Reaching equal pay: a pending job

Category: Uncategorized
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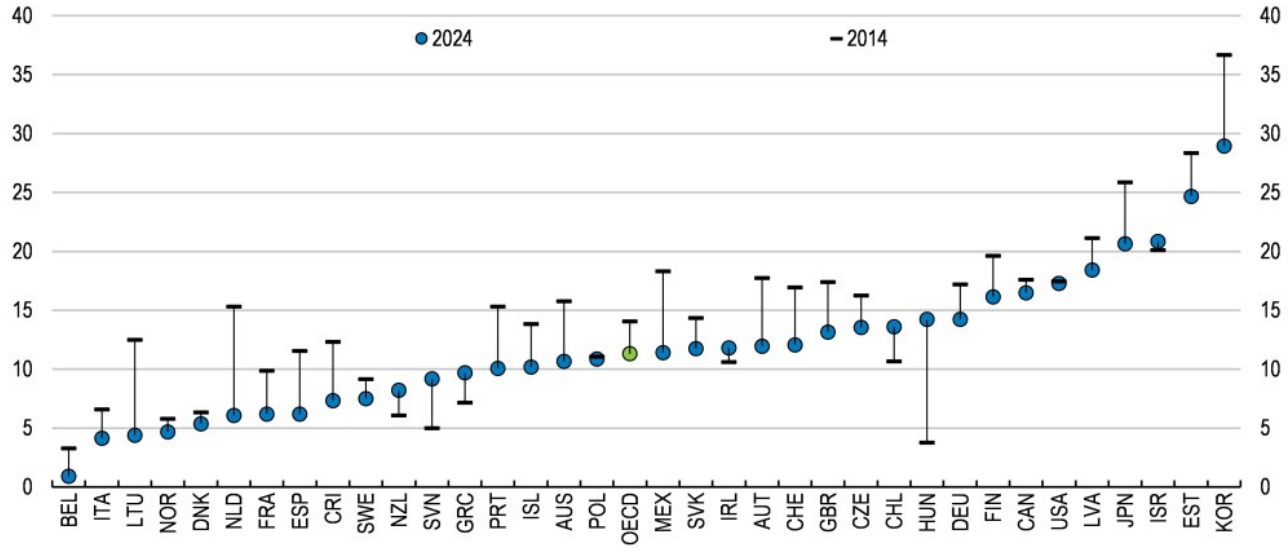
By Claudia Ramírez Bulos and Aida Caldera Sánchez, OECD

In 2024, a woman working full-time in the average OECD country took home just 89 cents for every dollar earned by a man. But the picture varies significantly by country: in South Korea, women earned 29% less than men, in Japan 22%, while in Italy and Lithuania the difference was closer to 4% (Figure 1). Despite these disparities, one thing is clear: reaching equal pay between men and women is still a pending job across OECD countries.

This picture also emerges clearly in **OECD Economic Surveys**, which track country-specific progress on gender equality as part of their broader assessment of labour markets and growth. From Germany to Japan, from Korea to Spain, the Surveys show that persistent pay gaps reflect not only individual choices, but structural barriers that limit women's opportunities to participate fully in the labour market.

Figure 1. The gender wage gap remains large in most OECD countries

Difference in median full-time earnings between men and women, % of the level for men, 2014 and 2024



Note: The data for 2014 refer to 2013 for Chile. The data for 2024 refer to 2023 for Austria, Chile, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, the EU-27, and the OECD. The data for 2024 refer to 2022 for Belgium, Iceland, Israel, Switzerland. For Luxembourg the latest data refer to 2020 (0.4); for Türkiye the latest data refer to 2018 (10.0).
Source: OECD Gender wage gap statistics.

Why equal pay matter

Equal pay isn’t just about fairness, it’s about unlocking economic potential. Paying women fairly for equal work drives higher workforce participation, fuels economic growth, and helps lift families out of poverty. **OECD Economic Surveys** consistently underline that more equal labour markets are also more productive. Closing today’s gender pay gap builds tomorrow’s gender pension equity, ensuring women enjoy the same financial security in retirement as men.

What is behind the wage gap between men and women?

The gender wage gap reflects unequal responsibilities and unequal opportunities. OECD analysis shows that three-quarters

of the gap comes from men and women with similar qualifications being paid differently within the same firm, often reflecting differences in tasks and responsibilities, or simply discrimination. The remaining quarter reflects the tendency for women to be clustered in lower-paid firms and industries such as care, health and education, while far fewer make it into high-paying, fast-growing fields like information, communications and technology (Figure 2) (OECD, 2021[1]).

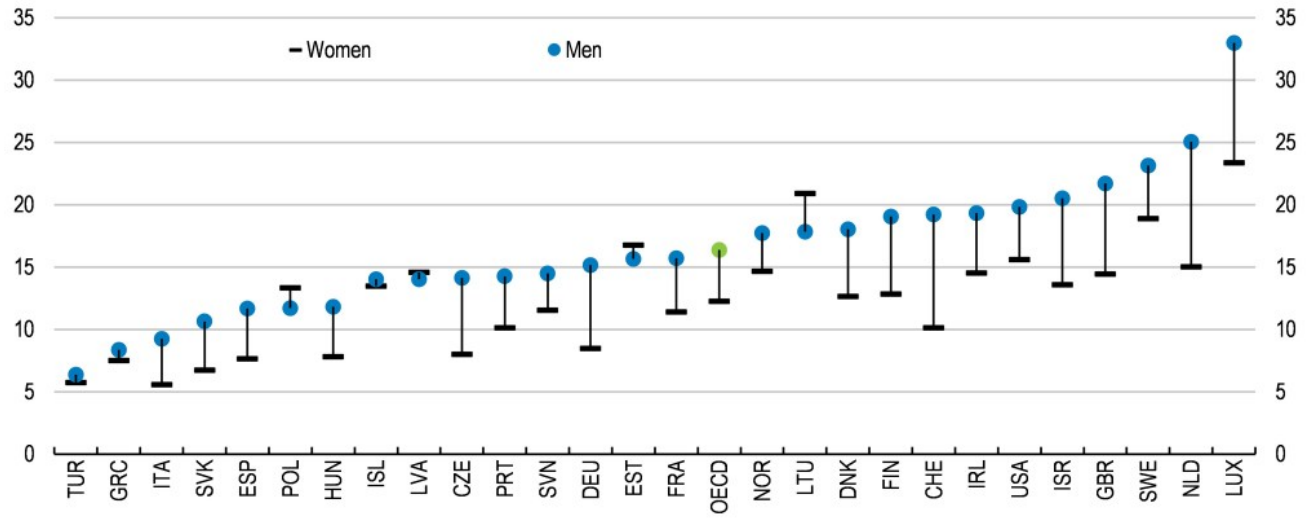
Economic Surveys highlight additional structural barriers:

- In Germany, high marginal tax rates on second earners, often women, discourage full time work (OECD, 2025[2]).
- In Japan, the Surveys stress that limited uptake of parental leave by fathers and unequal career progression for women slows efforts to close the gap (OECD, 2025[3]).
- In Korea, pay transparency and stronger enforcement of anti-discrimination laws are flagged as priorities to tackle one of the largest gender pay gaps in the OECD (OECD, 2024[4]).

These structural obstacles are compounded by women still bearing a disproportionate share of unpaid household and care work – about four hours a day on average in OECD countries, twice as much as men (Figure 3), leaving less time for paid work, training, or promotions. Also, women's greater likelihood of working part-time or fewer hours (voluntary and involuntary) limits their experience, career advancement, and access to higher-paying jobs. Hence women not only earn less per hour worked but work less hours on average.

Figure 2. Fewer women work in high-paid jobs than men

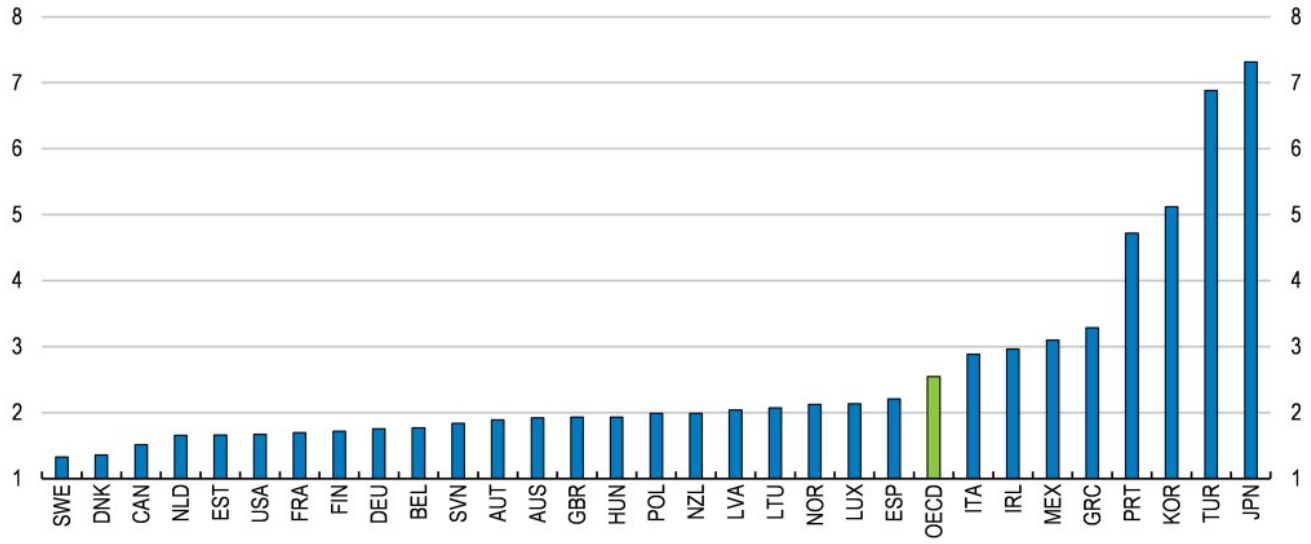
ICT specialists and users in their job by gender, % of all jobs, 2022



Source: OECD Going Digital Toolkit gender indicators.

Figure 3. Women assign more time to unpaid household and care work than men

Average time spent by women on unpaid care and domestic work, female to male ratio



Note: "Unpaid care and domestic work" includes routine housework and care for household and non-household members.
Source: OECD Time use database 2024.

Progress and policy lessons

The gender pay gap has narrowed by around three percentage points across the OECD in the last decade (Figure 1), thanks to reforms in education, labour market and social policies.

OECD Economic Surveys show how tailored policy packages deliver results.

- Austria reduced its gap through a mix of measures that strengthened pay transparency and reporting laws, reinforced equal treatment and anti-discrimination legislation, and supported women with mentoring programs and initiatives to balance family and work responsibilities – all while encouraging more women to take on leadership roles.
- Spain has also made significant progress, reducing its pay gap by 5.3 points over the past decade. This improvement reflects higher labour market participation, more women moving into full-time roles and higher-paying industries, and the implementation of stronger pay transparency rules to target gender discrimination, which apply to companies with more than 50 employees.
- Australia narrowed its gap through expanded parental leave, subsidised childcare, growth of more flexible work arrangements, wage setting reforms and mandatory pay reporting.

These cases illustrate that progress is possible, but also that achieving pay equity requires a comprehensive approach that tackles barriers at home and in the workplace.

The road ahead

A consistent message across **OECD Economic Surveys** is that progress requires coordinated action on childcare, family leave, tax design, and workplace practices (Gonne and Trincão, 2024[5]):

- Expanding affordable childcare, improving shared and flexible parental leave.
- Reforming tax and benefit systems to remove

disincentives to work for second earners, often women.
- Making fair wage-setting practices including mandatory pay transparency policies, requiring employers to publish gender wage gaps and giving workers the right to know what colleagues in comparable roles earn the norm.
- Supporting women's access to leadership and decision-making roles such as temporary quotas, mentorship programs, and women's networks.
- Awareness campaigns and data collection to monitor, evaluate, and improve the effectiveness of policies.

Equal pay will not come automatically. It requires deliberate policy action, sustained monitoring, and a commitment to use all the available talent to strengthen economies and societies.

OECD Economic Surveys will continue to track country-specific progress, helping governments design and implement reforms ensuring that equal pay is not only a principle, but a reality.

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Productivity and inequality – a nexus for policymakers to tackle

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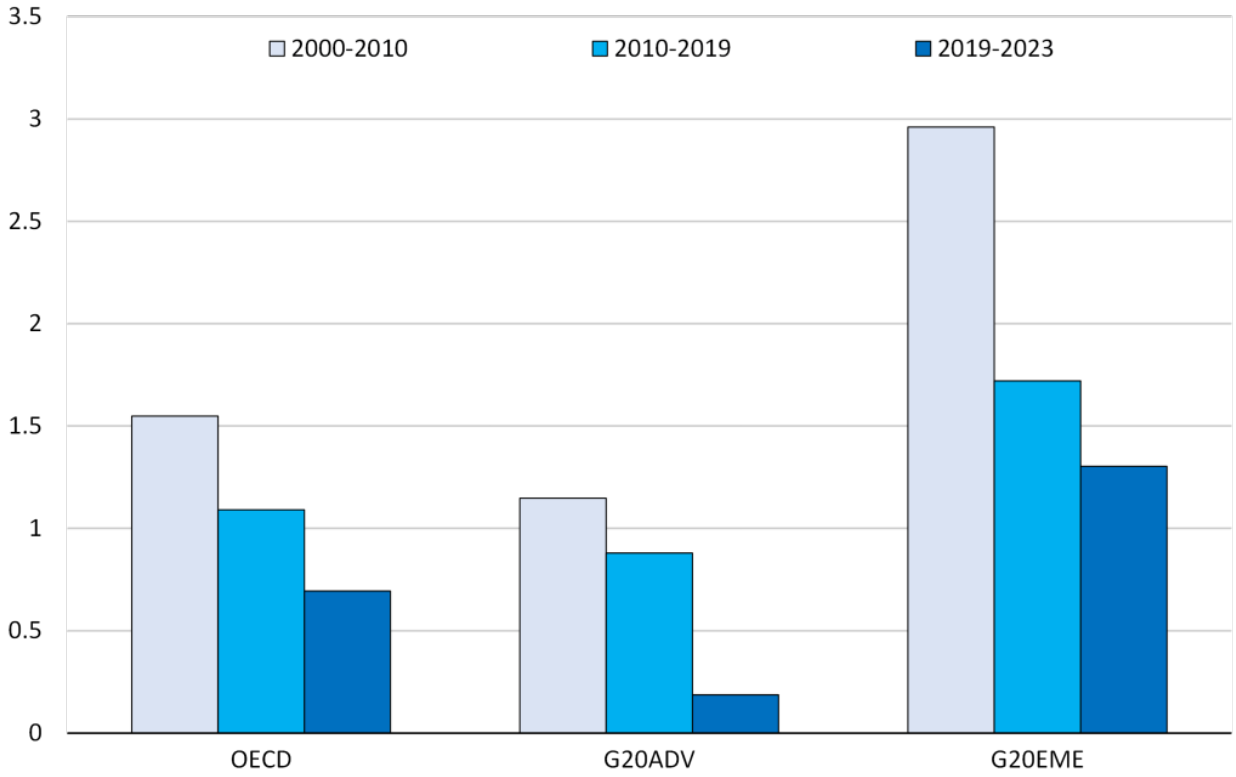
By Emilia Soldani

Over recent decades many advanced and emerging economies witnessed a slowdown in productivity growth, with weaker technology diffusion and a decline in business dynamism (Andre and Gal, 2024, forthcoming). This was accompanied by persistent and pervasive inequalities in economic outcomes and opportunities. A new report by the OECD Economics Department (link) explains why the two challenges should be considered and tackled together (Soldani et al., 2024).

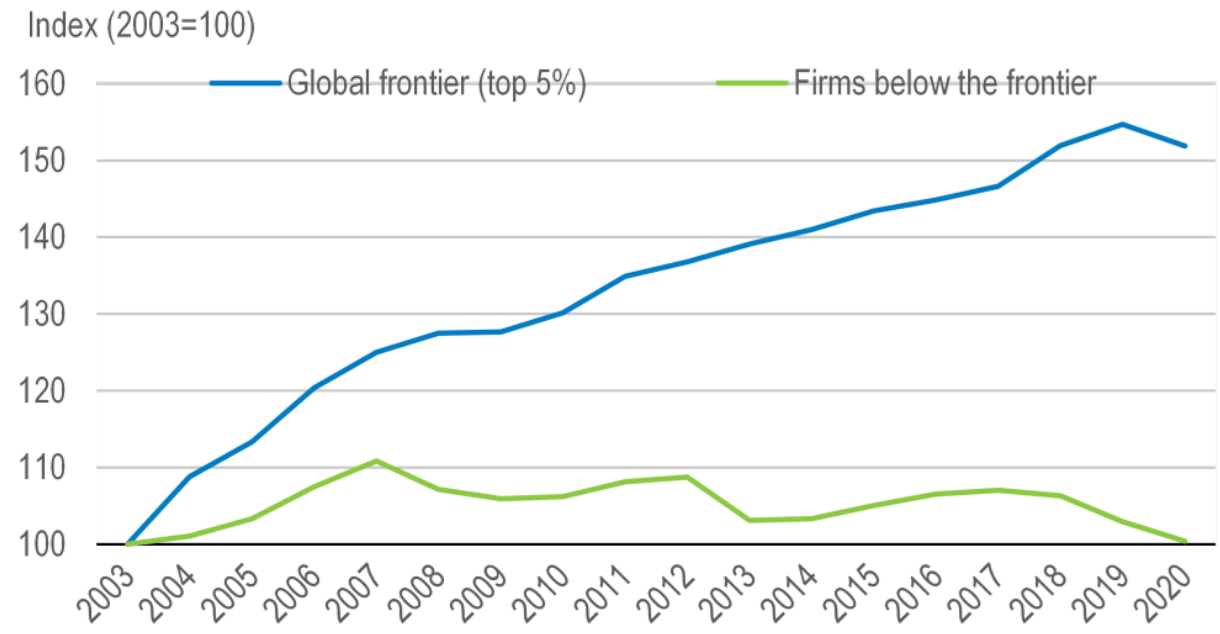
The slowdown in productivity growth (Figure 1), which at first affected advanced economies and more recently also emerging G20 economies, is associated with increasing gaps between firms at the global productivity frontier and laggard firms across and within countries, even within the same industry (Criscuolo et al., 2021; Andrews, Criscuolo and Gal, 2016).

Figure 1. The slowdown in productivity growth and catch-up

Panel A. Labour productivity average yearly growth rate, %



Panel B – The divergence in productivity dynamics across firms

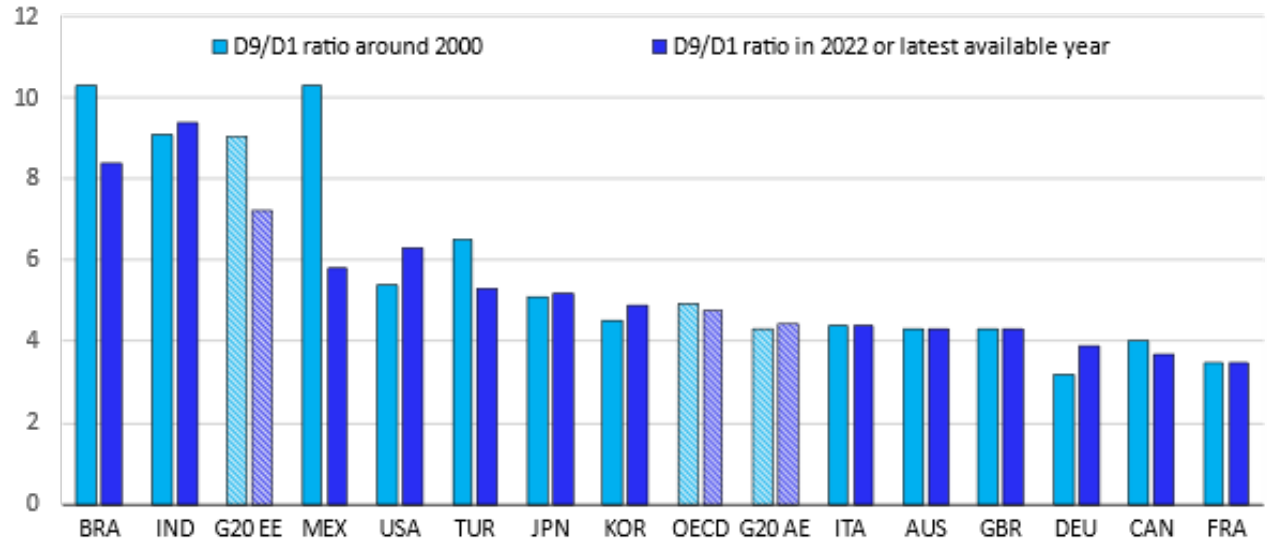


Notes: In panel A, Real GDP refers to the PPP population-weighted average. Advanced economies include Australia, Canada, Germany, France, UK, Italy, Japan, Korea and the US, and emerging-market economies include Brazil, Indonesia, Türkiye and South Africa. In Panel B, the index (2003 = 100)

is approximated by changes in logs. The “Global frontier” is defined as the average productivity of the top 5% firms in the global productivity distribution within each detailed industry (2-digit, NACE Rev.2). “Firms below the frontier” is the average productivity of all other firms within the industry. The chart shows the mean three-year moving average across industries, covering 24 OECD countries. Labour productivity is defined as value added per employee. More details are given in the source paper.
Source: For Panel A, OECD Economics Department Working Paper number 1819. For Panel B, Andre and Gal (2024, forthcoming) based on the updated calculations described in Andrews, Criscuolo and Gal (2016) using the Orbis firm-level financial account database (2022 vintage).

Meanwhile, while income inequality has decreased across countries (Lakner and Milanovic, 2015), it remains generally high within countries, especially in emerging economies. Across G20 economies with available data, the income ratio between the richest and poorest 10% of the population is still about significantly larger for emerging economies than advanced ones (Figure 2).

Figure 2. The income gap between the top and bottom deciles of the population remains high in emerging G20 economies



Note: The D9/D1 ratio is defined on household equivalised

disposable income and refers to the total population. Note that the comparison of data over time is subject to methodological limitations (OECD, n.d.[58]). Data around 2000 refers to 2006 for Brazil and Korea; 2004 for India and Türkiye; and 2000 for the other countries. Latest data available refers to 2011 for India; 2018 for Japan; 2020 for Australia and Germany; 2021 for Italy, the UK, Canada, France, Japan, and Türkiye; 2022 for the USA, Mexico, Korea and Brazil.
Source: OECD Income Distribution Database, data extracted in July 2024.

The situation deteriorated further because of the COVID-19 pandemic (Mahler, Yonzan and Lakner, 2022; OECD, 2024), which also highlighted the extent of inequalities in other dimensions: access to quality education, health care, savings and social protection. Such inequality of opportunities negatively affect the allocation of talents and social mobility, potentially further dragging down productivity growth.

The OECD report (link) summarises the empirical evidence and lessons on the policy levers available to accelerate productivity growth and make it more inclusive, drawing from a vast array of OECD studies and academic research. The main conclusion is that productivity and inequality challenges should not be looked at in separation, due to many links between the two, in either direction. For example, higher productivity and economic growth can boost aggregate savings, investment, and the accumulation of human and physical capital, which affect economic wellbeing, poverty, social mobility, and inequality. At the same time, these factors also affect occupational choices, political demand for fiscal redistribution, and social and political conflict, all of which may affect economic growth (Barro, 2000). Intertwined links amid ongoing structural changes such as the decline in labour force due to demographics, environmental disruptions,

and high levels of public and private debt, suggest the importance for policy levers to target both inequality reduction and productivity enhancement.

Based on the review of extensive research outputs, three main spheres of action to support inclusive growth emerge:

- The development of skills and the efficient matching of workers to firms can be supported by policies to improve access to quality education and upskilling at every age and to reduce labour market insecurity and informality.
- Policies to curb market power in labour and product markets: these may lead to double dividends by improving job quality and workers wellbeing, while also boosting growth-enhancing business dynamism.
- Enhancing the effectiveness, progressivity and equity of taxes and transfer systems. International cooperation, for instance in trade and taxation, should reinforce and support the efforts made at the national level.

The importance of business dynamism to boost productivity is best understood when noting that the productivity gap between laggard firms and those at the productivity frontier, which explains a considerable portion of the productivity growth slow-down, is higher in economic sectors characterised by stark barriers to business entry and dynamism and by higher market concentration (Calvino, Criscuolo and Verlhac, 2020). This suggests that policies supporting business dynamism may accelerate the diffusion of frontier technologies and management practices and promote aggregate productivity growth.

The need for policies to curb employers' labour market power and reduce informality is apparent in light of the widespread decoupling between the growth of labour productivity and wages. Indeed, the growth of average and median wages over recent decades has been limited. Over the same period wage

dispersion has increased as wages have grown relatively more at the top of the income distribution (Schwellnus, Kappeler and Pionnier, 2017), despite some signs of a partial reversal in wage inequality through 2022 and 2023. Here, too, policies to support education and upskilling may help reduce wage dispersion while also enhancing productivity growth (OECD, 2021; OECD, 2020), including by ensuring that the workforce has the right skill sets to face the ongoing transitions (OECD, 2022; Causa et al., 2022).

In the context of education policies, the latest OECD PISA scores highlight the need to improve inclusiveness and effectiveness. Average students' performance starkly deteriorated between 2018 and 2022, and the gaps in scores along the socioeconomic dimension increased, with disadvantaged students falling further behind.

While the task may seem daunting, the stakes in reducing inequality and promoting inclusive growth exceed purely economic considerations: the combination of slow growth, persistent inequalities, especially in economic opportunities, may further erode social cohesion and the support for democratic institutions (Rodrik, 2017; Guriev and Papaioannou, 2022; Rodrik, 2021) and spark support for protectionist measures and hostile sentiments against international trade (Millot and Rawdanowicz, 2024; Criscuolo et al., 2022).

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Pathways to Prosperity: Key Reforms for a Thriving Peru

Category: Latin America,Peru,Tax
written by oecdecoscope | September 18, 2025



También disponible en español

By ***Paula Garda*** and ***Michael Koelle***, OECD Economics Department

Peru has made significant strides over the past two decades in reducing poverty and improving living standards, outperforming many Latin American peer countries as highlighted in the 2023 Economic Survey of Peru. The basis for this progress was the country's robust macroeconomic framework and ambitious structural reforms implemented in 1990s. These reforms have catalysed macroeconomic stability, high economic growth, low inflation and low public debt.

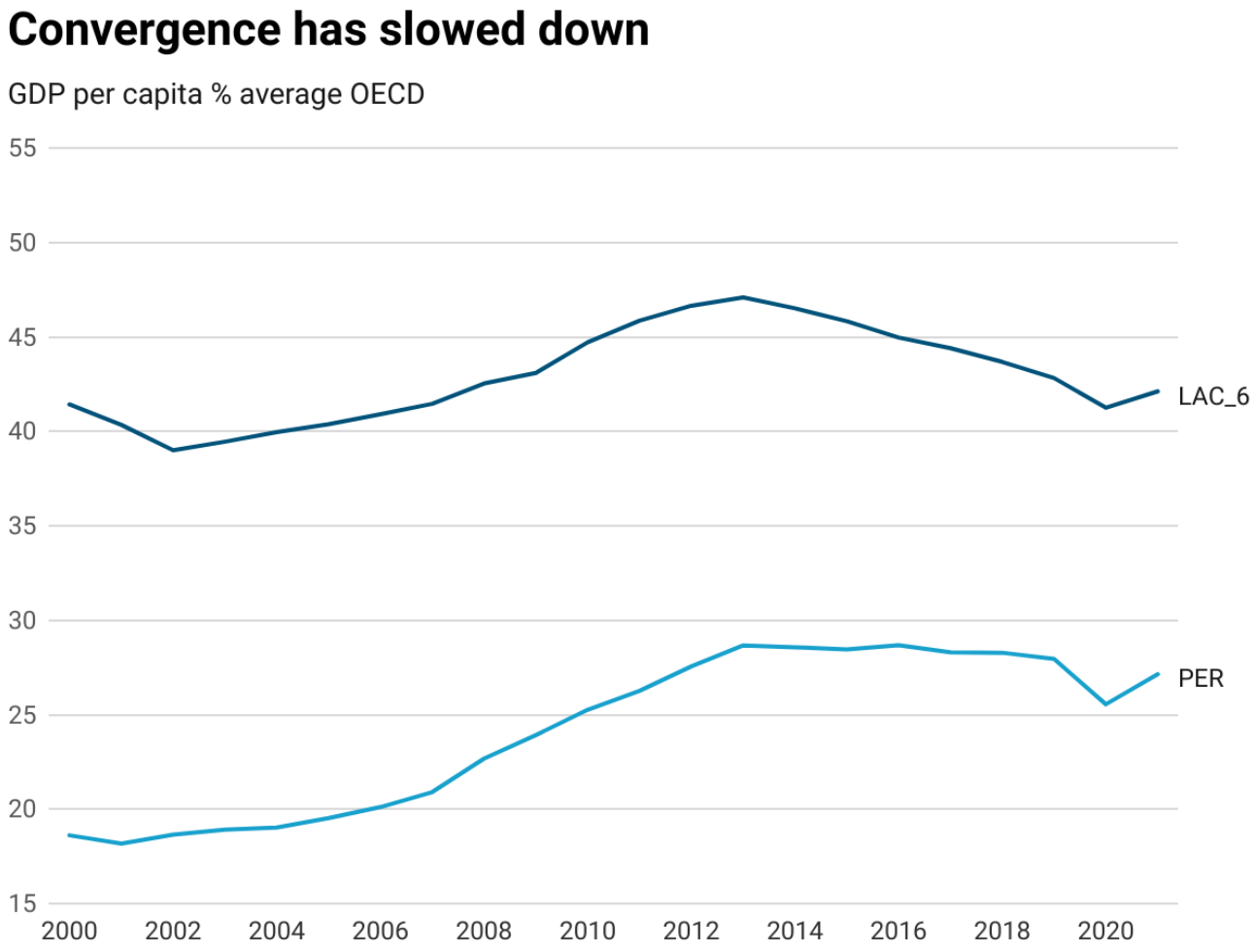
The COVID-19 pandemic, however, exposed remaining challenges. Peru experienced one of the most severe economic contractions and excess mortality rates of any country. The economy bounced back in 2021, thanks to its fiscal buffers. The recovery was short-lived and a series of shocks, including Russia's war of aggression in Ukraine, social unrest and extreme weather events led to inflationary pressures and economic slowdown. The economy is projected to gradually recover with inflation returning to the target range by early 2024. However, Peru faces long-standing structural issues like a large informal sector, infrastructure gaps, and a weak rule of law. These not only magnify the impact of adverse shocks and socio-economic

inequalities but also hold up Peru on its path towards better standards of living.

As Peru embarks on its journey towards OECD accession, the process represents a transformative opportunity for the country to design and implement a comprehensive reform agenda to foster convergence to higher living standards for all Peruvians. The 2023 Peru Economic Survey highlights four key priority areas of reforms:

Fostering Long-Term Growth

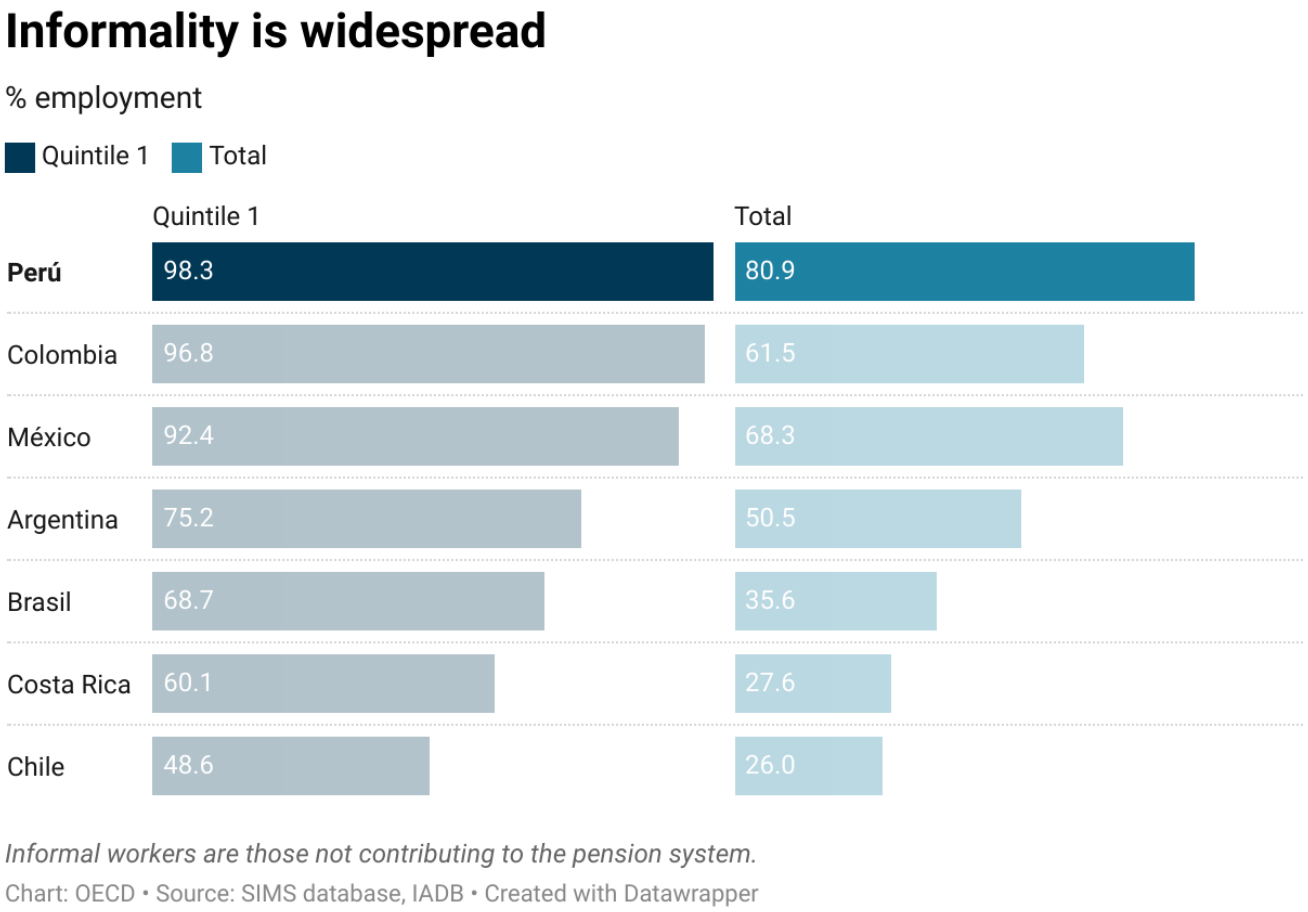
Income convergence to more advanced countries stalled in 2014 with the end of the commodity price boom, making it of utmost importance to boost productivity and investment. While commodities, particularly minerals, have fuelled past growth, there is a need to expand the economy’s productive base. High concentration of market power in a few major business groups reduces market dynamism. This calls for strengthening competition enforcement and simplifying regulations to boost productivity. Additionally, better public spending efficiency would help close infrastructure gaps and deliver essential services while boosting potential growth. This entails enhancing local government capabilities, improving infrastructure planning, and modernising the civil service to enhance overall state capacity. Strengthening the rule of law by fighting corruption and improving judicial independence and efficiency is equally important, as it not only encourages investment but also restores trust in institutions.



Tackling Informality

The challenge of informality looms large in Peru, with around 80% of workers in informal jobs, without social and labour protection, and on the margin of the formal tax and benefit system. Though there is no silver bullet solution as the roots of informality are multi-dimensional, fostering formality through a comprehensive reform package is essential for reducing poverty and inequality, boosting productivity, and improving tax collection. Ensuring universal access to basic social benefits – health, pensions, and social assistance – for both formal and informal sector workers alike, could remove some distortions that incentivise informality. This requires increased social spending funded by general taxation instead of by social contributions that make formal job

creation expensive incentivising informal job creation. Providing universal access to pensions and health services financed by general taxation offers the possibility of reducing social contributions for low-income workers, promoting formal employment, and boosting productivity. Improving access to high-quality education tackles another root cause of informality, low labour productivity. Closing the gap in learning outcomes, especially among disadvantaged students, requires improving teachers' training and addressing school infrastructure gaps.



Strengthening Public Finances

Peru's current tax revenues, at 17% of GDP, lag both OECD and regional peers. A key challenge for Peru is sustaining fiscal responsibility while addressing social and infrastructure needs. Addressing this gap requires a multifaceted approach: improving spending efficiency while strengthening tax administration, reducing tax expenditures, modernizing

property registries, and streamlining corporate tax schemes.

Confronting Climate Change

Climate change poses another significant challenge for Peru. The country is highly vulnerable to extreme weather events and is committed to achieving carbon neutrality by 2050. To achieve this goal, the country must combat deforestation—a major contributor to greenhouse gas emissions—and accelerate the use of renewable energy sources implementing stricter regulations and consistent price signals to reduce reliance on fossil fuels, tapping the enormous potential that the country has in this area.

As Peru navigates these multifaceted challenges, its process of accession to the OECD can offer a framework for long-term reforms that address existing vulnerabilities and allow the convergence to higher living standards. This roadmap, grounded in evidence and best practices, should build on the successes of the past, such as the robust macroeconomic setup that fuelled Peru’s economic growth. Realising this transformation demands political consensus, evidence-backed policies, and collaborative efforts.

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Chile: How can growth be made more inclusive?

Category: chile
written by oecdecoscope | September 18, 2025



Improve productivity, social protection and raise more revenues for a sustainable recovery.

Improving economic opportunities for all in Belgium

Category: Belgium,Housing
written by oecdecoscope | September 18, 2025



Continuing labour market reforms, tackling inequity in education and supporting housing affordability would promote equal access to life chances in Belgium.

How can public finance reforms boost economic growth and enhance income equality?

Category: Public finance,Uncategorized
written by oecdecoscope | September 18, 2025
by Boris Cournede, Head of Public Finance Workstream, OECD Economics Department

Most OECD countries have very large government sectors: public expenditure amounts to 43% of economic activity, measured by GDP, on average across OECD countries. This proportion exceeds 50% in four OECD countries. The programmes on which governments spend have thus deep implications for people'swell-being and a country's economic fortunes. Similarly, the choice and design of taxes that fund expenditure will also shape economic decisions and influence people's choices to work, invest and consume.

New OECD empirical work has identified lessons provided by the experience of OECD countries over the past three decades. These empirical investigations shed light on the effects of public finance on economic activity as well as on the distribution of income across households.

First, large governments can be compatible with high levels of economic activity: the condition is that governments provide their services very efficiently. The Nordic countries display the levels of government effectiveness at which governments can be large without weighing on growth. Where governments are less effective, reducing their size can be expected to lead to higher growth; however, reducing the size of government typically entails arise in income inequality, because public

expenditure, and especially transfers, are a powerful equaliser of incomes.

Second, leaving aside questions about government size, many public finance reforms that change the composition of spending or the mix of taxes offer the potential to boost economic activity and household incomes:

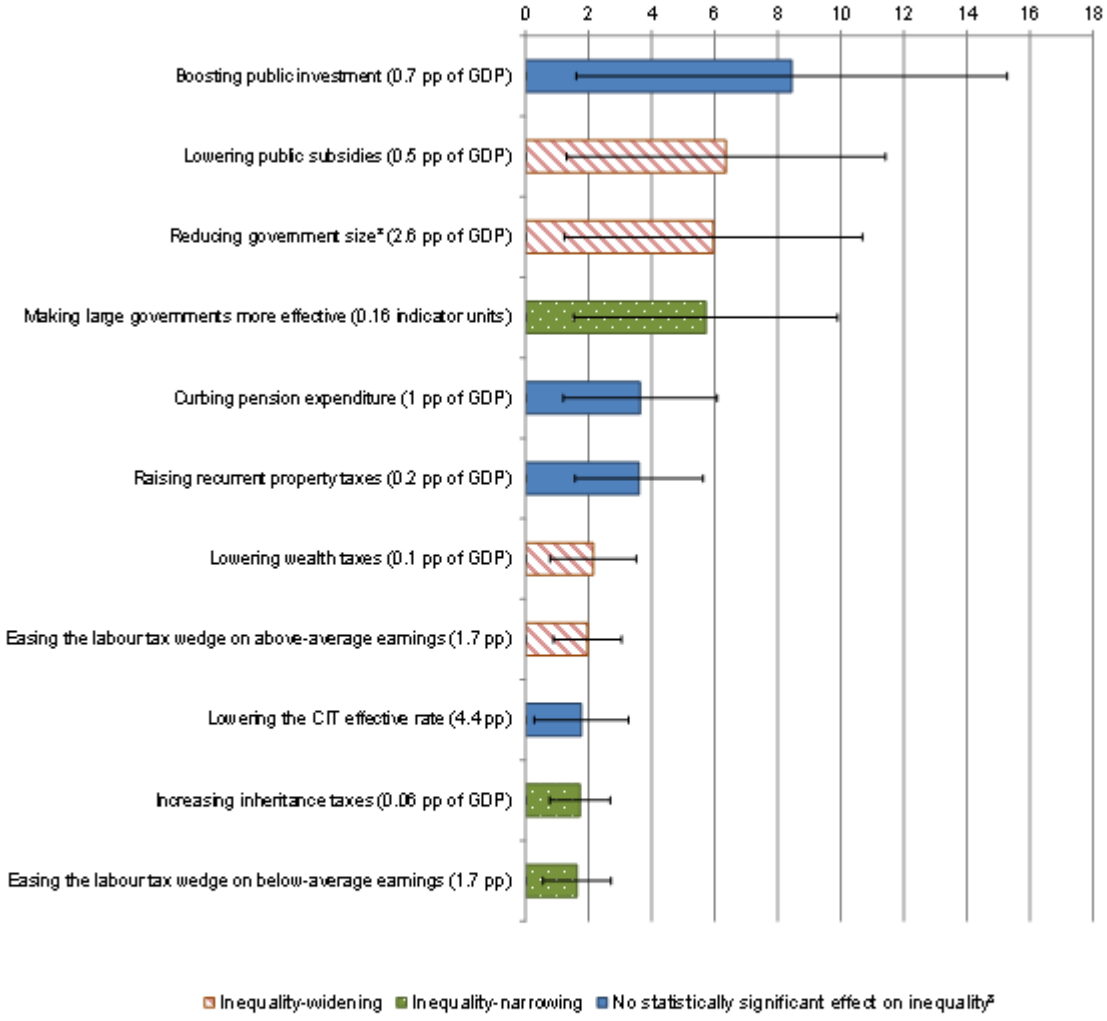
- Some reforms can boost overall economic activity while reducing income gaps:
    - One important reform of this nature is to reduce the effective tax that low-income workers face (taking into account the withdrawal of benefits) and funding this change through proportional increases in other taxes.
    - Another reform that belongs in this win-win category for higher activity and less inequality is to increase inheritance taxes and use the proceeds to reduce other taxes proportionally.
- A number of public finance reforms can increase activity without altering income differentials, thereby "lifting all boats"roughly equally. They include:
    - Higher public investment, while reducing other spending programmes by the same amount;
    - Higher recurrent property taxes, while lowering other taxes by as much;
    - Lower effective rates of corporate income tax,while increasing other taxes.
- One public finance change that benefits the poor with no substantial effect on overall activity is to expand spending on family policy while reducing other spending programmes by the same amount.
- Finally, a number of changes to the structure of public finance can be expected to boost economic activity but widen relative income gaps yet leave no income group worse of in absolute terms. Such reforms include:
    - Lowering public subsidies, while increasing other

expenditure categories by as much, giving priority to the most favourable for growth such as investment and education;
- Lowering net wealth taxes while raising other taxes by the same amount;
- Easing the tax burden on workers earning above-average wages while increasing other taxes to make up for the revenue shortfall.

The empirical work shows that reforms of sizes that correspond to changes that have been observed in OECD countries in the past three decades can have substantial effects on economic activity (Figure). This work can help select reform priorities in the light of their expected overall economic benefits and their distributional consequences, which will determine how inclusive, and therefore acceptable in political terms, they are likely to be. Importantly, the exact choice and design of the reforms will also have to reflect country specificities in terms of institutions and preferences.

Figure 1. A number of public finance shifts can boost average output with no adverse consequences for income inequality while some involve trade-offs

Permanent percentage effect on output per capita of a typically observed long-term change in a public finance instrument while keeping overall government size constant[1]



Notes: 1. The bars show the point estimates while bracketed solid lines depict the 10% confidence intervals. Estimates come from panel regressions covering 34 OECD countries over 1981-2014 or fewer observations depending on data availability. A typically observed long-term change in a public finance instrument is defined as the average across countries of the standard deviation in the tax or spending instrument over time. The standard deviation is calculated only within-country changes, implying that it reflects changes that have occurred within countries rather than long-standing differences across countries. They are equal to percentage point changes in the ratios to GDP, denoted as "pp of GDP", for instruments measured as ratios to GDP. They are simple percentage point changes for tax rates or wedges. For education quality, the standard deviation is a 1.3% increase in the average PISA score. For government effectiveness, the standard deviation is calculated in units of the indicator published by the World Bank.

2. By exception, government size is not kept constant for this change.

3. Inequality relates to disposable income inequality within the working-age population.

Source: Cournède, B., J.-M. Fournier and P. Hoeller (2018), "Public Finance Structure and Inclusive Growth ", OECD *Economic Policy Paper*, No. 25

Read more:

- Cournède, B., J.-M. Fournier and P. Hoeller (2018), "Public Finance Structure and Inclusive Growth, " *OECD Economic Policy Paper*, No. 25. https://www.oecd-ilibrary.org/economics/public-finance-structure-and-inclusive-growth_e99683b5-en
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A balancing act: Why inequality increased in the Nordics

Category: Denmark,Finland,Iceland,Inequality,Sweden,Uncategorized
written by oecdecoscope | September 18, 2025

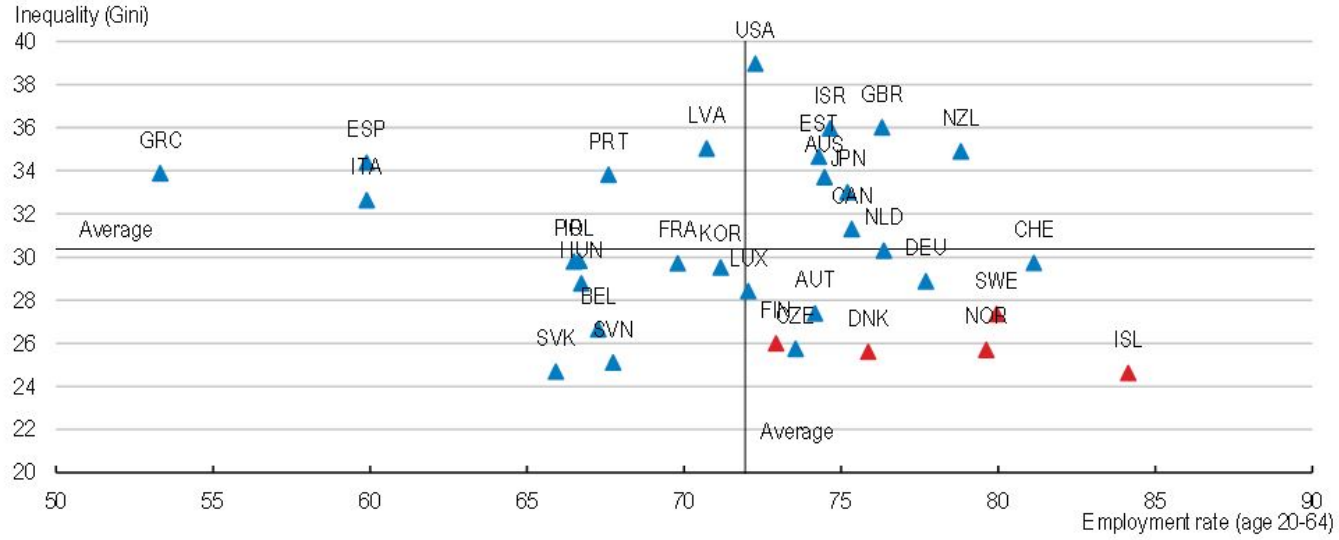
Mr. Jon Pareliussen, Economist, Sweden/Finland desk, Economics Department

The Nordics are rightly renowned for being inclusive societies with low inequality compared to other OECD countries. However, some of the largest inequality increases over the past few decades took place in Sweden, Finland and Denmark. A newly released article building on previous OECD work discusses how market forces, demographic trends and redistribution together shaped the income distribution of the Nordics.

It may seem like a paradox that the Nordics, which are very open economies, heavily integrated in global value chains and front-runners in the use of new technologies, have not seen even more widening distributions of market incomes. However, the extent to which skill-biased technological change and other forces widening the earnings distribution of workers will actually drive up inequality depends on a number of factors, and key policies and institutions in the Nordics play a dampening role. First, institutions such as unions and collective bargaining, employment protection legislation and minimum wages dampen the direct effect of market trends on earnings. Second, higher demand for skills are met by publicly-funded higher education, increasing the supply of skilled workers and thus holding back skills premiums. Third, a widening earnings distribution among workers coincided with increasing employment, limiting the overall effect on inequality.

Low income inequality in the Nordics is only sustainable if employment is high

Gini index for household disposable income and employment rates, 2014 or latest available year



Note: All OECD countries included except Chile, Mexico and Turkey. Data refer to 2012 for Japan; 2015 for Finland, Israel, Korea, the Netherlands, the United Kingdom and the United States; and 2014 for the rest.
Source: OECD Income Distribution Database; OECD Labour Force Statistics.

With a relatively modest overall impact from market forces, explanations for increasing inequality must be sought elsewhere:

- Demographic trends have been relatively strong drivers of inequality in the Nordics. Household structure, with more single-headed households has widened income dispersion in Denmark, Finland, Norway and Sweden. Ageing has increased inequality significantly in Finland, and immigration has increased inequality in Norway, Denmark and Sweden.
- Redistribution through taxes and transfers has weakened significantly in Denmark, Finland and Sweden, notably due to less insurance transfers (i.e. unemployment, sickness, disability insurance) and only partially offset by more assistance (i.e. means-tested) transfers. Income taxes have played a less important and more heroegneous role, as progressivity increased in Sweden while it decreased in Denmark and Iceland.

Technological and demographic pressures are set to continue going forward, and these challenges need to be embraced.

Continued flexibility and constructiveness of the social dialogue and improvements to education are essential to seize opportunities from technological change and avoid a widening wage distribution. Making social insurance and welfare transfers more flexible and agile would improve workers' protection in a rapidly changing world of work. Improving benefit system design so that work always pays, notably in Denmark and Finland, and linking benefits to real-time income registries are important steps to this end.

The Nordics demonstrate that equity and efficiency can be compatible if incentives are right. Low inequality and strong safety nets can even be an advantage in today's globalised world, which requires constant adaptation. Reaping the full benefits from globalisation and technological progress requires broad support, which is easier to muster when the social dialogue is constructive and representative, when everyone is given opportunities to fulfil their potential, risks are shared and losers compensated.

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The key to breaking cycle of poverty in Israel lies in

education

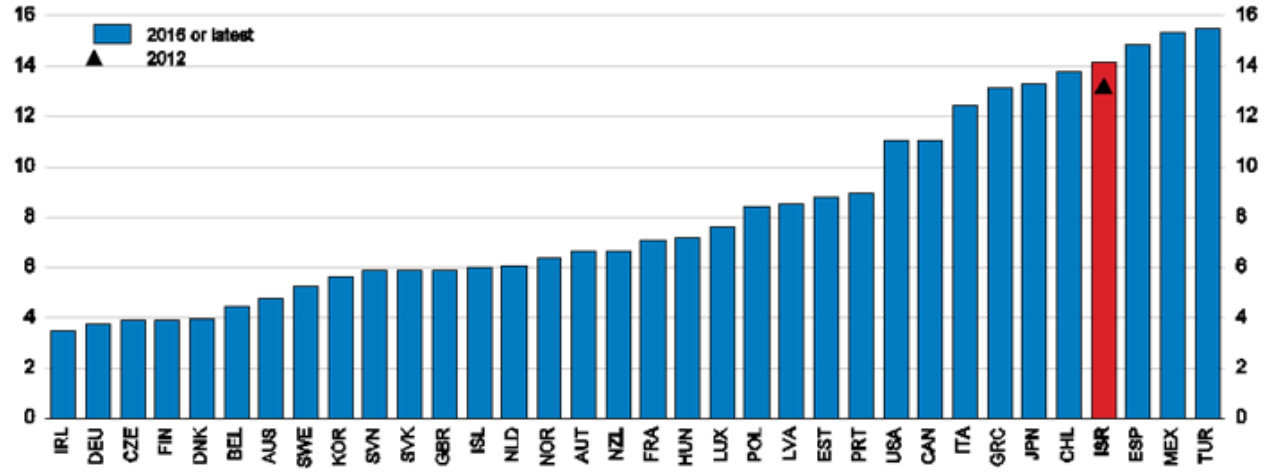
Category: Israel,Uncategorized
written by oecdecoscope | September 18, 2025
By Gabriel Machlica and Claude Giorno, Israel Desk, Economics Department

Inequality and relative poverty in Israel remain high, particularly among Arab-Israelis and Haredim (Ultra-Orthodox). Israel's social policy follows a "welfare-to-work" approach to tackle poverty in order to avoid measures that may harm work incentives among the Haredi, who value the time dedicated to religious studies, and the Arabs, who have cultural barriers to female employment. The government's strategy of encouraging employment among previously non-working families has met with substantial success. The Israeli labour market has improved markedly, and more and more Haredim and Israeli-Arabs have been able to find jobs. Moreover, the average real income of poor households has risen by almost 3% annually in the last six years, while the average annual real income of wealthier households has increased by only 2.2%.

However, inequalities remain internationally high, and the current strategy without complementary steps has its limits. Many disadvantaged workers have been able to find jobs, but their families remain poor, since in most cases these jobs are low-paid. Indeed, the share of the working poor has risen in recent years and is comparatively high (**Figure 1**).

Figure 1. The share of working poor is high

A. Share of workers in poverty[1]

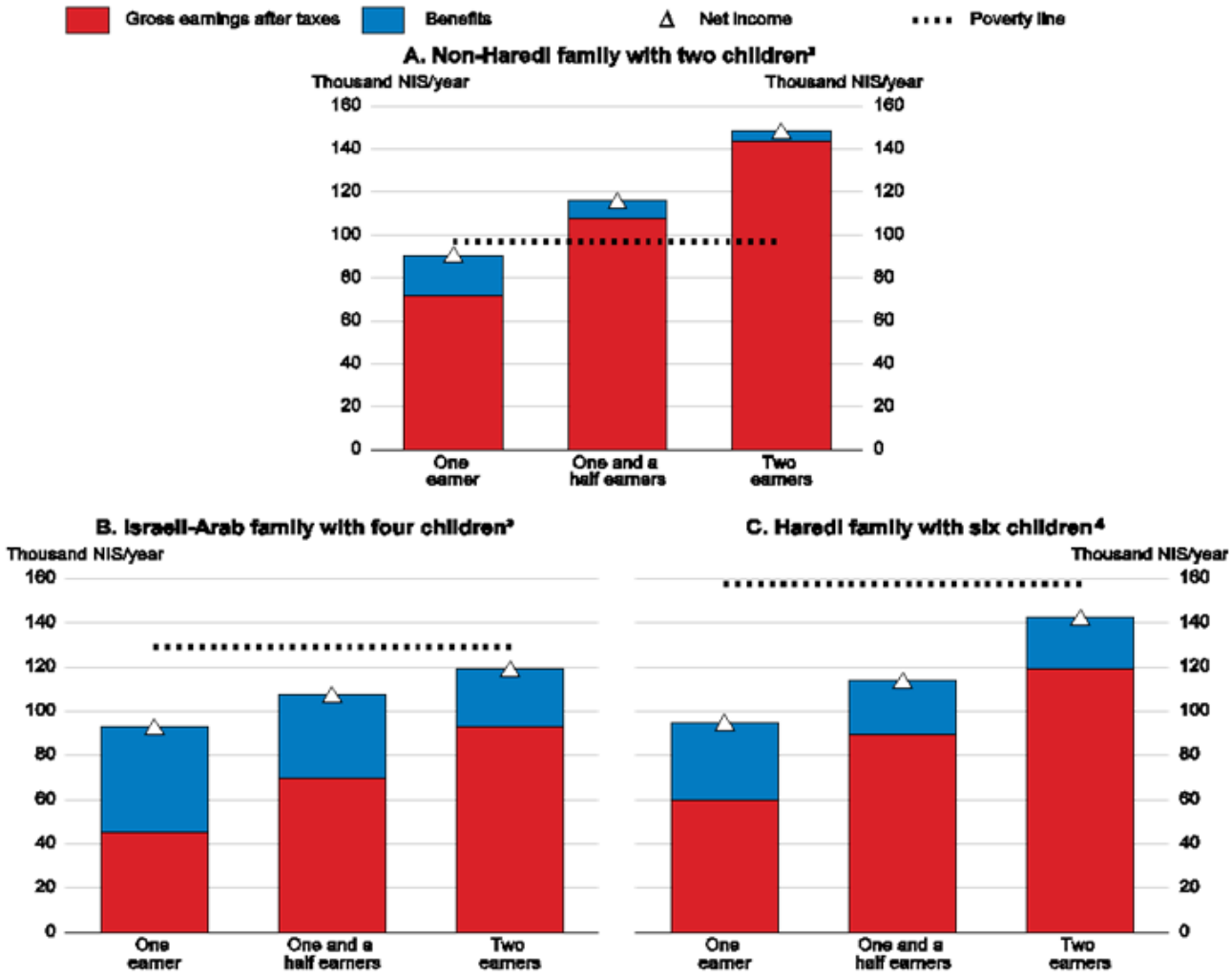


1. Those with income below the poverty line, living in households with a working-age head and at least one worker.
Source: OECD (2017), *Income Distribution database*; National Insurance Institute

This is particularly true for the Haredim and Israeli-Arabs, who earn on average only 70% and almost 90% of the median hourly wage, respectively, mostly due to the differences in skills and typically have families with only one breadwinner. Given the current tax-transfer system and large number of children in these households, especially in the Haredi community, even two full-time working spouses would not be enough to escape from poverty (**Figure 2**).

Figure 2. Higher employment of Haredim and Israeli-Arabs may not be enough to lift them out of poverty

Estimates of family income according to the numbers of earners and the community group[1]



1. One earner corresponds to a family with one earner, one and a half earner corresponds to two-earner family where one works full-time and the second half-time, and two earners corresponds to two-earner family where both work full-time.
2. Workers are assumed to earn 110% of the average wage.
3. Workers are assumed to earn 70% of the average wage.
4. Workers are assumed to earn 90% of the average wage.

Source: OECD calculations using the OECD Tax-Benefit Model. See OECD (2018), OECD Economic Surveys: Israel 2018, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-isr-2018-en for more details.

Therefore the current government strategy should be accompanied by additional measures. Extensive poverty in Israeli society is to a significant extent due to the wide dispersion of skills. The government should improve the education outcomes of the disadvantaged groups to boost their future productivity and wages. As the *2018 OECD Survey on Israel* argues, the education system needs to become more inclusive by giving all children opportunities for good-quality education to improve their skills. The government should also focus on programmes for adults who have already

left initial education without proper skills. In addition, it should further expand in-work benefits to boost take-home pay of the average eligible worker.

References:

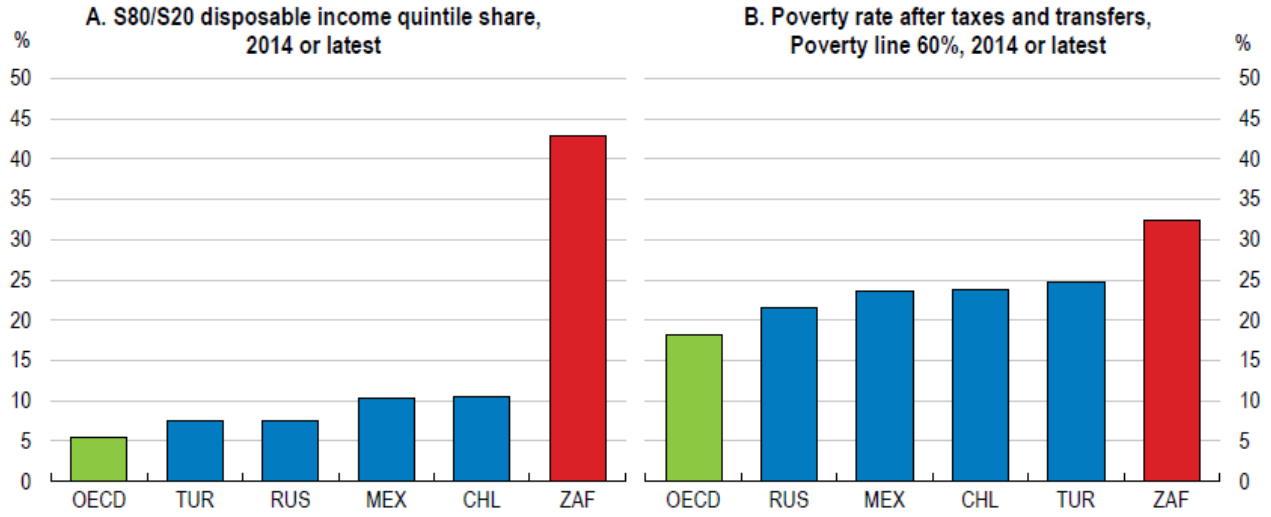
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South Africa: it is time to rekindle the economy

Category: South Africa,Uncategorized
written by oecdecoscope | September 18, 2025
By Falilou Fall, Head of South Africa Desk, OECD Economics Department

Growth is recovering but inequality remains persistent. Growth is projected to reach 1.5% in 2018 after many years below one percent or negative in per capita terms. Low growth and high unemployment have adversely affected the well-being of South Africans. Since 2010, inequality, measured by the Gini coefficient at 0.62, has almost stagnated withering the social contract in a context of policy mistrust (Figure 1).

Figure 1. Poverty and inequality are high

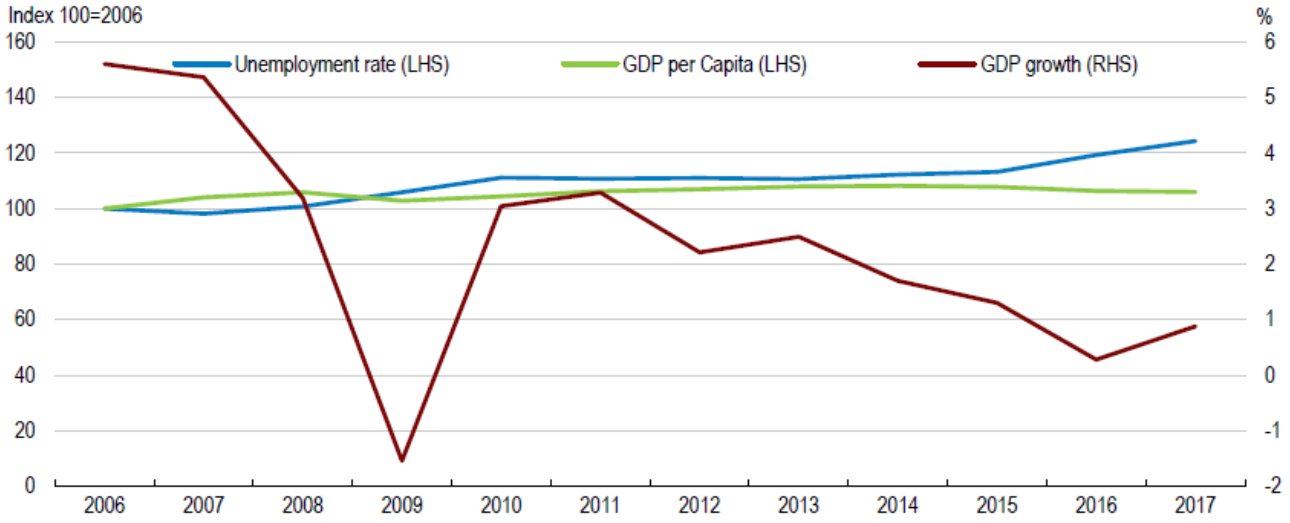


Source: OECD Income distribution and poverty database.

As pointed out by the 2017 OECD Economic Survey of South Africa, the weak growth reflects lacklustre investment and continued low business confidence and the impact of high unemployment, moderate wage increases and persistent indebtedness on sluggish household consumption (Figure 2).

Low growth and weak fiscal discipline contributed to rising public debt burden – from 41% in 2012 to 53% of GDP in 2017. The shortfalls in meeting fiscal objectives, policy uncertainty and corruption concerns in turn led to the downgrading of the government bond ratings to sub-investment level by two major rating agencies in 2017. This makes it harder to meet the large social needs of much of the population.

Figure 2. GDP per capita has been falling



Source: OECD, Economic Outlook Database.

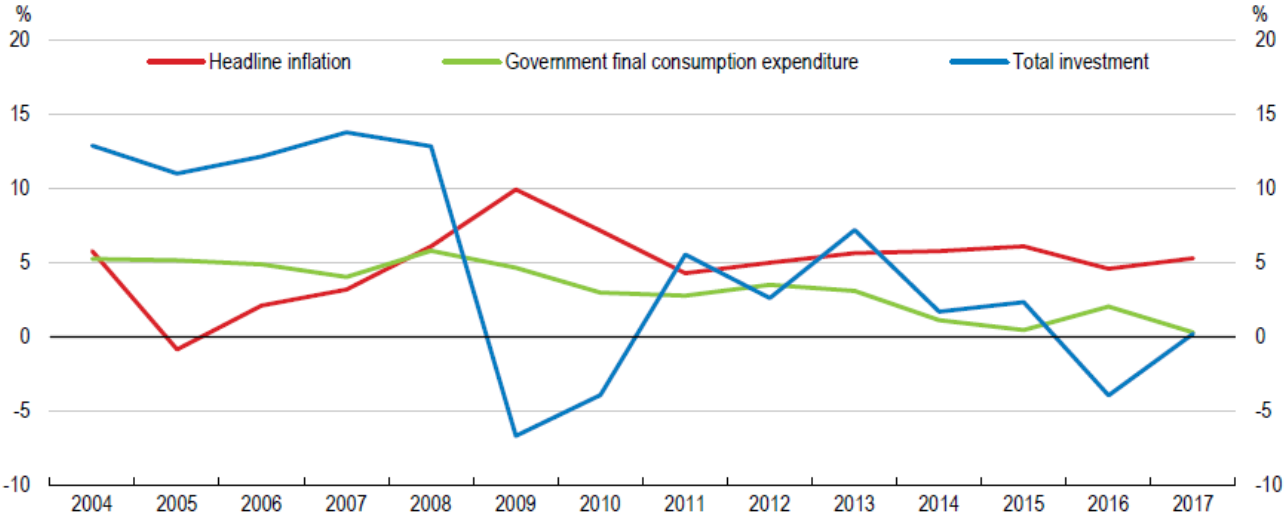
The election of a new political leadership should brighten the outlook. Business and household confidence are up. Indeed, after three years of contraction, private investment is now expected to drive growth. But, growth perspectives remain too low to create enough jobs and generate enough government revenues for spending and debt reduction, while social and infrastructure needs are high.

In the short run, a more accommodative macroeconomic policy mix can boost growth. Inflation has come down throughout 2017 and, at 4.4% in January 2018, it is in the middle of the Reserve Bank's target band. Interest rates can now be further reduced to amplify the investment pick up. Smoothing the pace of fiscal consolidation could further sustain demand and thus contribute to growth acceleration. In a low growth era, fiscal consolidation is detrimental to consumption demand, although reassuring for investors (Blanchard et al., 2013; Sutherland et al., 2012). South Africa made limited progress in fiscal consolidation over the last five years as growth kept falling.

Along with slower consolidation, budget reallocation toward more growth-enhancing investment should continue. Limiting wage growth in the public sector and subsidies and transfers to state-owned enterprises would create fiscal space for

infrastructure and social investment.

Figure 3. More accommodative macroeconomic policy-mix is needed



Source: Statistics South Africa; National Treasury; OECD, Economic Outlook Database.

Bold structural reforms are needed to increase potential growth in a longer perspective. OECD South Africa Economic Surveys (2013, 2015) have pointed to many growth boosting reforms: broadening competition in the economy, limiting the size and grip of state-owned enterprises (SOEs) on the economy, and improving the quality of the education system. Important input and technology sectors such as telecommunications, energy, transport and services in general should be opened up to more competition. In particular, telecoms or the airline company, which are in markets with enough competition could be privatised. Moreover, South Africa lacks a proper urban transport system. Putting in place a national plan to expand public transport and allowing more private operators would reduce the cost of transport on the budget and raise well-being.

Job creation remains a major challenge for the quarter of workforce without jobs. The 2017 OECD South Africa Economic survey found that boosting entrepreneurship and growing small businesses can play an important role in creating jobs. Steps have been taken to ease starting a business, but red tape remains a burden. There is room to reduce harmful product

market regulations and restrictions to entrepreneurship and entry in professional services. The quality of the education system and lack of work experience contribute to gaps in entrepreneurial skills. Policies should provide more financial and non-financial support for entrepreneurs and small businesses. But, a lack of co-ordination and evaluation hampers effective policy-making.

Greater regional integration within the Southern African Development Community (SADC) could provide new opportunities for growth. Despite large growth potential, economic integration in the sub-region has not advanced much. Intra-regional trade in the Community is only 10% of total compared to about 25% in the ASEAN or 40% in the European Union. Better implementation of SADC protocols and agreements would advance integration and create jobs. Reducing non-tariff barriers by improving customs procedures and simplifying rules of origin would reduce trade costs in the region. Weak infrastructure and institutions and barriers to competition limit industrial development. More ambitious and effective infrastructure and investment policies are necessary at the regional level.

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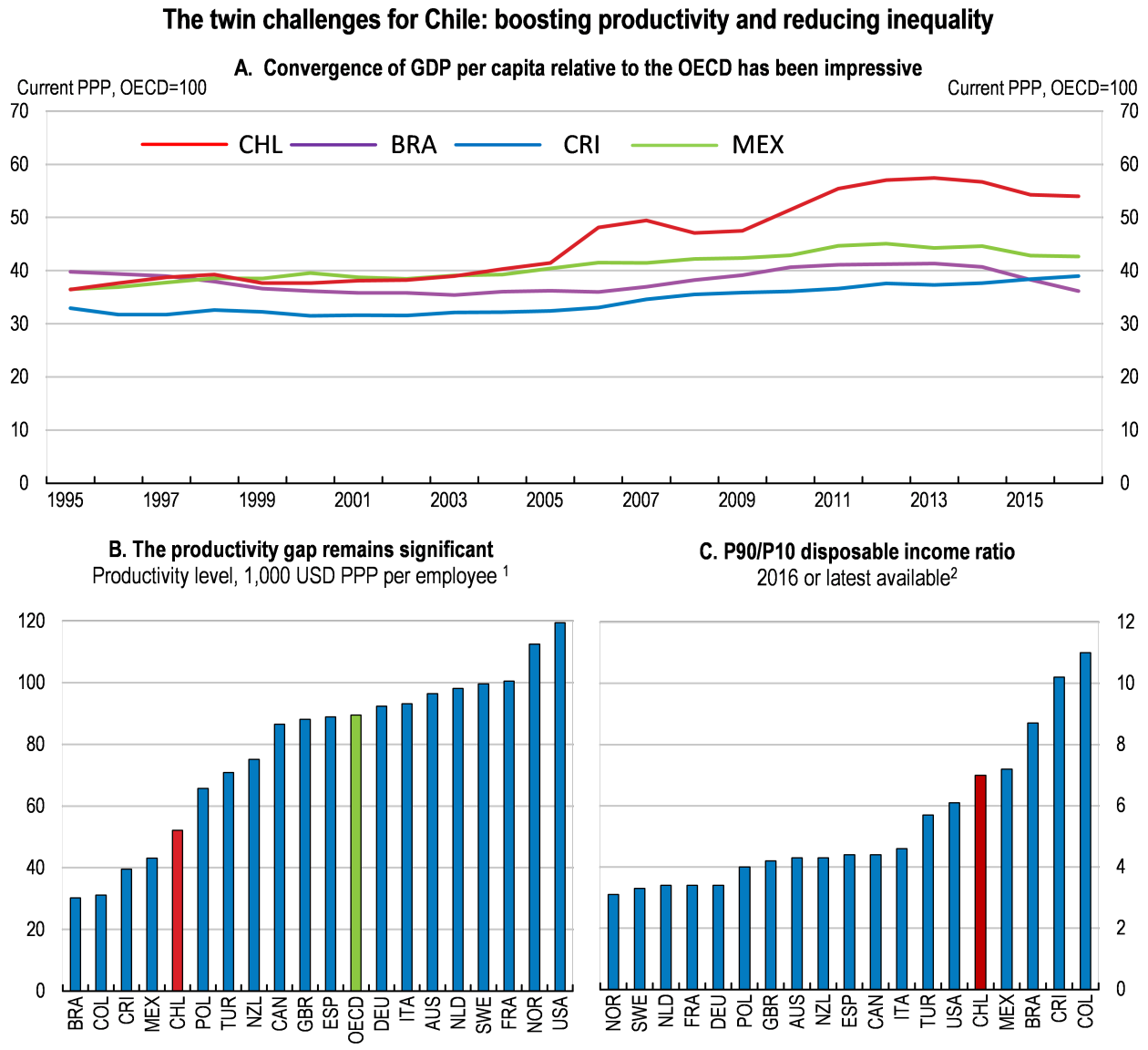
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Mind the gaps: boosting productivity and reducing inequality in Chile

Category: chile,Productivity,Uncategorized
written by oecdecoscope | September 18, 2025
Antoine Goujard and Paula Garda, OECD Economics Department, Chile/Colombia desk

Chile has been one of the fastest-growing economies in the OECD in recent decades. Sound macroeconomic management, bold structural reforms, such as trade and investment liberalisation, and buoyant natural-resource sectors, supported fast convergence in living standards (Panel A). However, progress has slowed: declining productivity gains are limiting prospects for rising incomes and better-quality jobs; and inequality remains stubbornly high (Panels B and C).



1. 2016 or latest available year.
2. Data refer to 2015 for Chile. The P90/P10 ratio is the ratio of income of the 10% of people with highest income to that of the poorest 10%.

Source: OECD, National Accounts Statistics and Productivity and Income distribution databases.

Chile is at a turning point if it is to continue raising the living standards of all. The 2018 OECD Economic Survey of Chile projects a solid expansion of the economy by 2.9% in 2018 and in 2019. Chile will benefit from more favourable global economic conditions and stronger world trade. The rebound in copper prices will also support short-term growth.

The cyclical recovery offers a key opportunity to address the country's low and stagnant productivity and its persistently high inequality. An ambitious reform agenda could increase GDP per capita by over 5% in ten years and lower inequality, notably through better-quality jobs, according to OECD estimates. This calls for increasing competitive pressures and

incentives for innovation, reducing the administrative burden, improving labour market regulations and raising social spending and the employability of all by more training.

Greater productivity would be a major boost for broader-based export growth (Chapter 1 of the Survey). Competition and simplified administrative procedures, notably licences and permits, are key for better competitiveness. The simplification process should include more stakeholders and stronger ex-ante and ex-post evaluations (OECD, 2016). Systematic reviews of competitive pressures and additional technical assistance and mentoring for young and smaller firms would support entrepreneurship and ease access to export markets. Together with higher and well-targeted support for R&D, this will raise innovation and productivity growth. At the same time, further infrastructure investment, notably in intermodal connections, railways and digital networks (OECD, 2017a), are needed to bridge remaining connectedness gaps and to reduce congestion.

Chile has to do more to realise the full potential of its people. Productivity boosting reforms need to go hand-in-hand with measures to raise skills and make the labour market more inclusive (Chapter 2 of the Survey). The recent education reforms will support teaching quality and skills, lowering inequalities (OECD, 2017b). However, continuing to strengthen the quality of education and developing apprenticeships would improve opportunities for all. Female employment and the skills of the youth would benefit greatly from better access to early childcare and extended daycare opening hours. Providing additional relevant training for vulnerable workers would support productivity and employment, notably for women, the lower skilled and the youth. Lower restrictions on permanent contracts and broader access to unemployment insurance would also ease labour market adjustment for workers and firms and increase quality-jobs, thereby reducing informality and boosting well-being.

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