

Latin America's Productivity Puzzle

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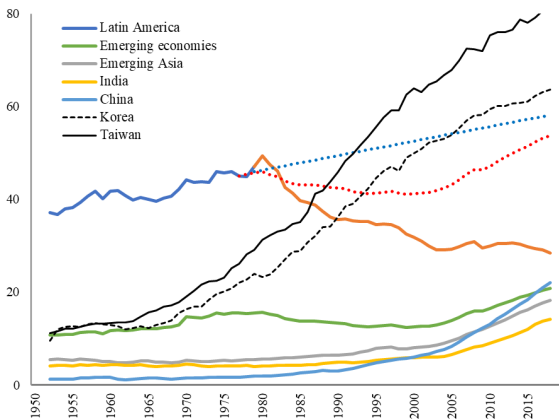
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Relative levels of labor productivity by region, 1952-2018 (U.S. =100)



Note: Labor productivity is defined as GDP per worker, measured in 2022 purchasing power parity terms. Aggregate of Latin America includes Dominican Republic, Guatemala, Jamaica, Trinidad & Tobago, Uruguay, Venezuela, and Paraguay, in addition to the nine countries considered in this study (See Appendix Table A3). The red dotted lines are projections of Latin America's productivity during 1952-1981. The blue dotted line is the linear trend in Latin America's productivity during 1952-1981.

Source: Erumban et al. (2024) based on Conference Board Total Economy Database, April 2023













My remarks are based on the following paper:

- ▶ Erumban A., Samaan, D., and Van Ark, B., (2024): Latin America's Productivity Puzzle: Insights into diversification and structural change. ILO Working Paper (in progress).

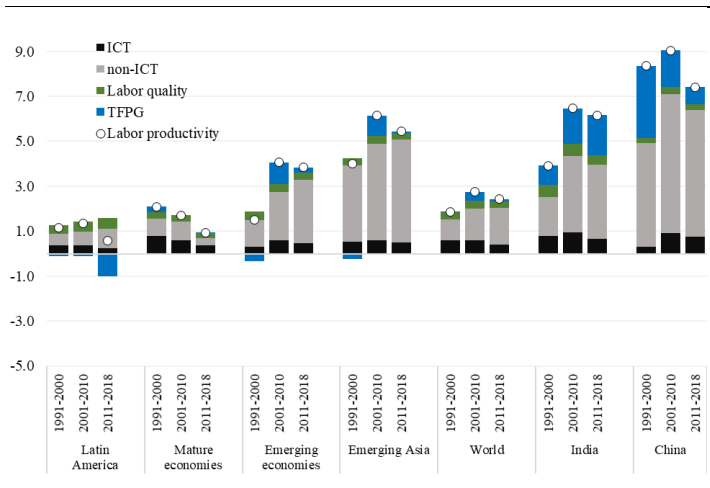
...we have detailed data for 9 countries and did find heterogeneity across countries (1952-2018, (U.S. =100))...

	1952	1970	1980	1990	2000	2010	2018
Argentina	57.1	62.4	66.0	43.2	44.5	42.8	38.8
Bolivia	17.4	18.0	19.4	13.2	12.2	12.5	14.3
Brazil	24.2	32.9	45.8	33.0	28.6	27.8	26.2
Chile	40.5	42.1	41.7	34.3	40.9	39.7	40.7
Colombia	30.3	30.8	33.9	30.3	23.7	24.2	25.6
Costa Rica	33.6	43.4	45.9	35.3	33.0	34.1	38.0
Ecuador	29.1	31.5	37.9	26.9	21.4	21.2	20.0
Mexico	49.7	67.4	68.6	51.0	44.0	37.0	37.4
Peru	20.7	24.4	23.3	12.4	12.9	15.9	19.2
<i>Total*</i>	35.0	42.5	49.2	35.4	31.8	29.9	29.5
<i>Median*</i>	30.3	32.9	41.7	33.0	28.6	27.8	26.2
Latin America	37.2	44.2	49.4	35.6	31.8	29.9	28.4
China	1.2	1.6	2.0	3.1	6.0	13.1	22.1
India	4.2	4.5	4.0	4.9	5.9	9.0	14.2
Emerging Asia	5.5	5.3	5.7	6.4	8.0	12.7	18.3
Emerging economies	10.7	14.7	15.7	13.3	12.6	16.4	20.8
Mature economies	55.1	70.5	79.7	82.1	82.4	79.5	80.2
World	24.0	29.5	30.6	27.6	26.0	27.5	31.3

We are building two country groups are trying to look at differences in their policy approaches.

	Average labor productivity growth rates					Relative labor productivity levels (US=100)			GDP shares	
	1971-1980	1981-1990	1991-2000	2001-2010	2011-2018	1990	2018	2018 minus 1990	1990	2018
<i>Lagging but Striving</i>	0.9	-2.7	2.8	2.3	2.1	18.7	25.2		7.8	12.4
Chile	0.9	-0.4	3.8	1.3	1.1	34.3	40.7		3.2	5.3
Costa Rica	1.6	-1.1	1.4	1.9	2.1	35.3	38.0		0.8	1.2
Peru	0.6	-4.8	2.4	3.7	3.1	12.4	19.2		3.0	4.9
Bolivia	1.8	-2.4	1.3	1.9	2.5	13.2	14.3		0.8	1.1
<i>Lagging and retreating</i>	2.6	-1.7	0.8	0.8	0.4	38.3	30.3		92.2	87.6
Argentina	1.6	-2.7	2.4	1.2	-0.5	43.2	38.8		11.5	11.8
Mexico	1.2	-1.5	0.6	-0.1	0.9	51.0	37.4		31.8	29.4
Brazil	4.3	-1.8	0.6	1.3	0.1	33.0	26.2		39.7	35.7
Colombia	2.0	0.4	-0.4	1.8	1.5	30.3	25.6		7.0	8.4
Ecuador	2.4	-1.8	0.9	1.0	0.6	26.9	20.0		2.1	2.3
Total	2.4	-1.7	1.0	1.0	0.6	35.4	29.5		100.0	100.0

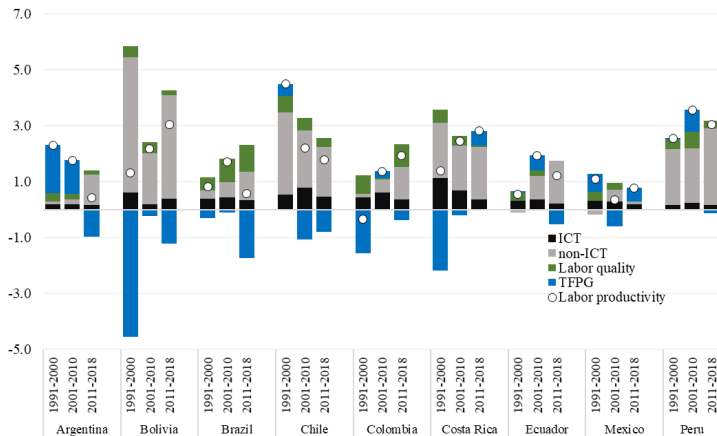
The decomposition of labour productivity growth



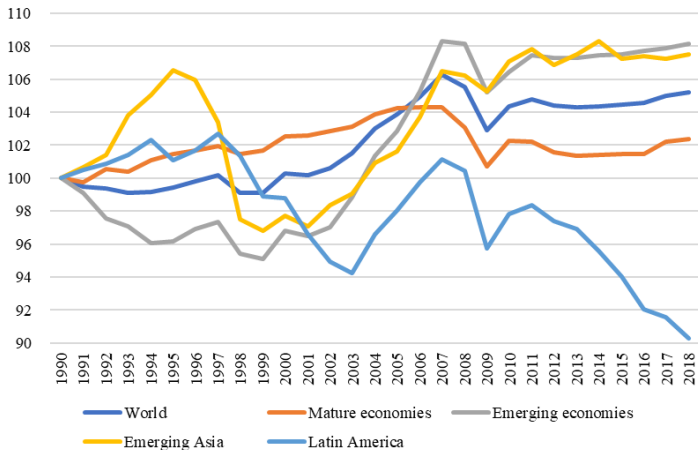
Notes: The contributions of factor inputs (ICT and non-ICT capital deepening, and human capital measured by labor quality) and TFP to labor productivity growth are calculated using the growth-accounting equation (equation 3). All growth rates are presented in log changes, multiplied by 100.

Source: The Conference Board Total Economy Database, April 2023

....again we found heterogeneity across countries



...but TFP seems to be a major problem... (TFP indices)



Main points:

- ▶ Labor productivity growth rates are (too) small for the whole region
- ▶ With some variation since the 1980s
- ▶ All factors appear to play a role (labor, capital, TFP)
- ▶ LPG in agricultural sector is relative strong
- ▶ LPG in manufacturing was relative good until 2010 but now declining (including employment)
- ▶ Decline in manufacturing jobs coincides with rising informality
- ▶ LPG in "the" services sector (trade, transport, finance, and business services) is very weak
- ▶ Virtually no effects from structural change (sector expansions and contractions)

From Macro to Micro...

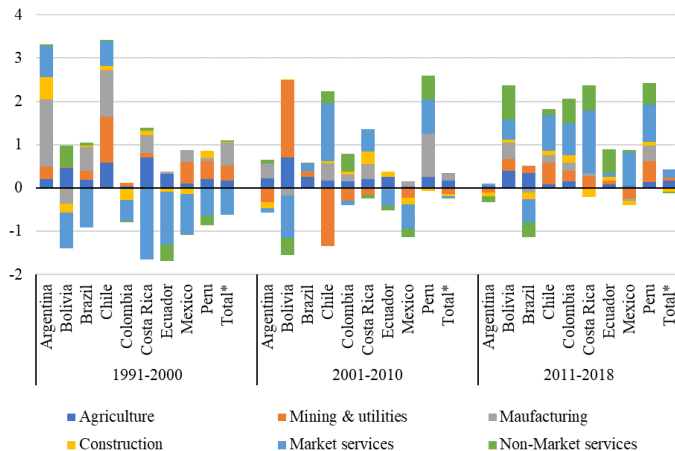


Some observations:

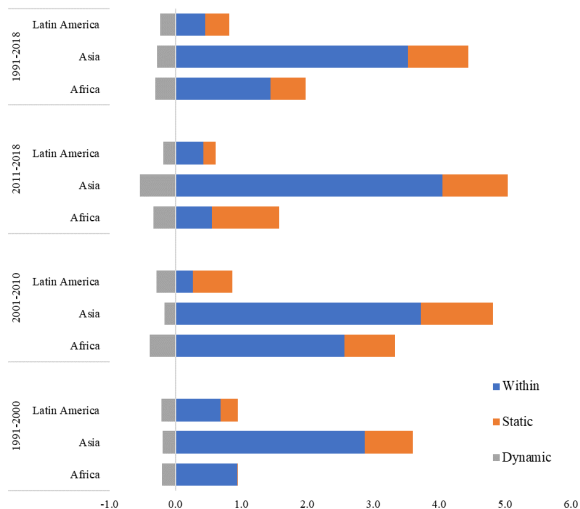
- ▶ No difference between:
 - ▶ Formally or informally unemployed
 - ▶ Independent contractors
 - ▶ self-employed "entrepreneurs" (formally or informally)
 - ▶ start-ups (formally and informally)
 - ▶ micro or small enterprises (formally or informally)
- ▶ Numbers of these "micro enterprises" range from 70 -90 percent
- ▶ People are "tech-savvy"
- ▶ They face constraints to grow (education, resources, market access, connectivity, credit)
- ▶ Is there no way to raise this potential of the workforce?

Thank you!

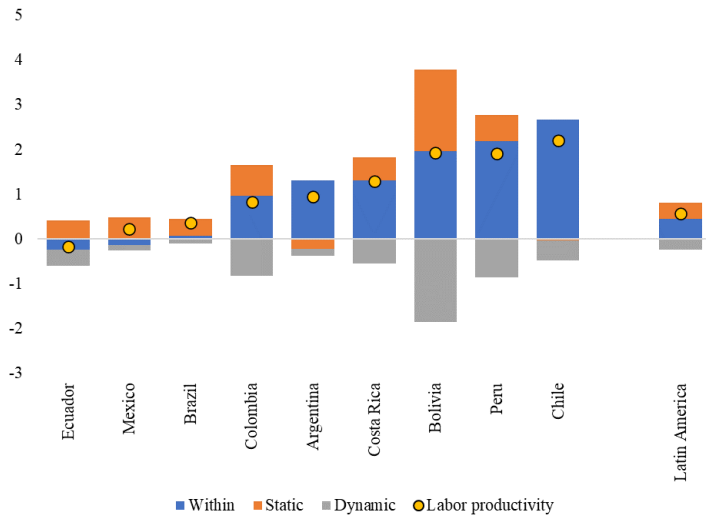
Labor productivity growth by sector and country



Sources of productivity growth



Sources of productivity growth



Typology of "pro-productivity policies"

