Reaching out to informal workers in Latin America: Lessons from COVID-19

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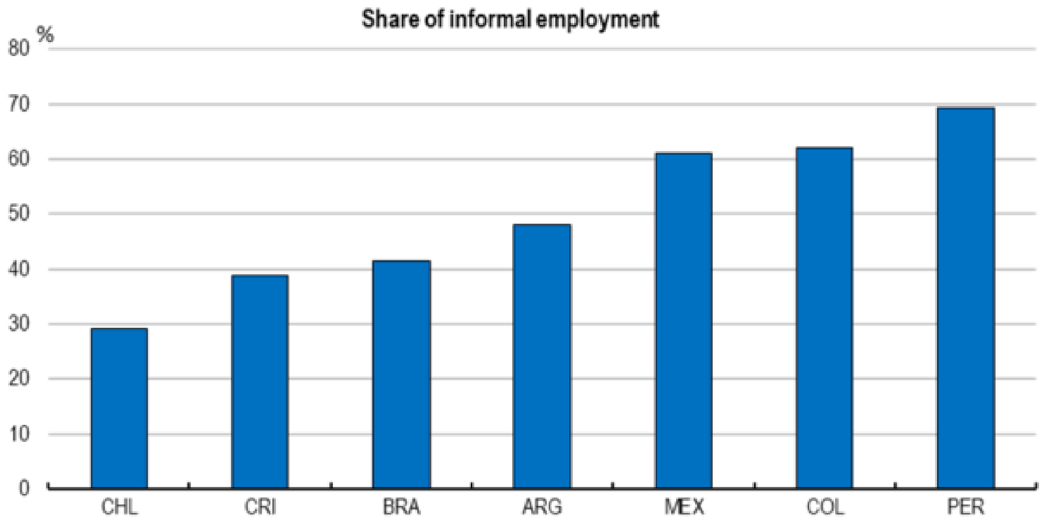
Social distancing has led to sharp declines in mobility and activity across Latin America. Widespread informality creates particular challenges for the livelihoods of many workers. As their activities are shut down to contain the spread of COVID-19, informal workers or small entrepreneurs are usually not covered by social protection. Largely out of reach of the public sector, they easily fall through the cracks of emergency income support measures. This has highlighted a major need to rethink and strengthen social protection mechanisms in Latin America. Providing more complete social safety nets that are not tied to formal employment and that can react rapidly to income losses would be one solution. In many countries in the region, such safety nets could be built on the basis of existing conditional cash transfer programmes.

Informal workers and small entrepreneurs account for a significant share of the workforce across Latin America (Figure 1). Most of them have no access to social protection, and almost no savings to carry them through the trough. Informal employees were the first to lose their jobs, while self-employed entrepreneurs such as street sellers and small service providers were left with no source of income as streets became empty. Working from home may be a solution for educated middle-class workers, but it is out of reach for the most vulnerable (Mongey and Weinbergy, 2020).

Figure 1. Labour informality is widespread in Latin America



Note: Informal workers include own-account workers outside the formal sector, contributing family workers, employers and members of producers' cooperatives in the informal sector, and employees without formal contracts. Data refer to 2019 or latest available year.
Source: ILOstat, IBGE, OECD. Data refer to 2019 or latest available year.

The crisis has exposed shortcomings in existing social protection mechanisms

Governments in Latin America responded swiftly to the unprecedented challenges posed by COVID-19. Many countries designed temporary support measures, building on existing instruments such as formal-sector unemployment insurance and cash transfers. Formal-sector employees benefitted from more flexible access to unemployment benefits, for example in Brazil and Chile, while temporary short-time work schemes, wage subsidies or lower labour contributions helped to preserve formal labour contracts Brazil, Colombia, Costa Rica and several Mexican states. Cash transfer schemes targeted to low-income households play important roles in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Uruguay, among others. These cash transfer schemes are typically based on large locally-maintained registries of low-income households that can consider both formal and informal incomes. Providing additional resources to these schemes allowed to raise benefit levels and/or expand coverage, including by eliminating previous enrolment waiting lists, as in the cases of Brazil, Chile, Colombia and Peru.

The COVID-19 policy response, however, has also exposed significant gaps in existing social safety networks. Amid policy support for formal workers and for the poor, vulnerable households whose livelihoods depend on informal activities are often left without any social protection mechanism to fall on. Before the pandemic, many of these had successfully escaped poverty and gained incomes above the threshold where they would qualify for cash transfers, but without gaining access to the kind of social protection in place for formal employees. As distancing measures led to unprecedented declines in demand, many of these households were left without any income.

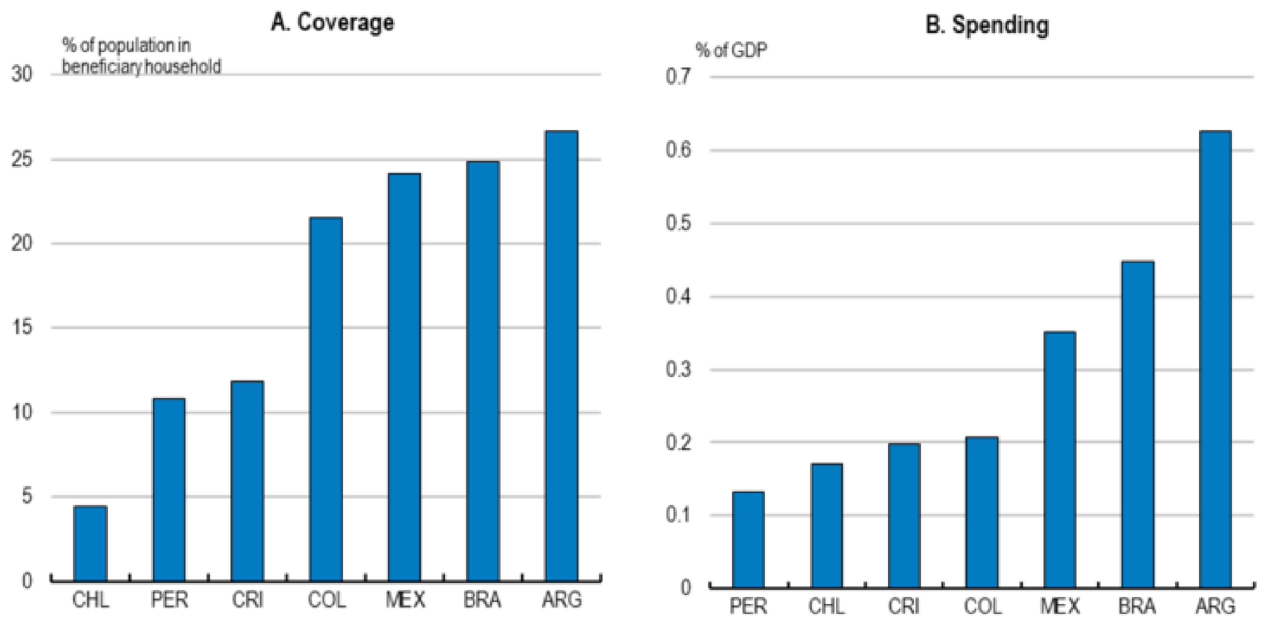
Reaching informal workers is a challenge for public policies and has required innovative ideas. Beyond the grasp of income tax systems, and with no access to social benefits, many informal workers have traditionally been outside the radar of the state. In addition, they often lack access to banking services, so governments had to respond creatively and ensure the creation of basic bank accounts for emergency benefit recipients. More than 50 million Brazilians used a smartphone application to receive an emergency benefit established after the outbreak. Colombia has been similarly successful, paying out benefits to 1.5 million households previously not covered by social benefits, and including free digital banking products. Chile is supporting more than 2 million vulnerable and informal households through different cash transfers, handing out debit cards to those without a bank account. Costa Rica’s new cash transfer also offers the creation of a bank account. Such programmes have replaced significant shares of pre-crisis incomes for low-income households (Busso et al., 2020).

Lessons for the future

Building more effective universal social safety nets that include informal workers and entrepreneurs emerges as one of

the main lessons from the COVID-19 crisis and the social unrest during 2019. Given their wide reach in many countries, existing cash-transfer programmes would be the most straightforward basis for effective social safety nets (Figure 2, Panel A). In several countries, eligibility is in principle universal, but in practice, enrolment processes are too slow or cumbersome to help people in the face of sudden income losses. An important step would therefore be to make cash transfer programmes more agile, so that they can disburse quickly when people lose their livelihoods, following the examples of the UK's Universal Credit or Malaysia's BSH programme. More universal social safety nets based on means-tested cash transfers could also help to reduce the widespread fragmentation of social programmes, and strengthen their effectiveness.

Figure 2. Conditional cash transfer programmes achieve significant coverage at low fiscal costs



Note: Data refer to 2017 for Colombia and 2018 for all remaining countries. Source: OECD calculations based on ECLAC: Database of non-contributory social protection programmes in Latin America and the Caribbean, available at http://dds.cepal.org/bdptc/.

Financing universal social safety nets will require additional resources, but building on existing programmes may make the cost manageable. Cash transfer schemes are among the most cost-efficient social expenditure programmes, and they cost relatively little (Figure 2, Panel B). Brazil's successful Bolsa Família programme, for example, currently only costs

0.5% of GDP, compared with 12% spent on formal social security schemes. During the COVID-19 pandemic, additional spending of 0.04% of GDP was enough to eliminate an accumulated queue of 1 million benefit applicants. Building on existing citizen identification systems and digital technologies could further reduce costs.

Social protection for informal workers should go along with efforts to foster formalisation. Reviewing non-wage labour costs can help to reduce informality, as illustrated by Colombia's 2012 tax reform. Costly and complex business regulations, including those for starting a formal business, also hamper the formalisation of firms and jobs. Expanding the use of one-stop shops for business regulations would be one way forward. Social programmes could increasingly integrate training and lifelong learning for informal workers. This could create a virtuous circle between formal employment, growth and equity.

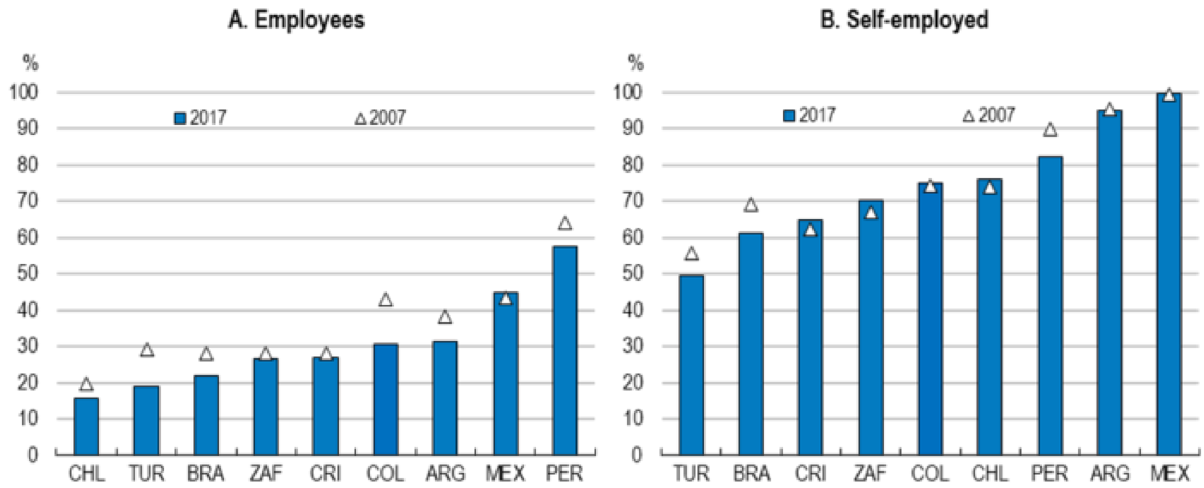
Informality and weak competition – a deadly cocktail for growth and equity in emerging Latin America

By Piritta Sorsa, Jens Arnold and Paula Garda, OECD Economics Department

Why is growth persistently low and so unevenly distributed in emerging Latin America compared to emerging Asia despite a huge potential? Potential growth is ranging around 2-3% in the region. Some refer to dependence on commodities, poor education, weak business environments or corruption as possible causes. But the question is deeper and more complex. A crucial factor for Latin America is low productivity, often related to a poor use of available resources. Across the region, many workers and significant amounts of capital are stuck in activities that are not efficient. The reasons for this are many, but two important forces stand out: high informality and weak competition.

Figure 1. Persistently high levels of informality characterise the LAC region

Informal workers in each category as % of employment

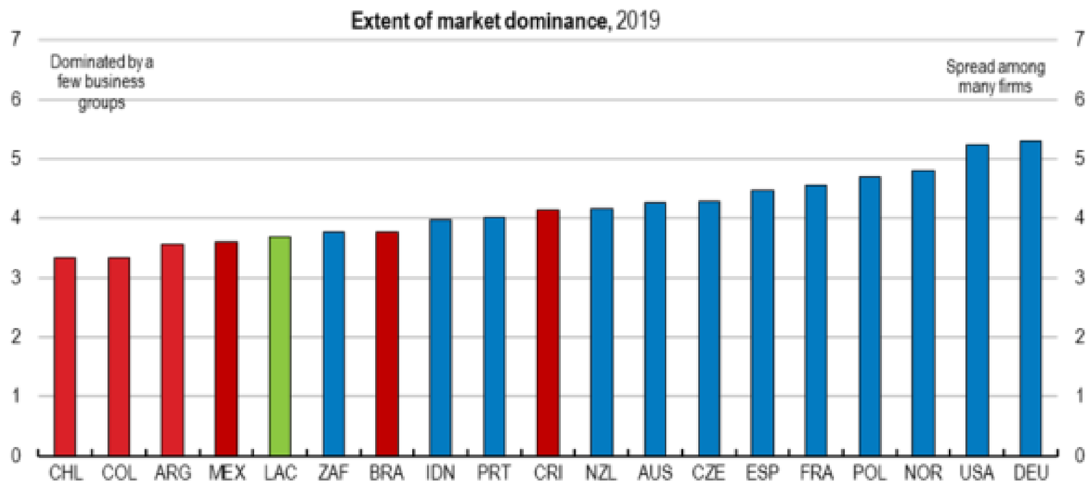


Note: Informality is defined to include: i) employees who do not pay health contributions; and ii) self-employed who do not pay social security contributions (Brazil, Chile and Turkey), or whose business is not registered (Argentina, Colombia, Costa Rica, Mexico, Peru and South Africa). Data for Turkey refer to persons aged 15 and more. Data for Argentina refer to selected urban areas (according to the National Statistical Authority (INDEC), LFS series published after the first quarter of 2007 and until the fourth quarter of 2015 must be considered with caution).
Source: OECD calculations based on the EPH for Argentina, the PNAD for Brazil, the CASEN for Chile, the GEIH for Colombia, the ECE for Costa Rica, the ENOE for Mexico, the ENAHO for Peru, the QLFS for South Africa and the HLFS for Turkey.

High and persistent informality in the region leaves workers more vulnerable and deprives them from social protection, thus contributing to inequality. For example, old age poverty in Colombia is high as low-skilled workers spend much of their working lives in informal employment, without pension contributions (OECD, 2019[1]). In Brazil and Argentina, informal workers retire later than others for the same reason, until they eventually reach the age to benefit from a non-contributory pension (OECD, 2019[2]; OECD, 2018[3]). In Mexico, poverty and informality are highly correlated among regions (OECD, 2019[4]). Informality also tends to maintain companies small with often low productivity as growing would face high costs of formalisation. Indeed, informal-sector productivity in the average LAC country is only between 25 and 75 percent of total labour productivity, and productivity decreases as informality rises (Loayza, 2018[5]). Informality also reduces the tax base for corporate and personal income taxes, reducing the capacity of the public sector to boost productivity and reduce inequality, and requires a higher tax burden on larger formal companies.

Weak competition is a second reason behind low productivity and is often reflected in high concentration (Figure 2). Entry barriers can protect existing activities that have little future growth potential at the cost of new dynamic and productive firms. Weak competition creates rents and lowers the share of wages in value-added worsening income distribution. Higher prices for consumers reduce purchasing power, affecting disproportionally low-income households.

Figure 2. Competition perceptions are low in LAC



Source: World Economic Forum, The Global Competitiveness Index 4.0.

Reducing informality for productivity and equity

The causes of informality are multiple. Informality is often a consequence of high costs of hiring formal workers, both wage and non-wage, especially in relation to labour productivity, given low educational outcomes.

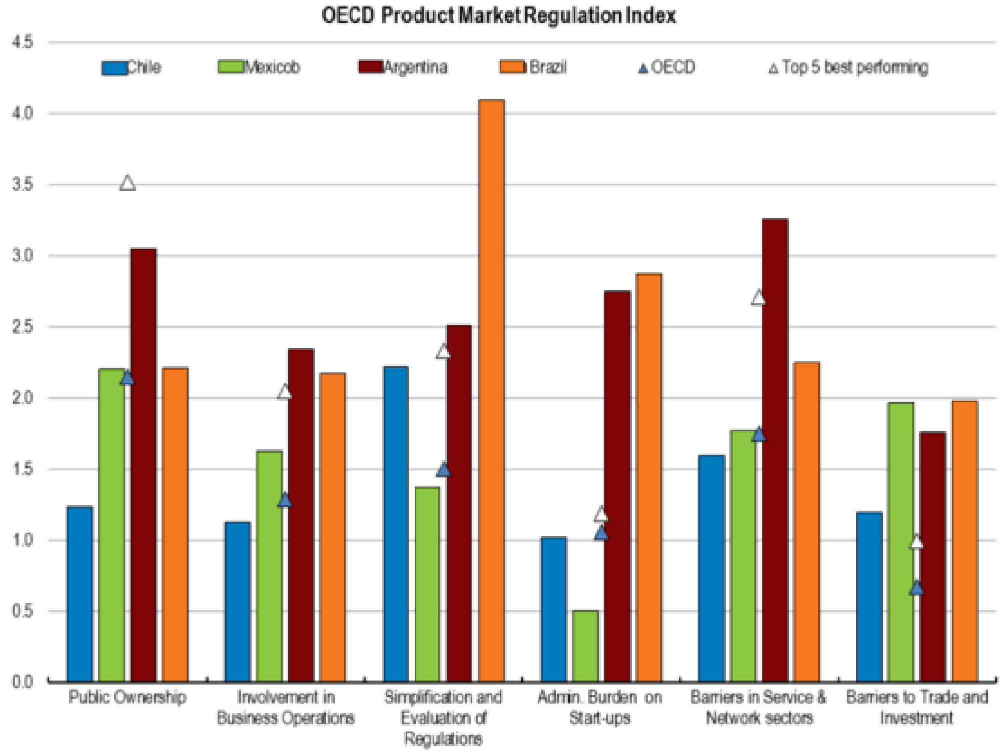
Where high informality and weak competition coincide, as is the case in many Latin American countries, the consequences for both growth and equity can be particularly severe. For emerging Latin America to grow stronger and better share the fruits of growth, dealing with informality and competition should be priority.

Labour informality is often caused by rigid labour regulation. High firing costs of workers can discourage formal-sector hiring and promote inequality (Loayza, 2018[5]; OECD, 2018[6]; Heckman and Pages, 2000[7]). In Mexico, a labour reform in 2012 reduced hiring and firing costs, introduced different models of contracting and brought changes to the resolution of labour conflicts. Formal salaried jobs increased in the aftermath (OECD, 2019[4]). Minimum wages can be high compared to productivity or average wages keeping most workers informal. In Colombia, the minimum wage is close to the median wage and two thirds of workers earn less than that (OECD, 2019[1]). High payroll taxes can also have a detrimental effect on informality rates (Bobba, Flabbi and Levy, 2018[8]). Antón and Rastaletti (2018[9]) show how lowering employer social security contributions could lead to a substantial increase of labour formalisation. At a minimum, lower employer contributions could be offered temporarily for hiring low-skilled workers that enter the formal sector for the first time (OECD, 2017[10]). Lowering payroll taxes in Colombia helped reduce informality after the 2012 reform (Kugler et al., 2017[11]; Morales and Medina, 2016[12]; Fernández and Villar, 2016[13]; Bernal et al., 2017[14]). While incentives are crucial, better enforcement also needs to be part of any formalisation strategy.

Cumbersome administrative barriers and high taxes can keep companies informal. Latin America stands out in this respect (Figure 3). The tax burden on formal companies is also high compared to the OECD and positively associated to informality rates (Figure 4). To promote formalisation, regulatory and tax systems should be simple, with gradual increases in the tax burden as firms grow, so as not to discourage growth, and keep marginal tax rates as low as possible (Loayza, 2018[5]). These characteristics are crucial to encourage investment and employment in growing and larger companies.

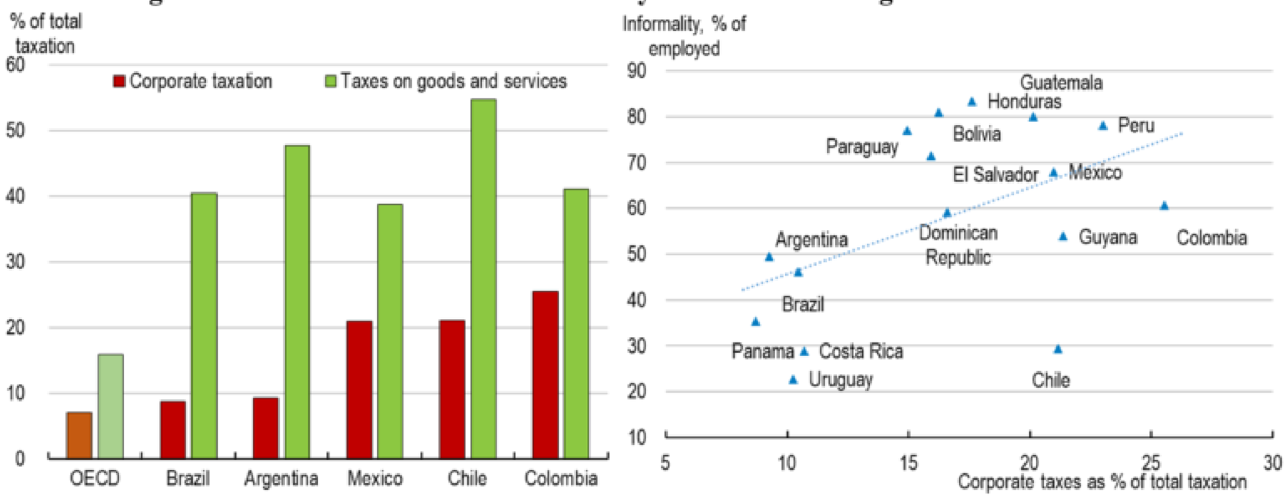
Many countries in the region have implemented simplified schemes and reduced costs for small taxpayers with the aim of reducing informality. For example, Mexico introduced a special simplified regime for SMEs (Regimén de Incoporación Fiscal, RIF) in 2014, which induced 1.5 million informal firms to join the tax system (OECD, 2018[15]). In Brazil, a special tax regime for microenterprises (Microemprendedor Invididual, MEI) reduced the cost of formalisation and contributions to social security as of 2008. This regime helps explain the rising formalisation of the self-employed, including of women (OECD, 2012[16]). In Argentina, a simplified tax regime called Monotributo helped formalise self-employed workers. In Colombia, the tax reform in 2018 introduced a new simplified tax scheme (Simple) for small firms, and there are signs of positive impact on firm formalisation during 2019. At the same time, these regimes have to be designed carefully. When participation thresholds for special SME tax regimes are set too high, the effectiveness for formalisation declines while fiscal cost and threshold effects rise, as in the case of Brazil’s Simples Nacional (OECD, 2018[3]). At times, simplifying the general tax regime may be preferable over creating exceptions.

Figure 3. Regulation burden is high in Latin American countries



Source: OECD, 2018 PMR database

Figure 4. The relative tax burden faced by formal firms is high in Latin America



Note: Informality is defined as those not contributing to pension system.
Source: OECD Revenue Statistics Latin American countries and IADB SIMS database

Education and skill levels are also linked with informality. Countries with lowest informality rates tend to have significantly higher levels of human capital (Docquier, Müller and Naval, 2017[17]). It is not a coincidence that the decrease in informality over recent decades in Latin America went hand in hand with steady progress towards universal education. Evidence shows that improvements in education have been an important driving force behind falling informality in Colombia and Brazil (International Monetary Fund, 2018[18];

OECD, 2018[3]).

Increasing competition for productivity and equity

In Latin America, the same complex rules that discourage formal job creation often coincide with overly strict regulations that stifle competition. Competition is affected by how easily firms can enter or exit markets, by the extent of license requirements for starting or expanding a business and by competitive pressures from imports. Relatively high trade protection adds to this in a number Latin American countries, shielding domestic producers from international competition (OECD, 2018[3]). All of this tends to raise prices for consumers and keep resources in low-productivity activities where informality is widespread, for both workers and firms.

These circular relationships suggest that it is important for the public sector to take stock of burdens that even well-intended regulations and codes can impose on private activity. Disincentives for firms to go formal will inevitably preclude workers from the benefits of formal jobs, while unnecessary barriers to competition will keep more jobs in activities with limited potential for productivity and wage growth. To foster formal job creation, all parts of a country's regulatory framework should be simple and clear, promote competition, and facilitate both market entry and exit of firms (Loayza, Oviedo and Serven, 2005[19]).

Getting there

A comprehensive strategy is needed to deal with both informality and competition. It involves simplifying labour regulations, keeping administrative burdens and license requirements for companies as easy as possible, facilitating market entry and reducing trade barriers. Bringing more workers and firms into the formal sector would bring about broader social and labour protection, fairer wages, a more even tax burden and higher potential growth. Many of these policies are politically difficult as they involve dealing with vested interests and require appropriate sequencing. But that is not an excuse for inaction. These reforms should be accompanied with training and other active labour market policies for affected workers, as the informal sector often fulfils the function of absorbing excess labour supply, especially during transitions or economic recessions. Reforms to improve quality and relevance of education to raise worker productivity and policies that can raise investment and boost firm productivity should be also part of the strategy.

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Positive economic outlook for the main economies in Latin America but downward risks have intensified

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The global economy is navigating rough seas. Global GDP growth is strong but it has peaked. In many countries unemployment is well below pre-crisis levels, labour shortages are biting and inflation remains tepid. Yet, global trade and investment have been slowing on the back of increases in bilateral tariffs while many emerging market economies are experiencing capital outflows and a weakening of their currencies. The global economy looks set for a soft landing, with global GDP growth projected to slow from 3.7% in 2018 to 3.5% in 2019-20. However, downside risks abound and policy makers will have to steer their economies carefully towards sustainable, albeit slower, GDP growth.

The economic recovery in the Latin American economies has become dissimilar. While in some countries, growth has been revised downwards, in others it has been revised upwards. This disparity is closely linked to how these economies have evolved in the face of the financial stress and increased financial volatility in recent months. The region's economies with the best macroeconomic fundamentals, independent central banks, countercyclical monetary policies, sound fiscal policy framework and no major currency mismatches in corporate or sovereign debt, were better able to sail the adverse global financial conditions that led to capital outflows, weakening their currencies.

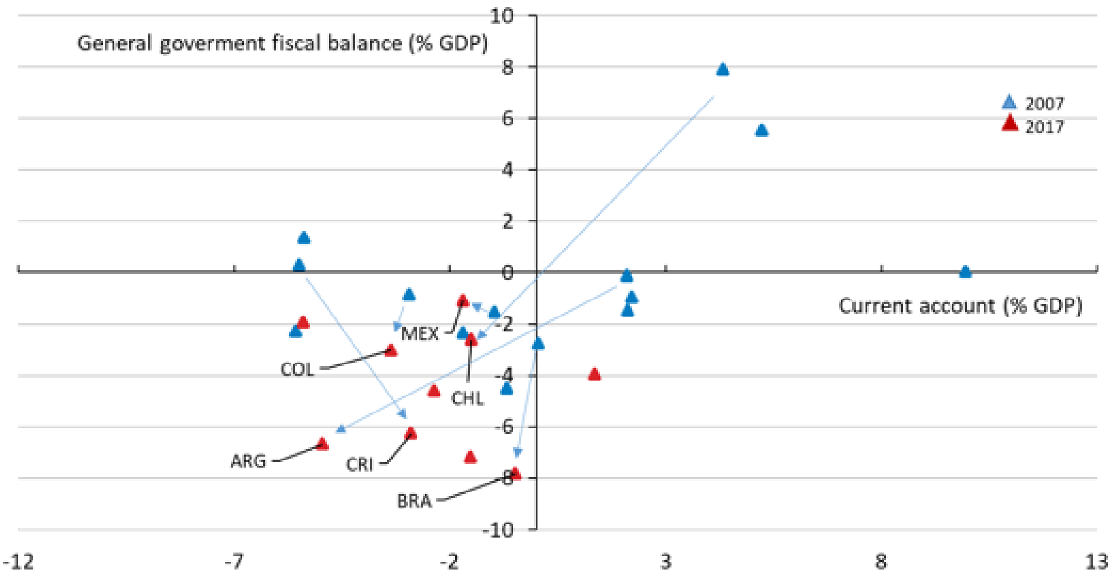
OECD Economic Outlook for some Latin American countries

	2017	2018	2019	2020
Argentina	2.9	-2.8	-1.9	2.3
Brazil	1.0	1.2	2.1	2.4
Chile	1.6	4.1	3.7	3.4
Colombia	1.8	2.8	3.3	3.4
Costa Rica	3.3	2.9	3.0	3.3
Mexico	2.3	2.2	2.5	2.8

Source: OECD Economic Outlook 104.

While Chile and Colombia have gained momentum, Brazil has shown lower growth and Argentina has fallen into recession. Mexico and Costa Rica have also experienced less momentum than expected. Growth in Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico, countries covering about 85% of Latin America's GDP, is expected to be around 1.4% this year and to accelerate to 2.0% in 2019 and 2.7% in 2020 (weighted average) (see Table). However, downside risks abound while the region is vulnerable to the global context. Several indicators, such as the fiscal and current account deficits have been accentuated in the last decade in most of these economies (Figure), suggesting that the region is still vulnerable. Needs to be noted that the situation is uneven and a broader list of indicators should be analysed.

The region is still vulnerable ten years later



Note: Contains data for Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico in the region. In addition, it contains data for China, India, Indonesia, Russia, South Africa and Turkey.
Source: OECD Economic Outlook 104 and IMF.

An accumulation of risks could create the conditions for a harder-than-expected landing. First, further trade tensions would take a toll on trade and GDP growth, generating even more uncertainty for business plans and investment. Second, tightening financial conditions could accelerate capital outflows from the region and depress demand further. Third, a sharp slowdown in China would hit Latin America and other emerging economies, but also advanced economies if the demand shock in China triggered a significant decline in global equity prices and higher global risk premia.

Looking ahead, it will be necessary to strengthen the macroeconomic policy framework to reduce vulnerabilities where necessary. Most of the region’s economies are starting, or will start in the near future, more restrictive monetary policies, while also undertaking fiscal consolidation. Depending on each country, it will be important to find a balance between the needs for social spending and public investment, with the need to put debt on a sustainable path. In Chile, Colombia and Mexico, this consolidation can be done gradually, but Argentina, Brazil and Costa Rica need to do it more urgently. Pension or tax reforms will be necessary in this regard.

Given the limited scope for countercyclical policies, in the face of external risks and a more pronounced slowdown, the time to promote the necessary structural reforms is now to guarantee a future with a sustained increase in productivity and greater inclusion. Many countries in the region have scope to reform the tax system and make it more effective in improving investment incentives and raising more resources. Depending on the characteristics of each country, possible measures may include limiting the use of tax exemptions and reduced rates, particularly in VAT, but also in corporate taxes, extending the tax base by including more people in personal income taxes, reducing evasion or making greater use of property, inheritance or environmental taxes. Other priorities should focus on export promotion and diversification, which would help reduce current account deficits. Investing in quality and innovative human capital, closing infrastructure and logistical gaps, and curbing corruption would support exports and their diversification, strengthening growth. Encouraging women’s participation in the labour force, reducing precariousness and informality in the labour market, as well as pension reforms are also urgent in several countries of the region and necessary to increase productivity and reduce inequalities.

Argentina: A combination of massive fiscal and monetary tightening will keep the economy in recession during 2018 and 2019. Private consumption and investment will remain depressed due to lower real incomes and high interest rates, and unemployment will rise. However, a better harvest and a lower real exchange rate will support stronger exports.

Brazil: Growth will gain momentum during 2019 and 2020 as private consumption, supported by improvements in the labour market, will increase. Recovering credit and greater policy certainty as a new administration takes office will buttress the recovery. Political uncertainty around the implementation of reforms remains significant and could derail the recovery, but if uncertainty fades and reforms advance as assumed, investment will become stronger.

Chile: Growth is projected to remain strong over the next two years. With an uncertain external environment, solid domestic demand will underpin growth, aided by a stable inflation environment, public infrastructure projects and a tax reform. Inequality, though decreasing, remains high, as informality and unemployment remain high and social transfers low.

Colombia: Growth is projected to pick up as infrastructure projects, lower corporate taxes and higher oil prices will boost investment. Improving confidence and financing conditions will support consumption. As growth gains traction, unemployment will edge down. Social indicators are improving but informality and inequality remain high.

Costa Rica: Growth is projected to recover to around 3¼ per cent in 2020 and be broad-based, underpinned by both domestic and external demand. However, uncertainty, particularly surrounding the planned fiscal reforms, is weighing on growth in the near term. The projections are based on the assumption that the fiscal reforms will be implemented from 2019, with modest fiscal tightening holding back growth in 2019 and 2020.

Mexico: Growth is projected to pick up to 2¾ per cent in 2020. Low unemployment, strong remittances and the recovery of real wages will support household consumption. Investment, which has been persistently low, will strengthen on the back of announced public investment plans and increased confidence associated with the US-Mexico-Canada trade agreement. Exports will decelerate owing to less favourable global conditions, especially in the United States. Inflation has been pushed up by rising energy prices, but expectations and core inflation remain anchored and within the central bank’s target band. Informality is slowly declining but remains elevated, contributing to persistently high inequalities and low productivity.

To read more about the Economic Outlook and the main structural challenges visit the english and spanish/portuguese version (it includes OECD forecasts and a chapter on decoupling of wages and productivity and the implications for public policy).

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Las perspectivas económicas son positivas en los principales países de América Latina pero los riesgos a la baja se han acentuado

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La economía mundial está navegando mares agitados. El crecimiento del PIB mundial es fuerte, pero ha alcanzado su punto máximo. En muchos países, el desempleo está por debajo de los niveles anteriores a la crisis de 2008, la escasez de mano de obra se empieza a sentir, aunque la inflación sigue siendo templada. Sin embargo, el comercio y la inversión mundiales se han desacelerado como consecuencia del incremento de aranceles bilaterales y de mayor incertidumbre política, mientras que varias economías emergentes están experimentando salidas de capitales y un debilitamiento de sus monedas. La recuperación del crecimiento global comenzará a desacelerarse, mientras que los riesgos a la baja se han acentuado. Se prevé que el crecimiento del PIB mundial disminuya del 3,7% en 2018 a 3,5% en 2019-2020. Sin embargo, abundan los riesgos de recesión y los responsables políticos tendrán que orientar cuidadosamente sus economías hacia un crecimiento sostenible, aunque más modesto, del PIB.

En las principales economías de América Latina, la recuperación económica se ha vuelto despareja. Mientras que en algunas, el crecimiento se ha revisado a la baja, en otras se ha revisado al alza. Esta disparidad está estrechamente ligada a cómo estas economías han evolucionado frente al estrés financiero e incremento de volatilidad financiera de los pasados meses. Las economías de la región con mejores fundamentos macroeconómicos, bancos centrales independientes, políticas monetarias contracíclicas, un marco de política fiscal sólido y sin grande descalce de monedas en la deuda corporativa o soberana, fueron los que sortearon mejor las condiciones financieras globales adversas que sometieron a varios países a una repentina salida de capitales y debilitamiento de sus monedas.

Perspectivas Económicas de la OCDE para algunos países de América Latina

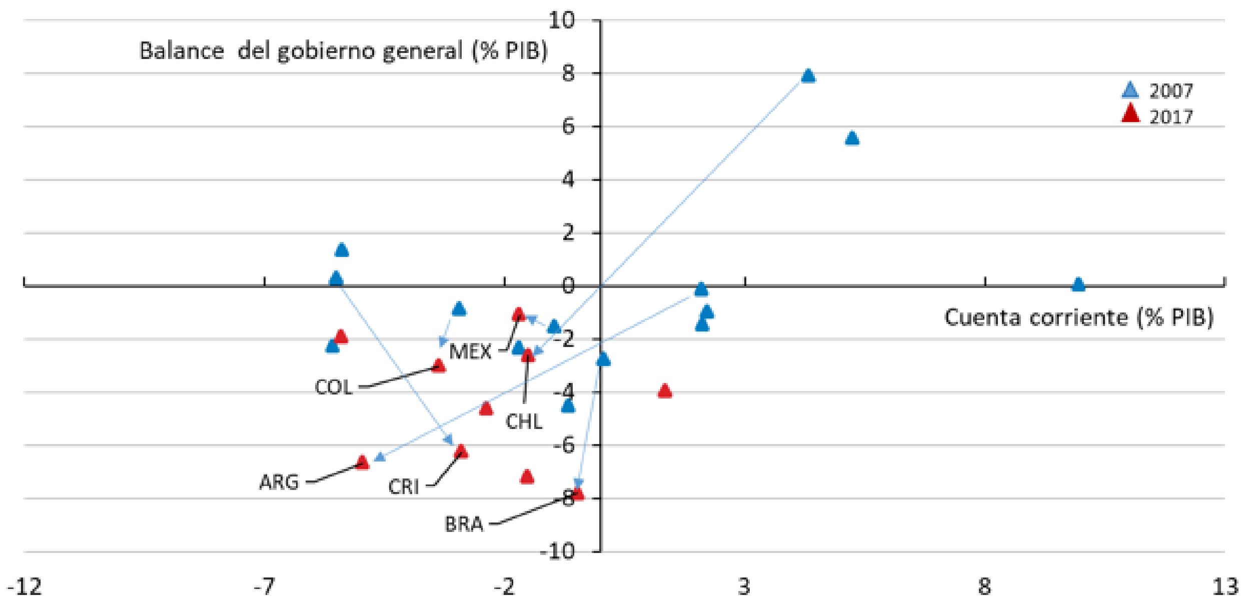
	2017	2018	2019	2020
Argentina	2.9	-2.8	-1.9	2.3
Brasil	1.0	1.2	2.1	2.4
Chile	1.6	4.1	3.7	3.4
Colombia	1.8	2.8	3.3	3.4
Costa Rica	3.3	2.9	3.0	3.3
Mexico	2.3	2.2	2.5	2.8

Fuente: Perspectivas Económicas 104 de la OCDE.

Mientras que Chile y Colombia han ganado ímpetu, Brasil ha mostrado menor crecimiento y Argentina ha caído en recesión. México y Costa Rica también han experimentado menor ímpetu al esperado. Se espera que el crecimiento en Argentina, Brasil, Chile, Colombia, Costa Rica y México, países que cubren alrededor del 85% del PIB de América Latina, se sitúe en torno al 1.4% este año y se acelere a 2.0% en 2019 y 2.7% en 2020 (promedio ponderado) (Tabla). Sin embargo, abundan los riesgos a la baja, mientras que la región se encuentra vulnerable al contexto global. Algunos indicadores, como los déficits fiscales y de cuenta corriente (Figura) se han acentuado en la mayoría de estas economías en la última década, sugiriendo que la región es aún vulnerable. Debe notarse que la situación es dispar y se debe mirarse una lista más amplia de indicadores.

Una acumulación de riesgos podría crear las condiciones para una desaceleración de crecimiento más acentuada de la esperada. En primer lugar, nuevas tensiones comerciales afectarían al comercio y al crecimiento del PIB, generando aún más incertidumbre para las empresas y la inversión. En segundo lugar, el endurecimiento de las condiciones financieras globales podría acelerar las salidas de capitales y deprimir aún más las monedas de la región. En tercer lugar, una fuerte desaceleración en China afectaría a la región y otras economías emergentes, pero también a las economías avanzadas si el *shock* de la demanda en China provocara un descenso significativo de los precios mundiales de las acciones y un aumento de las primas de riesgo mundiales.

La región sigue siendo vulnerable diez años después



Nota: Contiene datos para Argentina, Brasil, Chile, Colombia, Costa Rica y México en la región. Además, contiene datos para China, India, Indonesia, Rusia, Sudáfrica y Turquía.
Fuente: Base de datos de Perspectivas Económicas 104 y FMI.

De cara al futuro, será necesario reforzar el marco de las políticas macroeconómicas para reducir vulnerabilidades donde sea necesario. La mayor parte de las economías de la región están comenzando, o lo harán en el futuro próximo, políticas monetarias más restrictivas, al tiempo que también deben llevar a cabo una consolidación fiscal. Dependiendo de las holguras de cada país, será importante encontrar un ritmo que balancee las necesidades de gasto social y de inversión pública, con la necesidad de poner la deuda en una senda sustentable. En Chile, Colombia y México, esta consolidación se puede llevar a cabo de manera gradual, pero Argentina, Brasil y Costa Rica necesitan hacerlo de manera más urgente. Reformas pensionales o tributarias serán necesarias en este sentido.

Dado el escaso margen para hacer políticas contracíclicas ante la realización de riesgos externos y una deceleración más acentuada, el momento de impulsar reformas estructurales necesarias es ahora, para garantizar un futuro con incremento sostenido de la productividad y mayor inclusión. Muchos países de la región tienen margen para reformar el sistema tributario y hacerlo más eficaz para mejorar los incentivos a la inversión y recaudar más recursos. Según las características de cada país, posibles medidas pueden incluir limitar el uso de exenciones tributarias y tasas reducidas, en particular en el IVA, pero también en los corporativos, extender las bases de imposición incluyendo más personas en los impuestos a los ingresos personales, reducir la evasión o hacer mayor uso de impuestos a la propiedad, a la herencia o impuestos ambientales. Otras prioridades deberían focalizarse en fomentar las exportaciones, y diversificarlas, lo que ayudaría a reducir los déficits de cuenta corriente. Invertir en capital humano de calidad e innovación, cerrar las brechas de infraestructura y logística y frenar la corrupción apoyarían a las exportaciones y su diversificación, fortaleciendo el crecimiento. Alentar la participación de la mujer en la fuerza laboral, reducir la precariedad e informalidad del mercado laboral, así como reformas al sistema de pensiones son también urgentes en varios países de la región y necesarios para aumentar la productividad y bajar las desigualdades.

Argentina: La economía seguirá en recesión en 2018 y 2019 debido a un endurecimiento fuerte y simultáneo de políticas monetarias y fiscales. El consumo privado y la inversión seguirán siendo bajos a causa del descenso de los ingresos reales y de los elevados tipos de interés, y aumentará el desempleo. Sin embargo, una mejor cosecha y un tipo de cambio real más competitivo contribuirán al aumento de las exportaciones.

Brasil: El crecimiento cobrará impulso en 2019 y 2020 gracias al aumento del consumo privado, respaldado por mejoras en el mercado laboral. La reactivación del crédito y el descenso de la incertidumbre política una vez que el nuevo gobierno tome posesión apuntalarán la recuperación económica. La incertidumbre política sobre la implementación de reformas sigue siendo importante y podría frenar la recuperación pero, si desaparece y las reformas siguen adelante como se supone que deberían hacerlo, aumentará la inversión.

Chile: Según las proyecciones, el crecimiento seguirá aumentando en los próximos dos años. Ante una incierta coyuntura externa, el crecimiento estará respaldado por la sólida demanda interna con ayuda de un entorno de inflación estable, proyectos de infraestructuras públicas y una reforma fiscal. A pesar que las desigualdades han disminuido, permanecen altas, debido a que la informalidad y el desempleo siguen siendo elevados y las transferencias sociales escasas.

Colombia: Las proyecciones indican que el crecimiento repuntará, ya que los proyectos de infraestructuras, el descenso del impuesto de sociedades y la subida de los precios del petróleo potenciarán la inversión. La mejora de la confianza y de las condiciones de financiamiento respaldará el consumo. A medida que el crecimiento se vaya afianzando, el desempleo descenderá. Los indicadores sociales están mejorando, aunque la informalidad y la desigualdad se mantendrán en niveles elevados.

Costa Rica: Según las proyecciones, el crecimiento se recuperará hasta el 3¼ aproximadamente en 2020 y será generalizado, sostenido tanto por la demanda interna como externa. Sin embargo, la incertidumbre, particularmente respecto a las reformas fiscales planificadas está lastrando el crecimiento a corto plazo. Las proyecciones parten del supuesto de que las reformas fiscales se aplicarán a partir de 2019, con un modesto ajuste fiscal que frenará el crecimiento en 2019 y 2020.

México: Está previsto que el crecimiento repunte hasta el 2¾ por ciento hacia 2020. El bajo nivel de desempleo, fuertes remesas y la recuperación de los salarios reales reforzarán el consumo de los hogares. La inversión, que ha sido persistentemente baja, se reforzará a consecuencia de los planes de inversión públicos anunciados y del aumento de la confianza vinculado al acuerdo comercial entre Estados Unidos, México y Canadá. El crecimiento de las exportaciones se reducirá debido a unas condiciones internacionales menos favorables, en especial en Estados Unidos. La subida de los precios de la energía ha empujado la inflación al alza, pero las expectativas y la inflación subyacente siguen ancladas y dentro del rango meta del banco central. El alto nivel de informalidad contribuye a que haya una gran desigualdad y una escasa productividad.

Para leer en más detalle sobre las proyecciones macroeconómicas, así como los principales desafíos estructurales ir al reporte en la versión español/portugués o inglés (que incluye proyecciones para países de la OECD, principales desafíos y un capítulo especial sobre la desvinculación de los salarios y la productividad y las implicancias en términos de políticas públicas).

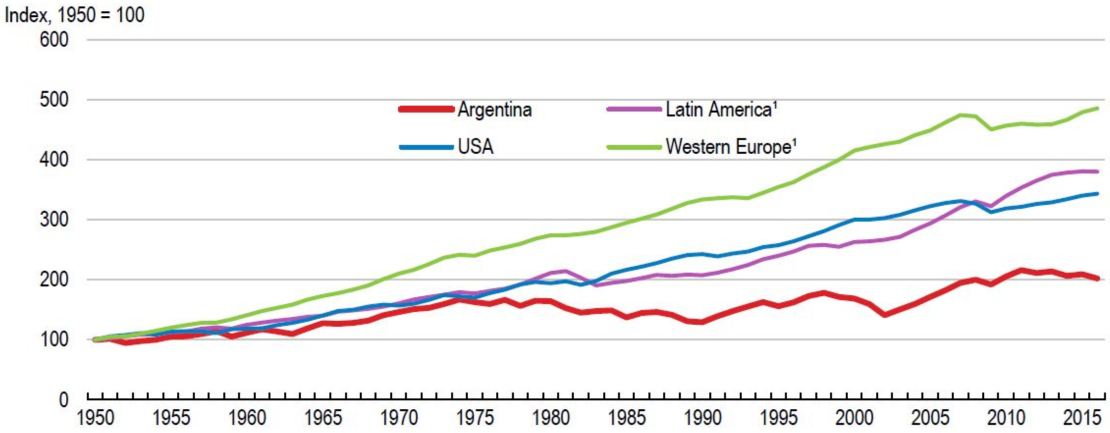
Boosting living standards of all Argentinians

By Jens Arnold and Alberto González Pandiella, Argentina Desk, OECD Economics Department.

Following years of unsustainable economic policies, Argentina has recently undertaken bold reforms and a turnaround in policies that has helped to avoid another crisis and stabilise the economy (OECD, 2017). Nevetheless, the work is far from being finished. Many challenges still lie ahead. Argentina has lost substantial ground in terms of income (Figure 1) and poverty and inequality remain high. Significant macroeconomic imbalances have built up, such as a large fiscal defict, an inflation rate in the double digits or an unsustainable growth pattern investing too little for the future.

Figure 1. Argentina has lost ground relative to other countries

GDP per capita

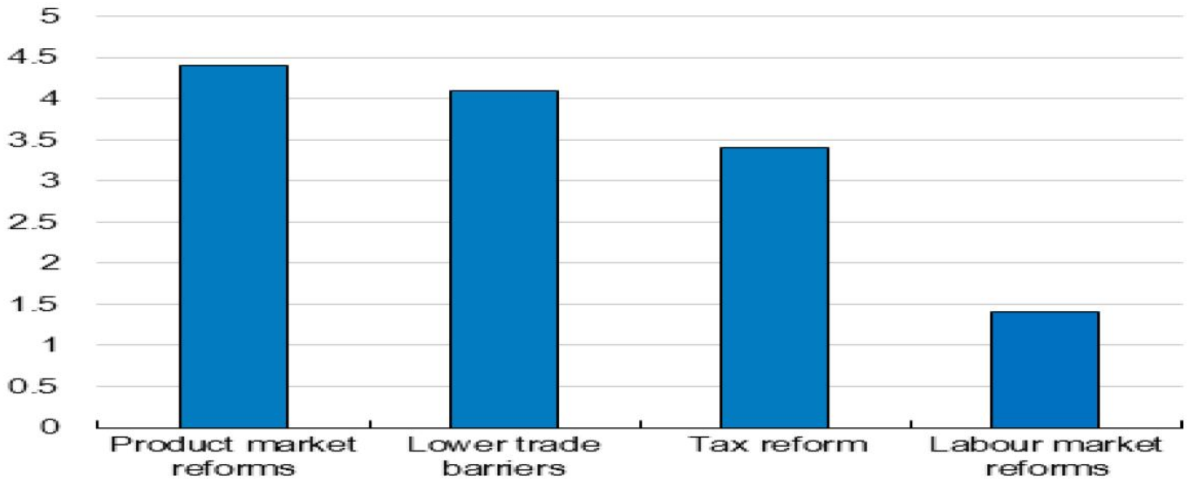


1. Western Europe includes: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom; Latin America includes: Brazil, Chile, Colombia, Mexico and Peru.

Source: OECD calculations based on Bolt and Van Zanden (2014) (see http://www.ggdc.net/maddison/maddison-project/data.htm).

Given the extent of remaining imbalances in the economy, a challenging reform agenda still lies ahead to deliver better material living standards for all Argentinians, as analysed in OECD's Multi-Dimensional Economic Survey of Argentina. Building the pillars for a more productive and inclusive economy to improve the well-being of all Argentinians will be the priority for the future reform agenda. This agenda encompasses a wide range of policy areas such as regulation on product and labour markets, taxes, infrastructure, education, innovation, trade policy and financial markets, all of which could have large pay-offs. Aligning key policy settings with the OECD average could increase GDP per capita by 15% in 10 years (Figure 2). But raising growth is not enough, what matters is that this delivers for people, by providing new opportunities. It is now critical that policymakers maintain reform momentum for businesses to thrive, and for people to reap the benefits. People-centred growth should be at the centre-stage of future policy efforts.

Figure 2. Aligning key policy settings with the OECD average would have large pay-offs



Source: OECD (2017).

Argentina currently faces three main challenges.The first challenge is to ensure macroeconomic stability in order to avoid the recurrence of economic crisis. Crises have been too frequent in Argentina, and fiscal problems have almost always been at the root of these crises. Low income households are those affected the most by economic crises. Hence increasing stability, including by reducing the fiscal deficit and bringing down inflation, would help especially more disadvantaged households.

Argentina has one of lowest investment rates in Latin America and its productivity has hardly improved over the last 25 years. Hence, the second challenge is to boost investment and productivity, as these are the foundations for a sustained increase in incomes and living standards. For that there is a need for wide-ranging structural reforms, encompassing areas such as competition, business regulations, trade, infrastructure, rule of law, or skills. At the same time, there is a need to safeguard those that may be initially impacted by a changing economy and ensure that benefits are widely shared. Hence, we recommend protecting workers with a stronger safety net and better training.

The third challenge is to make growth more inclusive.

Inequality, poverty and informality are a drag on growth and well-being. To accelerate social progress, the emphasis is on improving education, in particular in reducing inequalities in the access to quality education. Argentina needs to improve teacher training and provide more targeted support to disadvantaged students. There is also a need to fight informality, which affects one third of the workforce, requiring an integral strategy including taxes, regulations, laws and education.

References

OECD (2017), *OECD Economic Surveys: Argentina: Multi-dimensional Economic Survey*, OECD Publishing, Paris.