

•XIMENA VALDÉS S.
TERESA VALDÉS E.
JOSÉ BENGOA C.

ECONOMIC GROWTH AND POVERTY

The economic growth sustained in Chile over the last ten years requires a detailed analysis to ascertain the directions taken by the Chilean economy and society in the nineties.

The figures which have been published lately in the CASEN Survey¹ carried out in November 1994, show the tendencies with which this huge economic growth has been distributed within society.

Four main conclusions can be derived from these facts:

- a) The global economic growth of the country has resulted in the economic growth of the majority of, but not all, homes. This has meant that nearly 400,000 families in a technical position of poverty have been able to pass the statistical-mathematical poverty line used in these measurements. Meanwhile, between the earlier years of 1990-92, nearly 800,000 families passed this limit. Thus, it is seen that the country has begun a period of greater difficulty in overcoming poverty measured in such a way.
- b) Economic growth has once again fallen into income concentration, which, even though not reversed, had come to a halt in the 1990-1992 period, when there were no substantial variations in the sharing-out of wealth between the different social sectors. The homes of the richest fifth of the population took nearly a whole point more of the total wealth in 1994 compared with 1992, while the poorest homes became poorer by nearly the same amount.
- c) Even though the poorest sectors appeared to benefit by a small amount in economic growth, the indigent or extremely poor sectors showed greater resistance to overcoming their situation. Thus it was empirically proven that the economic social system was turning exclusion into a stable, permanent and possibly growing phenomenon.
- d) The gender-related differences in poverty were not significant, mainly due to the limitations of the measurements taken in the CASEN Survey. However, what appears relevant in the data of this same source, are the levels of poverty in the female-

headed households, which not only showed themselves resistant to the variations in the 1992-1994 period but actually increased in indigence. Very significant differences between male and female income were measured through the Employment Surveys, showing a great inequality working against women.

A corollary of the analysis of these data is that while the Chilean development model managed to overcome the high indices of poverty in the transition years, in the eighties this process slowed considerably and the rate at which people were leaving poverty in 1994 had diminished. Added to this is the fact that the model does not offer women the same opportunities as men, given that there are great gender-related differences in levels of income. All this is taking place in a context where a National Commission for Overcoming Poverty, made up of members of civil society, was formed on Presidential request in 1994 and a Plan for Equal Opportunities for Women 1994-1999, was developed by the National Women's Service (SERNAM).

FROM THE «EASY STAGE» TO THE «VERY DIFFICULT»

In Chile the «easy» stage of overcoming poverty has come to an end, paraphrasing the conceptualisation made by ECLAC for substitutive industrialisation. The «easy stage» in the issue of overcoming poverty is carried along by economic growth. It is based on the effect of salaries and increased employment, and show the programme to be a success. This stage coincides with a period of economic reactivation in sectors with intensive labour demands like construction, agriculture and public works. The first period of the statistical reduction of poverty started in 1987-90 with an economic reactivation which resulted in nearly 300,000 people seeing increases in their income beyond the indicators

1 This is a survey of households, of a wide national coverage carried out in 1987, 1990, 1992 and 1994. The years 1992 and 1994 are comparable.

defined to measure it. In the 1990–1992 period this figure rose to approximately 800,000 people, and between 1992–94, according to the CASEN Survey, this had fallen by nearly 400,000 people. The initial situation studied in the eighties, showed approximately 5 million people were living in conditions of poverty and indigence out of a total of just over 13 million Chileans.

TABLE 1.

Poverty indicators (% population)				
	1987	1990	1992	1994
Total poverty	44.6	40.1	32.7	28.5
Indigence	16.8	13.8	8.9	8.0

Source: MIDEPLAN 1995 based on CASEN.

The first stage, dubbed here the «easy stage of overcoming poverty», ripened alongside the re-democratisation of the country, coinciding with the application of more democratic economic and social programmes. The reduction was basically due to the direct and indirect effects of economic expansion and growth: increased employment; a minimum salary which was worth 9.3% more than before; a proportional rise in real salaries (+4.1% in 1991–92) as a consequence of the low inflation rate, economic and financial stability; the modification and increase of social programmes; increased State spending in the social area – up from 11.3% in 1991 to 12.6% in 1992; amongst other elements. From 1990 onwards, the fixing of a minimum salary above the growth of other salaries and inflation, and the recurrence of this measure in the two following years, go a long way towards explaining these figures. The entry of a second family member to the workforce in the poorest families is another element which can explain this (see Table 2).

But poverty and its variations were distributed unevenly across the territory, affecting the countryside and cities differently. In the urban areas in 1990, 12.9% of the population was found in situations of indigence and 26.6% in non-indigent poverty, with urban indigence and poverty falling in 1994 to 7.6% and 20.3% respectively. In terms of percentage variation this meant a reduction in indigence in the 1990–92 period of –4.2% and in the 1992–94 period of –1.0%, and –2.8% and –3.6% respectively of non-indigent poverty. In absolute terms this meant a reduction in indigent and non-indigent urban poor from 4.139 million people in 1990, to 3.542 million in 1992 and 3.192 million in 1994.

On the contrary, in the rural areas the levels of indigence diminished between 1990 and 1992 and increased between 1992 and

TABLE 2.

Poverty and indigence. 1990-1994 (a) (b) (thousands of people, percentages and variations in percentage points)								
	1990	%	1992 (c)	%	1994 (c)	%	% variation	
							92-90	94-92
Indigent	1,790.4	13.8	1,178.2	8.9	1,104.3	8.0	-5.0	-0.9
Poor / indigent	3,412.6	26.3	3,170.8	23.8	2,812.2	20.5	-2.5	-3.4
Total poor	5,203.0	40.1	4,349.0	32.7	3,916.5	28.5	-7.4	-4.2

Source: MIDEPLAN².

1994 by –7.8% in the first period, and 0.3% in the second, while non-indigent poverty fell by –1.2% in 1990–1992 and by –2.3% between 1992 and 1994, whereby the rural poor as a whole experienced a reduction in percentage points below that of the urban areas in the 1992–94 period (–9% and –2% in rural areas against –7% and –4.6 percent in urban zones).

This shows the limitations in terms of overcoming poverty of a model which had seen its greatest indices of economic growth in export activities set in rural areas such as forestry and fruit production.

The poverty and indigence indicators demonstrate this easy stage of overcoming the statistical-mathematical lines of poverty has come to an end. It began during the period which opened at the end of the eighties, swelled in the early nineties with the move towards democracy and the social policy measures, and came to an end in approximately 1993. The social sector incorporated under these measures was the group on the boundary of labour and educational integration. It has not properly affected the more permanent marginal sector of the country, but merely those who were marginalised during the period of structural adjustment in the seventies and early eighties, when unemployment stood at a stable rate of above 15%, with far higher percentages in the working-class urban sectors. During the 1985–89 period the unemployment rate was 9.5% on average, and during the 1990–94 period fell to 5.6%. This 40% reduction in the unemployed during this period of easy poverty substitution is to a large extent explained in the following figures.

TABLE 3.

Average rate of annual unemployment 1985–1994													
85	86	87	88	89	90	91	92	93	94	85/89	90/94	90/92	92/94
13.0	10.8	9.3	8.3	6.3	6.0	6.5	4.9	4.6	5.9	9.5	5.6	-1.1*	1.0

(*) Corresponds to the difference in percentage points.

- 2 a) Below the poverty line includes those people who live in households with insufficient income to pay for a basic basket of groceries. The value of this basket in November 1990, 1992 and 1994 was \$ 9,247, \$ 12,875 and \$ 15,000 (Chilean pesos, at 200 per US \$) respectively for the urban areas and \$ 7,164, \$ 9,921 and \$ 11,597 for rural zones. It also includes people who live in households without enough per capita income to satisfy their basic needs. The value of this is twice the amount of a basic basket of goods. In November 1990, 1992 and 1994 this was \$ 18,594, \$ 25,750 and \$ 30,100 respectively for the urban areas and \$ 12,538, \$ 17,362 and \$ 20,295 for rural zones.
- b) Includes only the population living in households and excludes live-in domestic servants and their families.
- c) Corresponds to figures in the CASEN Survey carried out each year.

However, poverty is becoming ever more rebellious.

The figures show the poorer sectors are for the most part employed, they are employees or self-employed, except for the first group of extremely poor people where only a little over a half are employed. The tendency seen is for an increasing amount of employees and reducing income for informal or self-employed workers. However, this increase in salaried workers has not been accompanied by similar increases in their income. This statement shows a central trend in the current Chilean economy: the economic growth of the nation based on the low salaries of the workers. The policies for overcoming poverty find their greatest challenge here and this is the main knot to be unravelled.

The situation represented by these figures of poverty is very serious, above all considering that we are dealing with a country which is growing in a sustained manner.

According to these figures, a person who lives on less than 30,000 pesos per month is considered poor. This means a worker who earns a thousand pesos per day (US \$ 2.5). If we calculate that there are slightly over four people in a working-class household, we can conclude that poor households include any which has an income of less than 120,000 pesos per month. In the poorer working-class households there are more people in the house and fewer workers per home. Meanwhile, the salary earners of the poorer strata earn less than 80,000 pesos per month, that is 2,500 pesos per day (US \$ 6.2).

The three highest tenths of earners – nearly a million homes – are far below this figure and between the fourth and sixth tenths – a further million – the difference is highly relative (See Table 10).³

In 1994, an indigent person in the urban areas earned less than 15,050 pesos per month. This meant that a beggar who receives more than three 100 peso coins in a day would already be above the first tenth of indigence. According to the data shown here, this sector of indigent people has not reduced, and has even increased in the countryside (Annex Table 1), and as a result Chile is now starting the difficult stage of overcoming poverty.⁴

GENDER AND POVERTY

The levels of poverty which affect women do not vary greatly from those seen for the male population. This interpretation is partly related to the methodology used to make estimates in

the CASEN Survey, as the method of income or poverty lines are merely an approximation of the problem, being more sensitive to the situation of households than individuals. The gender differences are expressed more explicitly by other indicators than with these measurements (employment, unemployment, etc.).

Although the CASEN data for 1992 and 1994 show no significant differences in poverty levels between men and women, the latter have a greater presence in the categories of indigent and non-indigent poor. In the indigent group women made up 52.14% of the total and in the non-indigent poor they reached 51.8% – 51.09% of the total population are women.

There was a slight increase in the proportion of indigent and poor women in the total of these groups in 1994. Women made up 52.39% of all those indigent in 1994, and 51.74% of the total non-indigent poor, while they made up 51.16 of the total Chilean population in this year.

In the group above the poverty line, on the contrary, women made up 50.71% in 1992, slightly lower than the proportion of women in the population as a whole – 51.09% – and this was repeated in this group in 1994 with 50.84% of women, while in the population in general they made up 51.16% in this year.

Comparing the poor groups (indigent and non-indigent poor) and the non-poor, in 1992 and 1994, the variations which appear in absolute and relative terms, are the following:

TABLE 4.

Absolute and relative variations in the poor and non-poor according to gender 1992–1994						
	poor 1992	non-poor 1994	non-poor 1992	non-poor 1994	total pop. 1992	total pop. 1994
women	2,247,973	2,028,986	4,542,095	4,993,160	6,790,068	7,022,146
	33.10%	28.89%	66.89%	71.11%	100	100
men	2,083,728	1,874,231	4,414,727	4,827,092	6,498,455	6,701,323
	32.06%	28%	67.94%	72%	100	100
total	4,331,701	3,903,217	8,956,822	9,820,252	13,288,523	13,723,469
%	100	100	100	100	100	100
% women	51.89	51.98	50.71	50.84	51.09	51.16

Source: Based on SERNAM, Sylvia Venegas, CASEN Survey 1992–1994.

³ The frontier studies, that is of the people on the edges of the tenths, show that it is very easy for a small economic crisis to throw them into the lower statistical category. It is necessary to point out that in Chile in 1994 there were 3,390,000 homes containing 13,819,000 people, whereby each tenth represents a figure of 353,000 households, but as was seen in Table 4, the households in the poorer tenths represent a greater part of the population as there are more people in each home.

⁴ During the latest period, that is, 1990 to 1994, according to data from the MIDEPLAN Department of Planning and Studies, each 1% increase in GNP in general terms, meant 45,000 people leaving the ranks of the poor measured by this method. In the 1987–90 period, each point of growth in the economy only implied that 15,000 people underwent this change. For the situation of poverty thus described to be eliminated, an optimistic hypothesis could affirm that if 1.5 million people came out of poverty between 1987 and 1994, it is easy to calculate how long it will take the remaining 4 million poor to do the same at a similar rate. The latest World Bank report on Chile said «a possible aim to be achieved by the Chilean economy is that of doubling per capita income within the next decade. To achieve this aim they need to register real average growth of 7% for the next ten years.»

That is to say, in the total of women there was a reduction in those who were in a situation of poverty as they went from 33.1% in 1992 to 28.89% in 1994, which ended up in the increase of the proportion of women above the poverty line from 66.89% in 1992 to 71.11% in 1994 as a result of which –despite the fact there are more poor women than men– the latter improved their position in 1994.

Even though the levels of poverty for both sexes fell between 1992 and 1994, in the group of indigent poor, in rural areas, this increased from 9.8% in 1992 to 10.2% in 1994, and this rise was higher amongst women. It is thus the overcoming of extreme poverty which presents greater relative difficulties for women, although, in general, they also had greater problems than the men in overcoming a situation of poverty in the 1992–1994 period.

When analysing the levels of poverty per household according to the gender of the head of household, the vulnerability of women becomes more noticeable. In 1992, 22.9% of households were headed by women, a figure which increased to 25.3% in 1994 while in the non-poor homes, the relative weighting of female-headed households remained constant. Indigence only diminished in male-headed households, which on a national level meant the reduction of some 12,000 homes (from 7% to 6.3%) while for the women heads of household it remained practically the same (8% and 7.9%) and the absolute number increased by some 4,000 homes. This meant the indigent households headed by men diminished by 6.3% in relation to 1992 while the homes headed by women in indigence increased by 7.1%.

Without doubt, there is a relation between levels of female participation and poverty. The rates of female participation increased from 34.1% in 1992 to 35.3% in 1994. However, these increases were higher in urban areas (from 36.9% to 38.1%) remaining relatively stable in rural areas (19.6% in 1992 and 19.7% in 1994).

Differences in participation rates between indigent women and non-indigent poor women are substantial: While the rate of female participation amongst indigent women was 16.2% in 1992 and 18% in 1994, in the group of non-indigent poor this diminished in relative terms from 23.1% to 22.7% and in the non-poor group increased from 37.6% in 1992 to 38.6% in 1994.

INEQUALITY OF INCOME BETWEEN MEN AND WOMEN

In 1990 there were 5,828,349 people making some sort of earnings in the nation, and 40.1% of these were women. In 1993, those receiving income increased by 520,458 (8.9%), 40.9% of whom were women.

A large part of women who make an income are not in the work market, more than a third of them in fact, which means nearly a million women. However, there has been an increase in women within the work market, from 31% in 1990 to 31.8% in 1991, 32.8% in 1992 and 33.4% in 1993, which shows a gradual and persistent increase in the amount of women gaining income for work.

Female income from wages and salaries saw relatively important expansion between 1990 and 1993, in relation to the variations seen in the income of employers and the self-employed, showing that access to employment constituted a way to improve the income of women and yet it was the sector where amounts of the variations in respect to the employers and the self-employed was the lowest.

TABLE 5.

The rates of female economic participation have increased. However there is still a salary breach in the income of independent workers as in non-earned income between men and

Variation in income from work according to gender 1990–1993 (in Chilean Pesos 1994)						
Gender	wages and salaries		employer income		self-employed income	
women	\$16,508	17.1%	\$112,392	19.4%	\$36,457	44.5%
men	\$13,005	9.9%	\$312,240	32.9%	\$53,673	48.2%

Source: SERNAM, Helia Henríquez 1996, based on INE Employment Survey.

women.

Women earn⁵ less than men in nearly all the branches of activity, both in the total amount of income as in income from paid employment. In industry and finance, they barely receive 50% of the male income and these are the areas which offered most new jobs between 1990 and 1993 (57.4% and 33.6% respectively). In the wages and salaries category, the difference in income is less than in the total income, and the smallest differences between men and women occur in the lower paid activities like agriculture and services (Table 6).

The difference in income between men and women is wider between the best educated workers, with differences in male and female income favouring the men at all educational levels (Table 7).

In a ranking of the highest and lowest incomes in 1993 (Chilean pesos 1994(\$)) the following order emerged for average monthly incomes (see Table 8):

The income of the employers with university education is 1.9 times higher than that of women in an equal position, while the income of the employers with university education is 9.5 times higher than that of women with the same education. This category, which hold the highest income, is 40 times higher than the

5 Chile ratified convention 100 of the ILO on gender-related equal pay 20 years ago. However, a recent bill presented in the Chamber of Deputies was the first proposal for regulation on this issue.

TABLE 6.

Income of female workers as a proportion of the male income per economic branch in 1993			
Economic branch	N° women	% total of income	% wages and salaries
Community, social and personal services	736,998	63.2	55.5
Commerce	374,555	57.0	74.8
Industry	246,775	51.0	72.1
Banks and financiers	109,563	52.0	81.4
Agricult., livestock raising fishing & hunting	95,237	84.6	80.1
Transport, storage and communications	40,014	144.6	102.2

Source: SERNAM, Helia Henríquez, pp. 52.

TABLE 7.

Average monthly income of men and women according to educational level in 1993 (Chilean peso, 1994)			
Educational level	men	women	%
No education	96,858	81,042	83.67
Primary education	111,428	79,601	71.43
Secondary education	158,383	110,674	69.87
Mid-level profession. education	243,326	127,541	52.41
University education	713,499	318,046	44.57

Source: SERNAM, Helia Henríquez.

TABLE 8.

Ranking			
Highest incomes		Lowest incomes	
Male employers with university education	\$2,241,114	Salaried women with primary education	\$55,755
Male employers with mid-level professional education	\$1,381,585	Salaried women with no tertiary education	\$59,559
Female employers with university education	\$1,191,542	Salaried men with no tertiary education	\$68,330
Male employers with mid-level or secondary education	\$828,568	Self employed women with no tertiary education	\$73,858

lowest income, which belongs to women with only primary education.

As for the variations in education-related male and female between 1990 and 1993, the sector showing the greatest increases were the women with no tertiary education (49.3%) followed by the men with mid-level professional training (26.2%) and then the women with university education (24.9%). Those who increased least were the men with secondary education (2.9%) and women with mid-level professional education (5.2%).

POVERTY AND INEQUALITY

The problem of poverty is directly related to inequality. The most serious issue affecting Chilean economic growth today is related to income distribution.

The growth of a nation would count for very little if the majority of its population continue to live in dire poverty. The concept of the «intolerable distribution of income» (*Ashborn Eide. Wealth distribution and human rights, UN, 1993*) has been developed. This is a type of wealth distribution which causes social upheaval in the long run.

Equity is a relative concept. There is no single model for the equitable distribution of income. It can be certainly stated that the distribution of income in the developed democratic nations has a different structure. Here the highest quintile reap no more than 35% of the income, and of course the lowest quintile have less accentuated differences from the richest.

However, the main element for the analysis of equity is related to whether economic growth is a process of income concentration or not. There is an old thesis which said there are distributive, inclusive systems and others which are «concentrators and exclusive.» The figures show the concentrating and exclusive trend has been maintained in Chilean society in recent years.

This table shows the concentrating and non-distributive character of Chilean economic growth in global figures. In Chile, work,

TABLE 9.

Income distribution (quintile)			
Quintile	1990	1992	1994
1	5.0	4.6	-0.4
2	8.8	8.5	-0.3
3	12.5	12.3	-0.2
4	8.4	18.4	-0.0
5	5.4	56.1	+0.7

or rather, those workers receiving salaries, take 35% of the income and 65% of the capital in round figures.

Table 10 shows the income per household and per capita for deciles of the 1992–1994 income. If the first tenth is compared with the last it can be seen how the breach between the richest and poorest sectors has widened in the last two year period. The average income of the 350,000 poorest homes –decile no. 1– fell from \$ 56,745 to \$ 53,642 and despite the fact the size of households is diminishing, the per person income fell from \$ 11,582 to \$ 11,131. At the same time, the 330,000 best-off Chilean homes increased their income from \$ 1,238,052 to \$ 1,316,179 per household and from \$ 418,220 to \$ 441,749 per person.

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TABLE 10.

Average income per household and per capita income. 1992–1994 (variables selected by deciles of per capita income of the household (1) 1992–1994						
Decile	Average income per home		Average per capita income (2)		Percent variation in average income	
	1992	1994	1992	1994	per home 1994-92	per capita 1994-92
1	56,745	53,642	11,582	11,131	5.5	5.5
2	93,231	95,025	20,170	20,794	1.9	3.1
3	120,429	121,254	27,033	28,223	0.7	4.5
4	145,331	152,272	34,193	36,362	4.8	6.3
5	176,726	184,399	42,954	46,061	4.3	7.2
6	202,781	214,053	54,280	57,696	5.6	6.3
7	250,510	258,527	68,927	73,764	3.2	7.0
8	312,133	337,041	91,158	99,003	8.0	8.6
9	452,096	493,519	137,197	149,093	9.2	8.7
10	1,238,05	1,316,17	418,220	441,749	6.3	5.6
Average	304,795	322,630	90,565	96,402	5.9	6.4

Source: MIDEPLAN. CASEN Surveys 1992 and 1994.⁶

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- CEDEM
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⁶ (1) Corresponds to the total adjusted income, plus the allocated leasings. Expressed in November 1994 pesos.
(2) Per capita income in each household, ordered by income deciles.