration with the private sector. Krell has also been a member of the Labor Prospecting Commission since 2022. In addition, he participates in other key initiatives, including the Interministerial Committee on the Evaluation Plan, the

Committee on the Modernization of Contractual Relations for Construction, and the Expert Committee on Innovation and R&D Spending Surveys of the Ministry of Science.

These roles underscore the CNEP's position as a key player in discussions about productivity, innovation, and development in Chile, solidifying its influence in public policy formulation and State modernization.

In the legislative realm, the CNEP has provided evidence that served as the basis for drafting and discussing a bill to establish a new framework for sectoral authorizations. At the 17th APEC Conference on Good Regulatory Practices (GRP17) in Peru, Executive Secretary Rodrigo Krell underscored the impact of regulatory quality on Chile's economic performance. His presentation highlighted a decline in this area, calling for urgent reforms to address the issue.

In November 2023, the CNEP further expanded its international leadership when Rodrigo Krell was appointed as one of the three co-chairs of the Steering Group for the OECD's Global Forum on Productivity (GFP). This appointment strengthened the commission's global standing in productivity-related dialogue and analysis. During the annual OECD meeting in Paris in October 2024, Krell highlighted Chile's ongoing efforts to implement policies that foster productivity, stressing the importance of maintaining high productivity levels as a cornerstone of economic growth.

The first section of the 2024 report features a chapter on Total Factor Productivity, which analyzes productivity trends in Chile from the 1990s through 2024. This analysis encompasses the aggregate economy and its sectors and includes a detailed examination of labor productivity. Along with the 2024 productivity report, the CNEP is launching a dashboard that presents key figures and additional exploratory analyses. This resource is available on the commission's website at [www.CNEP.cl](http://www.CNEP.cl).

The report's second section presents the exploratory study titled *Distribution of Power and Efficiency: Evidence from Unionized Companies*. This study offers a novel perspective on the effects of unions on business dynamics, stakeholder well-being, and organizational efficiency.

The report concludes with a comprehensive summary of the work and studies completed by the CNEP in 2024, alongside a preview of ongoing studies scheduled for completion in 2025.

## **Total Factor Productivity in Chile up to 2024**

Productivity is a critical measure for understanding how efficiently resources are utilized in an economy to produce goods and services. In other words, increased productivity enables the production of more output with the same amount of resources or achieving the same production level with fewer resources. This efficiency is essential for societal well-being, as

productivity improvements often lead to higher incomes and more leisure time for individuals. The CNEP evaluates the evolution of productivity in Chile through its annual reports, using Total Factor Productivity (TFP) as the primary indicator.

Over the past two decades, Chile has faced a significant slowdown in productivity growth. In the 1990s, productivity experienced annual variations exceeding 3%, contributing substantially to economic expansion. However, since the mid-2000s, productivity has stagnated, hindering the country's growth. For 2024, Chile's economy is projected to grow by 2.3%, driven almost entirely by increases in production factors such as capital and labor, with productivity contributing virtually nothing to GDP growth.

To contextualize this, an economy that grows annually at 2.3% would take approximately 30 years to double its income. In contrast, an additional 1% growth in productivity would reduce this timeline by nearly a decade.

The CNEP's report highlights that Chile's TFP in 2024 exhibited annual variations between -0.2% and 0.3%, depending on the methodological adjustments applied. Similar trends were observed in the non-mining economy, ranging from -0.2% to 0.3%. This stagnation reflects the country's ongoing struggle to enhance the efficiency of its resource use.

The report also includes a detailed sectoral analysis of productivity. In 2023, only a few sectors managed to improve their productivity:

- The **electricity, gas, and water (EGA)** sector achieved positive growth, attributed to using lower-cost inputs such as hydro power, wind, and solar energy.
- In contrast, the **mining sector**, a cornerstone of Chile's economy, experienced a 5.4% decline in productivity. This was largely due to operational challenges in copper mining and declining ore grades, which significantly impacted production at Codelco.
- The **trade, hotels, and restaurants** sector also suffered a 5.3% productivity drop despite increased capital and labor inputs. The Central Bank reported that this decline was partly linked to a 2.5% contraction in sectoral output and a 5.2% decrease in household consumption.

Although TFP remains the report's primary focus, labor productivity—defined as output per labor unit—is also analyzed. In 2024, labor productivity in Chile grew by 1%, driven by a 2.3% increase in output alongside a 1.3% rise in hours worked. However, compared to OECD countries, Chile's labor productivity remains significantly lower. In 2022, it represented roughly half the OECD average, placing Chile among the lowest-ranked members, ahead of Colombia, Mexico, and Costa Rica.

Globally, productivity growth has slowed since the 2007 financial crisis, but this trend has been particularly pronounced in Chile. This slowdown largely explains the lower GDP growth rates observed over the past decade.

Chile faces several structural challenges in its pursuit of productivity growth:

1. **Human Capital Development:** The country's education system inadequately equips workers with the skills necessary for the modern labor market.
2. **Innovation and R&D:** Only 12% of Chilean firms innovate, and spending on research and development (0.39% of GDP) remains far below OECD averages. These human capital and innovation deficits severely limit Chile's ability to pivot toward high-value industries and foster globally competitive firms. This issue is particularly urgent given the potential of artificial intelligence, which requires a robust educational foundation to harness its productivity-enhancing potential fully.
3. **Resource Allocation:** Chile's economy struggles to allocate resources to their most productive uses, both within firms and across industries. Regulatory processes and public policy interventions often introduce inefficiencies. The CNEP has identified, through various studies, that prolonged permitting times for investment and the associated uncertainty hinder capital accumulation and stifle growth.

One of the most detrimental consequences of these inefficiencies is the creation of entry barriers, which limit competition within affected markets.

### **Bargaining Power and Efficiency: Evidence from Collective Bargaining**

The 2024 Productivity Report features the exploratory study "*Bargaining Power and Efficiency: Evidence from Collective Bargaining*," which investigates how shifts in the balance of power between unions and company management influence organizational efficiency and resource allocation. This analysis focuses on the Chilean context following the 2017 Labor Code reform, which enhanced unions' bargaining power during collective negotiations. The study provides empirical evidence of this legislative change's effects on workers and companies.

The findings reveal that the first collective bargaining processes conducted after the reform did not impact company profits but led to a substantial (31.5%) increase in non-managerial workers' wages by the third year after the negotiations. Notably, this increase in wage expenditures occurred without a reduction in working hours, indicating that workers successfully negotiated improved conditions without altering their direct workload. Interestingly, despite the strengthened bargaining power of unions, the study observed a slight—though statistically insignificant—decline in unionization rates.

Contrary to initial concerns, the reform did not negatively affect companies. On the contrary, it led to a notable reduction in labor conflicts, including strikes, work slowdowns, legal disputes, and similar disruptions. The analysis shows a 17.8% decrease in such conflicts among treated firms compared to untreated ones. Additionally, the reform is linked to a decline in operational costs for companies, supporting the hypothesis that coercive actions by workers diminished following the changes.

These outcomes suggest that reducing labor conflicts and fostering improved employer-employee relationships allowed companies to streamline processes without wage increases adversely affecting profit margins. The research underscores the importance of balancing union power and organizational efficiency, highlighting that a more equitable framework for collective bargaining can deliver shared benefits, such as enhanced labor stability, operational efficiency, and overall productivity.

However, the study cautions that disproportionate shifts in bargaining power could potentially jeopardize these positive outcomes, underscoring the importance of maintaining a balanced approach to labor relations reform.

## **Completed and Ongoing Studies in 2024**

Throughout 2024, the National Commission for Evaluation and Productivity (CNEP) conducted critical studies addressing various aspects of national development. The *2024 Annual Evaluation Report*, mandated by Decree No. 1,510 of the Ministry of Finance (2021), provided an in-depth analysis of programs, investments, and regulations. Alongside this report, the exploratory study of *Territorial Planning Instruments (IPTs) in Chile* was published, shedding light on significant challenges related to their evaluation and management.

Building on its previous work in the health sector, the CNEP released the *Hospital Procurement and Inventory Management* report. This study tackled a critical component of the public budget, highlighting the growing expenditure on medical supplies. The report proposed 30 recommendations to improve procurement and usage efficiency, ensuring more effective and cost-efficient healthcare delivery. Furthermore, the CNEP conducted a follow-up to its earlier study on *Primary Healthcare (PHC)*, revealing that only 13% of the 36 previously recommended measures had been fully implemented. To bridge this gap, the commission updated and prioritized its recommendations, emphasizing innovative strategies like *TeleHealth* and *Digital Clinical Home* to enhance access and efficiency in primary care. The CNEP developed a baseline framework in the mining sector to optimize permit processing times, identifying 43 critical permits. This initiative aims to reduce permitting durations by one-third, streamlining processes and facilitating the development of mining investment projects.

The CNEP is also advancing several ongoing studies addressing key areas of national interest:

- *An Analysis of Regulatory Burdens on Operational Projects*, focusing on the mining sector and its impact on regulatory compliance.
- A study on managing *Socio-Environmental Conflicts*, exploring ways to improve regulatory frameworks and promote more effective conflict resolution solutions inspired by international best practices.
- A review of *Law No. 21,210* aimed at reducing food waste through tax incentives.
- This paper analyzes the effects of *Artificial Intelligence (AI)* on productivity and the Chilean labor market, providing a comprehensive assessment of AI's opportunities and challenges to maximize its economic benefits.

Lastly, the CNEP is formulating medium-term recommendations on *Public Policy Evaluation*. This project involves a thorough analysis of Chile's monitoring and evaluation systems, identifying critical areas for improvement in data access, evaluation culture, and regulatory processes.

Through these completed and ongoing studies, the CNEP continues to play a pivotal role in advancing evidence-based policymaking and fostering sustainable growth in Chile.