CASEN Survey 2011 Shows Positive Results

CASEN Survey 2011 shows that families with lower resources are most favored by economic growth. This growth has entailed higher incomes, more jobs and wage increases for the neediest ones. The reduction of poverty and inequality is explained by the autonomous income increase and the improvement of the focalization of monetary subsidies for the poorest households.

Using the same criteria as in former years[i], the CASEN Survey 2011 showed a significant reduction in the poverty and extreme poverty rates; poverty decreased from 15.1% to 14.4%, while extreme poverty achieves its minimum with 2.8%.

Likewise, all official inequality indicators improved, especially the distribution of individually generated incomes (autonomous). The index 10/10 –the income of the poorest 10% of the population regarding the richest 10%- decreases from 46.0 to 35.6, a very important reduction if compared with previous years or other inequality indicators. Moreover, progress has been made in the distribution of monetary incomes. The Gini[ii] coefficient of the latter reaches 0.52 which is the lowest value ever.

What Explains this Positive Result?

There are several factors behind poverty level changes. Its reduction is partly due to economic growth, jobs creation and focalization of social programs. On the other hand, among the factors which negatively affected the poorest are food inflation and the earthquake.

Between CASEN 2009 and CASEN 2011, the family basket of goods increased its value by 12.4%. The rise of food prices was the reason for the poverty line to reach CLP$72,098 and the extreme poverty line, CLP$36,049[iii]. Furthermore, the 27F earthquake embraced 80%

of the urban population, and according to the Post-earthquake CASEN Survey, the poverty figure increased 3 points because of this catastrophe.

In spite of this, economic growth, jobs creation and focalization of social policies were able to compensate the negative effects of food inflation and the earthquake. Therefore, in the following lines we will analyze the improvement regarding the incomes of the poorest and the focalization of social programs.

A) The Income of the Poorest Improved

Between CASEN 2009 and CASEN 2011, according to the IMACEC variation, economic growth was 11%, while the unemployment rate at the time of the survey was 7.1%. Meanwhile, between CASEN 2009 and its former version of 2006, economy growth was 8.7% and the unemployment rate when applying the survey was 10.4%. Likewise, salaries increased 10.9% between November 2009 and November 2011.

Table 1

GROWTH OF THE AUTONOMOUS AND MONETARY INCOME PER CAPITA, BY HOUSEHOLDS' AUTONOMOUS INCOME DECILE PER CAPITA (CLP$ NOVEMBER 2011)

Decile	Autonomous Income			Monetary Income		
	2009	2011	Growth	2009	2011	Growth
1	15,617	21,076	35.0%	37,588	42,249	12.4%
2	51,634	57,461	11.3%	61,824	66,186	7.1%
3	73,510	80,991	10.2%	82,076	88,134	7.4%
4	96,427	104,006	7.9%	102,481	109,676	7.0%
5	120,492	128,799	6.9%	125,512	133,327	6.2%
6	151,216	159,006	5.2%	155,820	163,425	4.9%
7	194,559	203,458	4.6%	198,339	206,849	4.3%
8	259,334	273,785	5.6%	262,030	276,848	5.7%
9	391,283	418,229	6.9%	393,371	420,248	6.8%
10	1,226,130	1,206,490	-1.6%	1,226,995	1,208,034	-1.5%

Source: Prepared by LyD based on data from CASEN 2011.

The important thing is not only that economy has improved in relation to 2009, but that this economic growth mostly benefited the poorest. Table 1 shows that the first decile autonomous income increased most (35%), and we observe a real growth above 10% for the second and third decile as well, which is not present in the richest

households. Additionally, the first decil shows a 17% increase regarding the incomes derived from work. Therefore, in this period, economic growth entailed higher incomes and more employment for poor households.

Likewise, the monetary income that increased most was also that of the first decil. We observe that all inequality indicators improve in this period due to the income growth of the most vulnerable households.

Although it is positive that the autonomous income increase for the first decil has contributed to a significant reduction of the inequality level according to the index 10/10, it is not that positive that part of this result has been due to a slight decrease of the richest decil autonomous incomes.

B) Focalization Improvement

Good news of the CASEN Survey 2011 is that focalization of the monetary subsidies has improved. This is calculated by determining how many subsidies the households receive in an accumulated form. It is the sum of the distribution of these transfers, that is, decil 1 shows how many resources are allocated to the poorest 10% of the households. Then, decil 2 shows the resources allocated to the poorest 20% of the population, that is, the percentage allocated to decil 1 plus decil 2; and so on until reaching decil 10, which accumulates all the subsidies' allocations.

As shown by Chart 1, in 2011, 28.5% of these transfers went to the first decil and almost 85.3% of the subsidies went to the most vulnerable 60% of the population (decil 6). While in 2009, 26.6% of these subsidies reached 10% of the households with lower resources. We observe this evolution for the entire income distribution; however, we decided to illustrate the first 6 deciles to see the effect of these subsidies on the most vulnerable population.

Finally, the CASEN 2011 shows that the State dependence decreased. This calculation is made for the families belonging to the poorest 10% of the population and it is measured as the share of monetary subsidies in the household's monetary income. As shown by Chart 2, in 2009 the monetary subsidies represented 43.7% of the monetary income, while for 2011 the former corresponded to 36.5%. If we analyze earlier years, we observe that the relevance of the subsidies in the household income was very low when compared with the last results: 11.2% in 1990 and 13.8% in 2000.
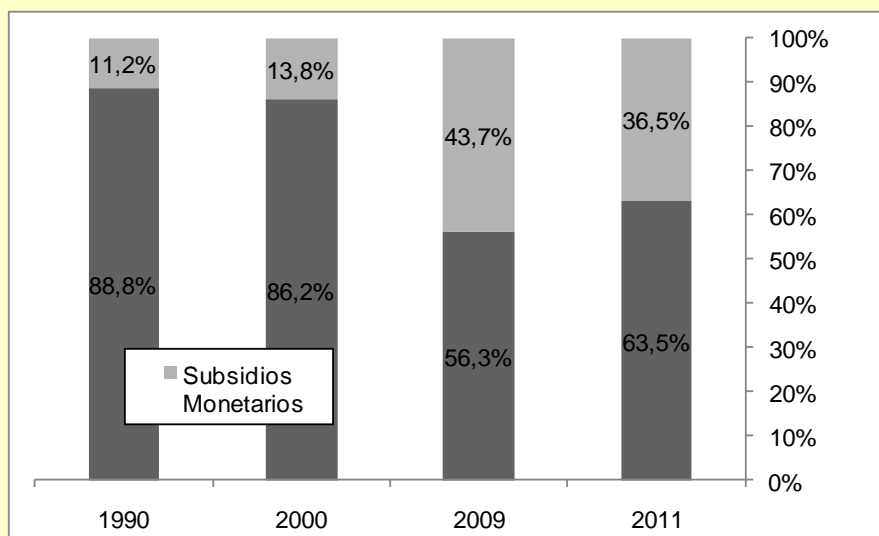
Chart 1

EVOLUTION OF THE FOCALIZATION OF THE HOUSEHOLD'S AVERAGE MONETARY SUBSIDIES BY INCOME DECIL, RELATIVE VALUE
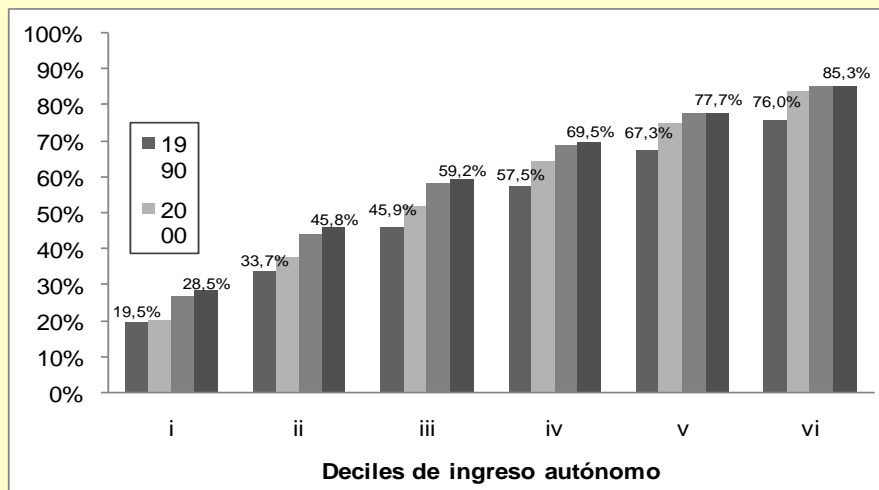
Source: Prepared by LyD based on data from CASEN 2011.

Chart 2

COMPOSITION OF THE HOUSEHOLD'S AVERAGE MONETARY INCOME FOR THE FIRST INCOME DECIL (%)

Source: Prepared by LyD based on data from CASEN 2011.

Conclusions

CASEN Survey 2011 shows that families with lower resources are the most favored ones by economic growth. This growth entailed higher incomes, more jobs and wage increases for the neediest ones.

As shown in this document, poverty and inequality reduction is explained by the autonomous income increase and the improvement of the focalization of monetary subsidies for the poorest households. Another positive result is that most vulnerable households reduce the significance of subsidies from total monetary income, which reduces the dependence on State transfers.

In spite of these positive results, there are still 2 million 480 thousand people living in poverty and 474 thousand in extreme poverty. The CASEN Survey 2011 shows that economic growth and focalized policies are the way for these families to uproot poverty.

In brief…
WHAT EXPLAINS THE CASEN SURVEY'S GOOD RESULTS? • **The income of the poor improved:** the autonomous income of the first decile increased most: 35%. We also observe a real growth of the autonomous income above 10% for the second and third decile of the population. • **Focalization improved:** in 2011, 28.5% of the transfers were allocated to the first decile and almost 85.3% of the subsidies, to the most vulnerable 60% of the population.

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[i] The CASEN Survey is a biannual or triennial household survey which has been implemented since 1985. The indirect income method is used to calculate poverty. Conceptually, poverty condition corresponds to individuals who do not meet their basic needs, and extreme poverty corresponds to people whose income does not cover their feeding needs. This threshold is updated through the increase of the basket's food prices.

[ii] The Gini coefficient is based on the distance between the Lorenz curve and the 45 degree line representing a perfectly equal income distribution. The higher the inequality, the closest this index gets to 1. Instead, the more equal the income distribution the closest it gets to 0.

[iii] The official poverty and extreme poverty lines distinguishing by rural and urban zones are still pending.