

Poverty & Equity Brief

Latin America & the Caribbean

Chile

April 2019

Chile's strong economic growth led to large reductions in poverty in the past two decades, becoming one of the countries in the region with the lowest poverty rates. Between 2013 and 2017, poverty at \$5.50 per day fell from 10.1 percent to 6.4 percent. Poverty reduction has been primarily driven by labor income growth and to a lesser extent by changes in the distribution of income. 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.

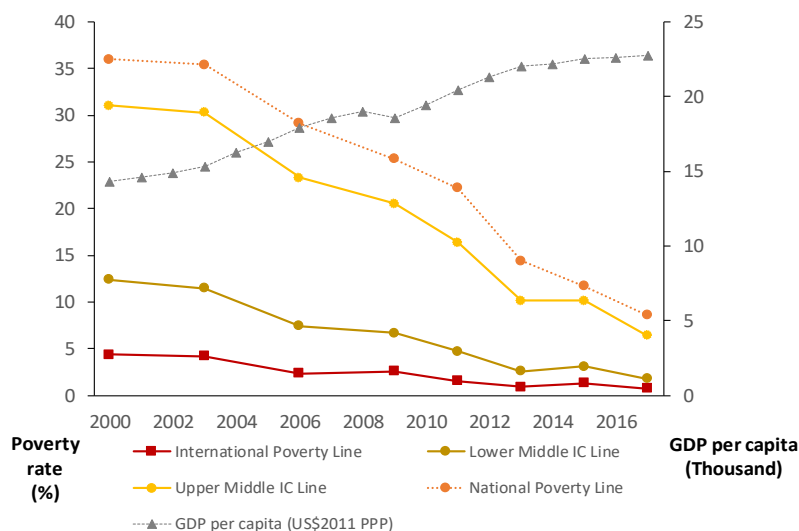
Chile has also made considerable progress on shared prosperity. Between 2013 and 2017, incomes among the bottom 40 percent rose at an annualized rate of 4.67 percent, more rapid than the general population (4.18 percent). The higher growth rates in incomes among the bottom 40 are due mostly to an increase in labor earnings, as hourly wages increased more in the past two decades among the bottom 40 than the overall population across all sectors. Moreover, Chile is at the forefront of social protection policy, having consolidated an array of cash subsidies benefiting the bottom of the distribution with public transfers, and ensuring inclusion of isolated and disconnected households.

Although inequality has declined, it remains high. Chile's Gini index dropped from 47.3 in 2013 to 46.6 in 2017.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,552.7	8.6	2017
International Poverty Line 907.3 in Chilean peso (2017) or US\$1.90 (2011 PPP) per day per capita	134.7	0.7	2017
Lower Middle Income Class Poverty Line 1528.1 in Chilean peso (2017) or US\$3.20 (2011 PPP) per day per capita	320.4	1.8	2017
Upper Middle Income Class Poverty Line 2626.5 in Chilean peso (2017) or US\$5.50 (2011 PPP) per day per capita	1,151.0	6.4	2017
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		4.67	2013-2017
INEQUALITY			
Gini Index		46.6	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.49	2013-2017
GROWTH			
Annualized GDP per capita growth		0.9	2013-2017
Annualized Income Growth per capita from Household Survey		4.18	2013-2017

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of March 2019, and Global Monitoring Database for the rest.

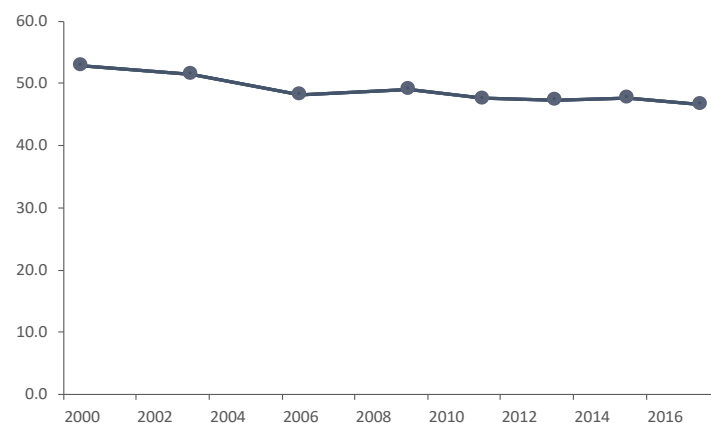
POVERTY HEADCOUNT RATE, 2000-2017



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)

	International Poverty Line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	99	1	38	62	2017
Rural population	99	1	51	49	2017
Males	99	1	41	59	2017
Females	99	1	39	61	2017
0 to 14 years old	99	1	56	44	2017
15 to 64 years old	99	1	38	62	2017
65 and older	100	0	26	74	2017
Without education (age 16 and older)	99	1	48	52	2017
Primary education (age 16 and older)	99	1	46	54	2017
Secondary education (age 16 and older)	99	1	41	59	2017
Tertiary/post-secondary education (age 16 and older)	100	0	21	79	2017

Source: World Bank using Global Monitoring Database

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.

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 equivalized 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. The national poverty line in local currency units for an average household with 4 members in January of 2019 was CHL\$ 424.710.

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.