

Poverty & Equity Brief

Latin America & the Caribbean

Chile

October 2020

The COVID-19 pandemic follows a period of social unrest expressing deep public frustration with high and persistent inequality of opportunities that prevailed despite vast improvements in social outcomes. Between 2013 and 2017, poverty at \$5.50 per day in 2011 PPP fell from 6.9 percent to 3.6 percent. Income growth led to growth in the middle class, which is now the largest socioeconomic group, though most of it is close to the vulnerable population limit. Chile has also made considerable progress on shared prosperity. Between 2013 and 2017, incomes among the population in the bottom 40 percent of the income distribution, rose at an annualized rate of 4.92 percent, more rapid than the general population (3.83 percent).

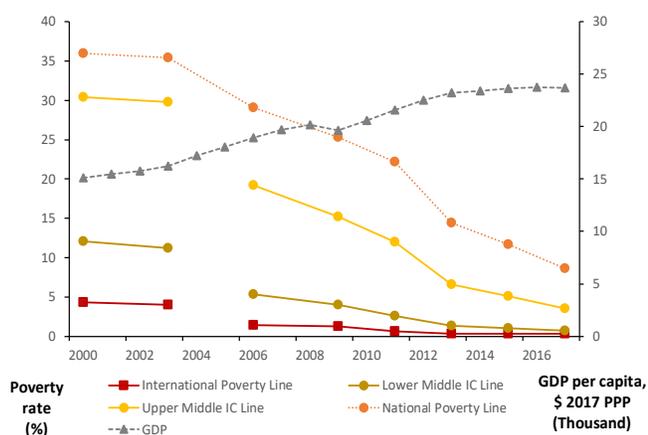
Although monetary measures of inequality have declined, they remain higher than most OECD countries. Chile's Gini index dropped from 45.8 in 2013 to 44.4 in 2017. However, this reduction in inequality of incomes does not necessarily reflect reductions in inequality of opportunities. Deeply segregated service provision in education and health care mean that options are limited, and these differences are reflected in Chile's segregated labor markets, where job creation and higher wage premiums have largely gone to skilled workers while those without a tertiary education have had limited gains. Among the growing elderly population, the pension replacement rate among low earners is only between 50 and 60 percent of pre-retirement earnings, which is among the lowest rates in the OECD.

COVID-19 has led to a decline in economic activity and a weaker labor market, particularly for women, urban workers with low levels of education, informal workers, and those unable to work from home. Chile has consolidated an array of cash subsidies benefiting the bottom of the distribution with public transfers. Moreover, the government package in response to the pandemic includes multiple measures, including emergency social transfers, extensions to unemployment insurance, and a new guaranteed minimum income transfer aimed at informal workers. These measures are expected to largely mitigate the impacts on the poor, with poverty at \$5.50 per day projected to increase only slightly in 2020. In contrast, the middle class is expected to be strongly impacted, with a large share of households who were previously part of the middle class falling into vulnerability.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,552.7	8.6	2017
International Poverty Line 910.2 in Chilean peso (2017) or US\$1.90 (2011 PPP) per day per capita	53.1	0.3	2017
Lower Middle Income Class Poverty Line 1532.9 in Chilean peso (2017) or US\$3.20 (2011 PPP) per day per capita	126.3	0.7	2017
Upper Middle Income Class Poverty Line 2634.7 in Chilean peso (2017) or US\$5.50 (2011 PPP) per day per capita	660.0	3.6	2017
Multidimensional Poverty Measure		0.4	2017
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		4.92	2013-2017
INEQUALITY			
Gini Index		44.4	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.09	2013-2017
GROWTH			
Annualized GDP per capita growth		0.48	2013-2017
Annualized Income Growth per capita from Household Survey		3.83	2013-2017
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		4.67	2013-2017

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

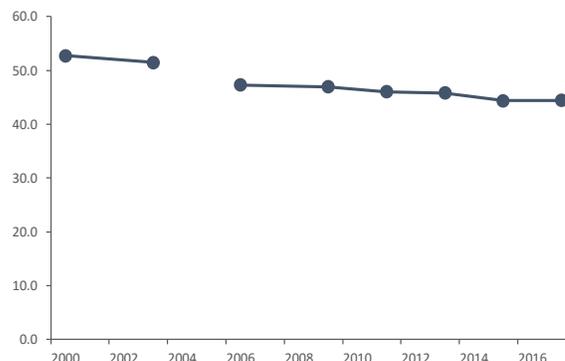
POVERTY HEADCOUNT RATE, 2000-2017



Source: World Bank using CASEN/SEDLAC/GMD

INEQUALITY TRENDS, 2000-2017

Gini Index



Source: World Bank using CASEN/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2017	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2017 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	100	0	38	62	Monetary poverty (Income) Daily income less than US\$1.90 per person 0.3
Rural population	100	0	51	49	
Males	100	0	39	61	Education At least one school-aged child is not enrolled in school 0.4 No adult has completed primary education 4.0
Females	100	0	41	59	
0 to 14 years old	100	0	57	43	
15 to 64 years old	100	0	38	62	Access to basic infrastructure No access to limited-standard drinking water 0.1 No access to limited-standard sanitation 0.6 No access to electricity 0.3
65 and older	100	N/A*	26	74	
Without education (16+)	100	N/A*	51	49	
Primary education (16+)	100	0	47	53	
Secondary education (16+)	100	0	41	59	
Tertiary/post-secondary education (16+)	100	0	20	80	

Source: World Bank using CASEN/SEDLAC/GMD

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Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

To allow for maximum comparability across countries we compare Chile's performance with other countries using the international poverty lines set at US\$1.9, US\$3.2, and US\$5.5 a day, in 2011 PPP terms, per day per capita, even though these might differ from the official values. The most recent harmonization exercise led to changes in the 2006-2017 series on account of changes to the methodology used for imputing the rental value of owner-occupied housing, the treatment of labor incomes for individuals who do not respond, and greater alignment with the rest of the region.

Official poverty estimates in Chile are produced by the Ministry of Social Development (MDS) with The Economic Commission for Latin America (ECLAC) based on data from the Encuesta de Caracterización Socioeconómica Nacional (CASEN), which is available to the public. Chile introduced a new methodology for poverty measurement in 2013, the adjustment considers the composition of the household and the potential economies of scale generated within the household, leading to a measure of equalized total household income. In addition, a multidimensional poverty indicator was introduced in 2015 and expanded in 2017. Notwithstanding these recent changes in poverty methodology, the Ministry of Social Development released, for 2006, 2009, 2011, 2013, and 2015 poverty figures using both the traditional and the new definitions, guaranteeing continuity and comparability while transitioning to the new methodology.

HARMONIZATION

The numbers presented in the brief are based on the regional data harmonization effort known as the Socio-economic Database for Latin America and the Caribbean (SEDLAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SEDLAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SEDLAC project due to lack of data. Since an income-based welfare aggregate is widely used in the region for official poverty estimates, income-based microdata is used for the Global Monitoring Database (GMD) and Global Poverty Monitoring. SEDLAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.