

Poverty & Equity Brief

October 2024

CHILE

Following the economic contraction caused by the COVID-19 pandemic, the Chilean economy recovered and resumed poverty reduction, supported by a solid fiscal response. While public transfers were reduced in 2022, poor households received, on average, a larger amount in 2022 than in pre-pandemic times. The rise in non-labor incomes, along with job loss recovery and labor income increases, helped reduce poverty (\$6.85 per capita a day in 2017 PPP) from 9.9 percent in 2020 to 4.7 percent in 2022. Inequality, measured by the Gini index, dropped from 47 to 43 points. Despite the country's progress in reducing income poverty and inequality, regional disparities persist and improvements in other non-monetary dimensions lag. According to Chile's Multidimensional Poverty Index (MPI), 16.9 percent of the population faced non-monetary poverty in 2022, with 32.4 percent of those multidimensionally poor experiencing deprivation in work and social security.

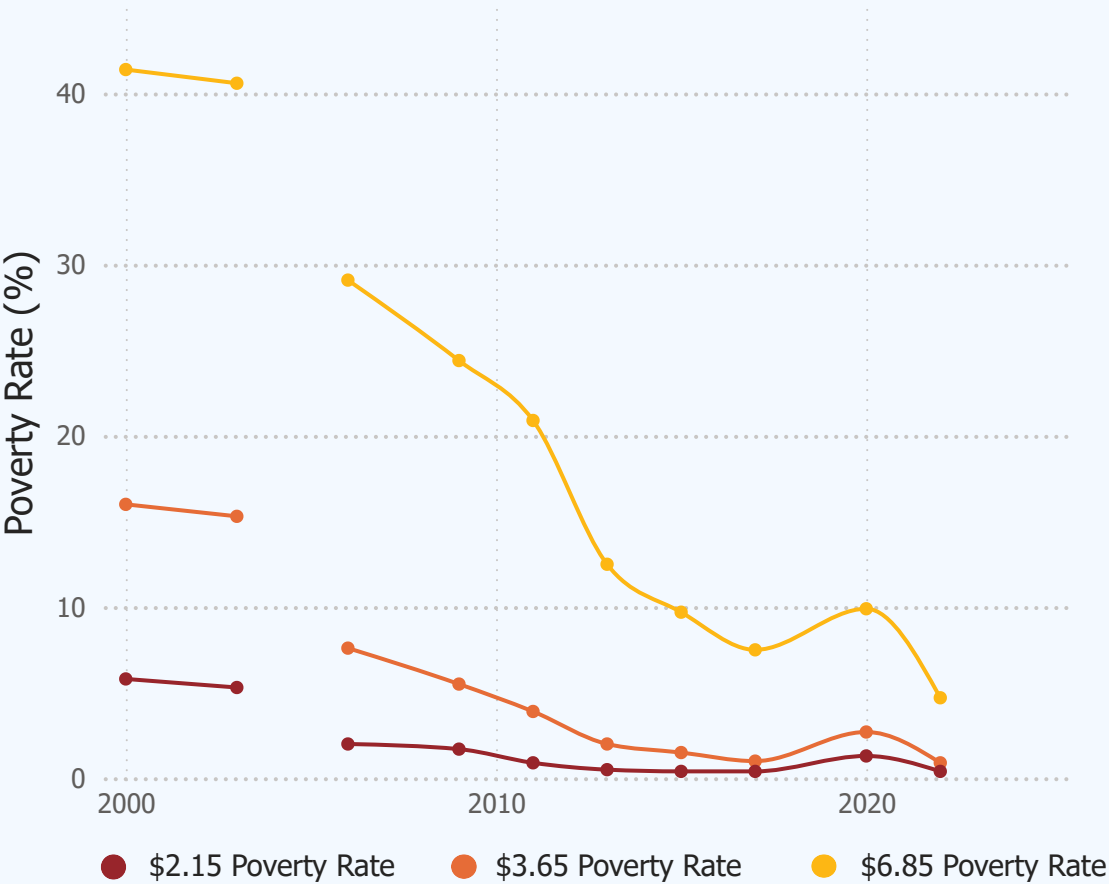
In 2023, real GDP growth decelerated to 0.2 percent due to strong fiscal and monetary tightening to resolve macroeconomic imbalances that resulted from large fiscal transfers and pension fund withdrawals during the pandemic. Poverty (\$6.85 per capita a day in 2017 PPP) and inequality are estimated to have stayed at the same level of about 5 percent and 43 Gini points, respectively, between 2022 and 2023.

The labor market has yet to return to pre-pandemic levels. By June 2024, the employment rate reached 56.9 percent, increasing by 1.2 percentage points (pp) year-on-year but remaining below the pre-pandemic value (58.1 percent in the first half of 2019). While the unemployment rate slightly fell by 0.2 pp during the same period, it remained high at 8.3 percent, a figure also above the pre-pandemic level (7.2 percent in 2019) and the regional average estimated by the International Labor Organization (6.2 percent in 2023). Gender gaps in labor market outcomes remain pronounced. Women's employment rate stands at 48.0 percent, while it is 66.2 percent for men. Similarly, unemployment rates are higher among women than men (9 versus 7.9 percent, respectively). Furthermore, women continue to be more likely to work in the informal sector: 29.9 percent of employed women are in the informal sector against 26.6 percent of men.

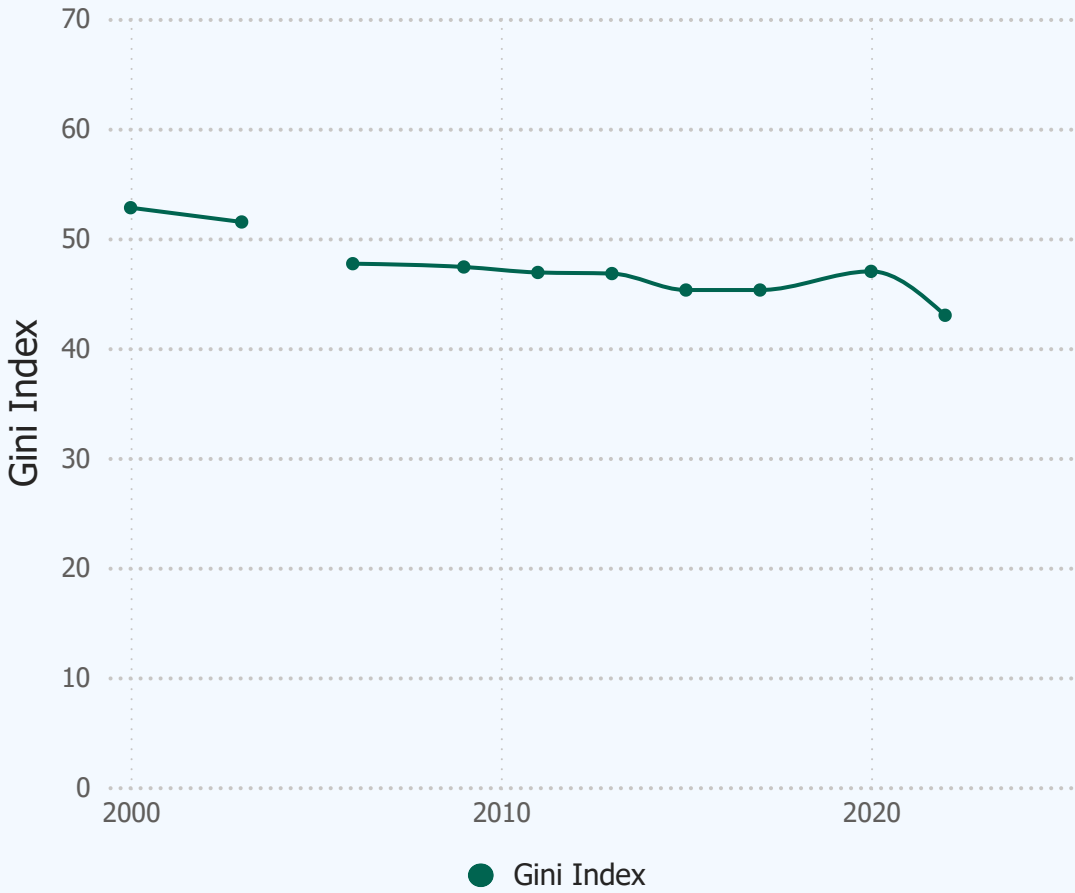
Real GDP growth is expected at 2.5 percent in 2024 and will converge to 2.2 percent in 2025 and 2026. Poverty (\$6.85 per capita a day in 2017 PPP) is estimated to remain around 5 percent in 2024 and hover around this value in the medium term. Income inequality is also expected to stay around 43 points, which is high compared to other upper middle-income countries and lies above the World Bank's threshold of 40 Gini points for high-inequality countries. Sustainable income growth and welfare gains will require facilitating access to economic opportunities for poor and vulnerable populations, narrowing gender gaps, and addressing structural challenges that prevent upward socioeconomic mobility.



Poverty Rate



Inequality



Poverty at Different Lines

| Poverty Line | Number of Poor (Thousands) | Rate (%) | Year |
|---|-------------------------------|-------------|------|
| National Poverty Line | 1,291.8 | 6.5 | 2022 |
| International Poverty Line (\$2.15/day) | 77.4 | 0.4 | 2022 |
| Lower Middle Income Class Poverty Line (\$3.65/day) | 170.7 | 0.9 | 2022 |
| Upper Middle Income Class Poverty Line (\$6.85/day) | 924.9 | 4.7 | 2022 |
| Multidimensional Poverty Measure | | 0.5 | 2022 |

Group and Multidimensional Poverty

| Poverty by Group | Poverty Rate (%) | Multidimensional Poverty Components | (% of Pop.) |
|---|------------------|--|-------------|
| Urban population | 4.7 | Daily income less than US\$2.15 per person | 0.4 |
| Rural population | 5.1 | At least one school-aged child is not enrolled in school | 0.4 |
| Males | 4.4 | No adult has completed primary education | 3.2 |
| Females | 5.0 | No access to limited-standard drinking water | 1.1 |
| 0 to 14 years old | 8.7 | No access to limited-standard sanitation | 1.2 |
| 15 to 64 years old | 4.3 | No access to electricity | 0.3 |
| 65 and older | 1.1 | | |
| Without education (16+) | 3.5 | | |
| Primary education (16+) | 4.7 | | |
| Secondary education (16+) | 4.9 | | |
| Tertiary/post-secondary education (16+) | 2.0 | | |

Note:
Data for the "Poverty by Group" table is derived from a 2022 survey and data for the "Multidimensional Poverty Components" table is derived from a 2022 survey. The rates in the "Poverty by Group" table above are shown at the \$6.85 upper-middle income line. "N/A" denotes a missing/removed value, while "N/A*" refers to a value which was removed due to having fewer than 30 observations.

Poverty Data & Methodology

To ensure comparability across countries, we compare Chile's performance with other countries using the international poverty lines of \$2.15, \$3.65, and \$6.85 per capita a day in 2017 PPP, despite differences from official values. Chile's official poverty estimates are produced by the Ministry of Social Development and Family (MDSF) with support from the Economic Commission for Latin America (ECLAC) and based on data from the Encuesta de Caracterización Socioeconómica Nacional (CASEN), which is conducted every two years and is publicly available. In 2013, Chile introduced a new poverty measurement methodology, considering household composition and economies of scale, leading to an equivalized total household income measure. In addition, a multidimensional poverty indicator was introduced in 2015 and expanded in 2017 (from four to five dimensions). Despite changes in methodology, the MDSF released poverty figures for 2006, 2009, 2011, 2013, and 2015 using both old and new definitions for continuity. The 2019 CASEN survey was delayed due to social unrest and the pandemic. In 2020, MDSF decided to implement CASEN by phone instead of face-to-face. Comparisons with previous years are possible but need to be made cautiously. The latest round of CASEN was conducted in 2022.

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.