

# Poverty & Equity Brief

Latin America & the Caribbean

## Chile

April 2021

The COVID-19 pandemic was preceded by social unrest and public frustration with high and persistent inequality of opportunities. Access to quality education and healthcare in Chile is segregated. Access to the labor market is unequal and skilled workers are benefitting more from increased job opportunities and wage increases than those with lower levels of education. At 50 to 60 percent of pre-retirement income, the pension replacement rate was among the lowest in the OECD prior to the start of COVID-19. Recent pre-retirement withdrawals from pension savings will make this issue more pressing. The process of drafting a new constitution following a national referendum in October of 2020 provides an opportunity to address the structural challenges underlying these inequalities.

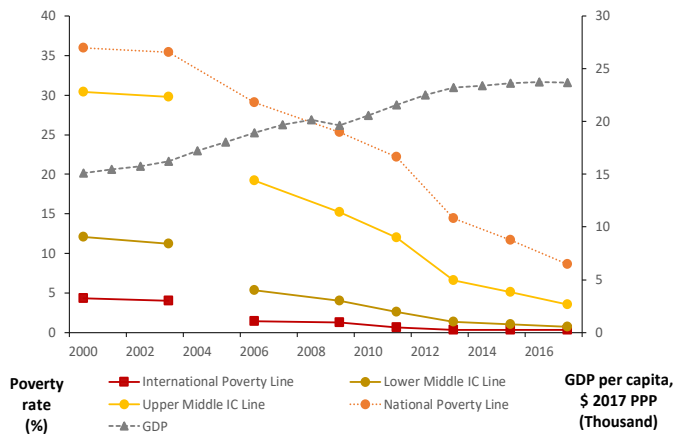
Poverty rates had been falling in the decade prior to COVID-19. Between 2013 and 2017, poverty at \$5.50 per day in 2011 PPP fell from 6.9 percent to 3.6 percent. Progress was made on shared prosperity during this same period too, with incomes rising more rapidly in the bottom 40 percent (at an annualized rate of 4.9 percent) than in the overall population (3.8 percent). Accordingly, the middle class grew in size. The Gini index dropped from 45.8 to 44.4, but nonetheless inequality remained high in comparison with many other OECD countries.

The COVID-19 pandemic halted these trends. It led to a strong decline in economic activity and over a million job losses. Representative World Bank phone surveys and other sources indicate that women and informal workers were especially likely to lose their employment. COVID-19 risks reversing more than a decade of growth in female labor force participation. Social protection measures, including transfers to households with little or no formal income, are expected to have helped offset the very worst effects of the crisis. Accordingly, the percentage of Chileans living below the international poverty line of US\$5.5 a day is expected to have remained roughly stable. However, the incomes of vulnerable and lower middle-income households were heavily affected. As a result, poverty as measured in accordance with the Chilean national poverty definition is expected to have increased. Economic growth, rapid vaccination, and continued social protection will contribute to a reduction in poverty, but the incomes of vulnerable and lower middle-income households are not expected to fully recover to pre-pandemic levels in the short term.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,552.7	8.6	2017
International Poverty Line 898.9 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 1514 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 2602.2 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

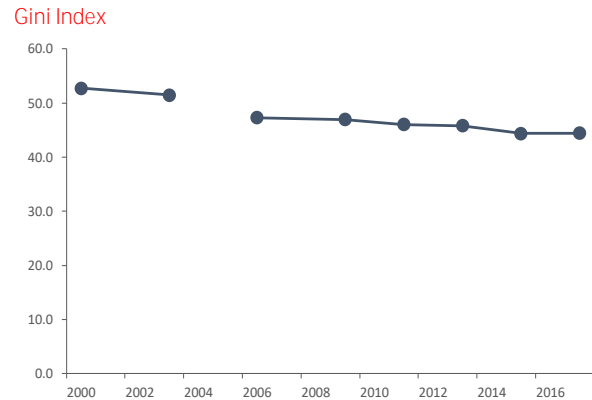
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVICALNET as of February 2021, and Global Monitoring Database for the rest.

## POVERTY HEADCOUNT RATE, 2000-2017



Source: World Bank using CASEN/SEDLAC/GMD

## INEQUALITY TRENDS, 2000-2017



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	<b>Monetary poverty (Income)</b>
Rural population	100	0	51	49	Daily income less than US\$1.90 per person
Males	100	0	39	61	
Females	100	0	41	59	<b>Education</b>
0 to 14 years old	100	0	57	43	At least one school-aged child is not enrolled in school
15 to 64 years old	100	0	38	62	No adult has completed primary education
65 and older	100	N/A*	26	74	
Without education (16+)	100	N/A*	51	49	<b>Access to basic infrastructure</b>
Primary education (16+)	100	0	47	53	No access to limited-standard drinking water
Secondary education (16+)	100	0	41	59	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	100	0	20	80	No access to electricity

Source: World Bank using CASEN/SEDLAC/GMD

Source: World Bank using CASEN/SEDLAC/GMD

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.