Veracruz, Mexico, 9 December 2014

Better education and skills are key to shift the economy up a gear, says latest Latin American Economic Outlook

Latin America’s GDP growth rate has slowed down in 2014, dropping below 1.5%. This is the first time in a decade that the region grows less than the OECD average, according to the OECD Development Centre, the Commission for Latin American and the Caribbean (UN-ECLAC) and the development bank for Latin America (CAF). Given the projections in the past weeks, any recovery in 2015 is likely to be challenging.

In their jointly produced Latin American Economic Outlook 2015, the three organisations call for action to address this slowdown, focusing on the role of education and skills, and noting that despite some recent progress, more needs to be done to raise educational standards and address persistent and substantial socioeconomic inequalities.

“If we want to avoid a decade of low growth in Latin America, we must improve education standards, enhance skills in the workforce and boost innovation. Policymakers need to undertake ambitious efforts to unleash higher and more equitable growth”, OECD Secretary-General Angel Gurría said while launching the Outlook at the Ibero-American Summit in Veracruz on 9 December.

Structural change - such as the diversification of the economy towards knowledge-intensive sectors - is needed to supply the increasing demand for skilled workers. As noted by Alicia Bárcena, Executive Secretary of ECLAC, “without the transformation of the production structure there will be a link missing in the chain that connects education, productivity and innovation.”

Such a link has important implications for income distribution. Diversification implies the creation of quality, better-paid jobs, which in turn entails less informality and underemployment - and hence less inequality. Policies for learning and diversification should be at the top of the agenda in the coming years in Latin America and the Caribbean.

“In the absence of an exceptionally favourable external environment, the region needs to deepen regional integration and address the structural challenges of development, to support its growth potential, primarily in the areas of innovation and production patterns, and education and technical capacities that these require”, said Enrique García, CAF President and Chief Executive Officer.
The Outlook notes that, on average, the gap in education performance for a student in secondary school in Latin America relative to an OECD student is still quite high: the equivalent of 2.4 additional years of schooling. Furthermore, socioeconomic inequalities strongly influence both access and education outcomes in the region. Only 56% of students in the poorest quarter of the population attend secondary school, versus 87% of students in the wealthiest quarter.

Limitations in the quality of education are also reflected in the skill shortages and mismatches in the labour market, severely impacting the competitiveness of Latin American companies. The region’s businesses face greater challenges in finding appropriately skilled employees than any other region in the world. The Outlook shows that the probability of a Latin American firm facing obstacles in finding staff with the adequate capabilities is three times higher than a similar firm in South Asia and 13 times higher than a firm in Pacific Asia. The issue is particularly prevalent in key sectors such as the automotive industry and machinery.

To tackle these acute skills shortages, targeted policies are needed in pre-primary, secondary, technical and professional education. Policymakers need to provide more and smarter investment in pre-primary education, where important soft-skills development takes place, such as socialisation and learning perseverance, which are of critical importance in the labour market. Policies are also needed to ensure that resources are redistributed to reduce socio-economic inequalities. Classroom practices need adaption to ensure better performance, including tutoring, managing teacher expectations and student motivation. Increasing the quality of teaching also relies on monitoring and evaluation, and better incentives.

Finally, government and the private sector should work together to better connect technical and vocational training with the demand for skills in a changing world economy.

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NOTES TO THE EDITORS

The Latin American Economic Outlook

Published for the eighth consecutive year, the Latin American Economic Outlook 2015 features a macro-economic analysis of trends in the region and a focus education, skills and innovation for development. The content of the report will be available online on 9 December 2014 on www.latameconomy.org.

The OECD Development Centre

The Development Centre (www.oecd.org/dev) of the Organisation for Economic Co-operation and Development (OECD) is a special platform for knowledge-sharing and evidence-based policy dialogue where developing countries, emerging economies and OECD member countries interact on an equal footing.

The Economic Commission for Latin America and the Caribbean (ECLAC)

ECLAC (www.eclac.org) is one of the five regional commissions of the United Nations. Headquarter in Santiago, Chile, ECLAC contributes to the economic and social development of Latin America and the Caribbean through regional and subregional cooperation and integration.

CAF – Development bank of Latin America

CAF, development bank of Latin America (www.caf.com), has the mission to promote sustainable development and regional integration by financing projects in the public and private sectors, and provide technical cooperation and other specialized services. Established in 1970 currently with 18 member countries -16 in Latin America and the Caribbean with Spain and Portugal - and 14 private banks, CAF is one of the main sources of multilateral financing and an important creator of knowledge for the region.