

# Improvement of Human Development in Chile

**Chile has made a notable progress in the United Nations Human Development Index (HDI) since 1980, ranking together with the countries with very high human development and leading the region. The continuity of the policies and reforms carried out for several decades are responsible for our country's result.**

The [2013 Human Development Report](#)<sup>i</sup> shows a significant progress in our country once again. The document, which reaffirms Chile as an example for the region, shows its outstanding performance since the eighties, and ranks it in the group of countries with very high development, with a value of 0.805, in position number 40 among 187 countries and territories.

Considering that the variables of this Index move in the medium-term, we can ascribe this good performance to the liberal reforms and policies that were well executed, and which have strengthened the country's economical development.

Therefore, the Human Development Index (HDI) invites us to complement this analysis on development and reassert these improvements in other dimensions different from income.

### **What does the Index Measure?**

The HDI seeks to measure the progress made by the countries in the long-run, considering 3 dimensions:

- 1) **A long and healthy life**, measured as life expectancy.
- 2) **Access to knowledge**; on the one hand, it measures the mean schooling years of the population older than 25 years, while, on the other hand, it measures the expected schooling years of a child who enters the school system.

3) **A decent standard of living**, measured as Gross Domestic Product (GDP) per capita, adjusted by purchasing power parity, at the constant prices of 2005.

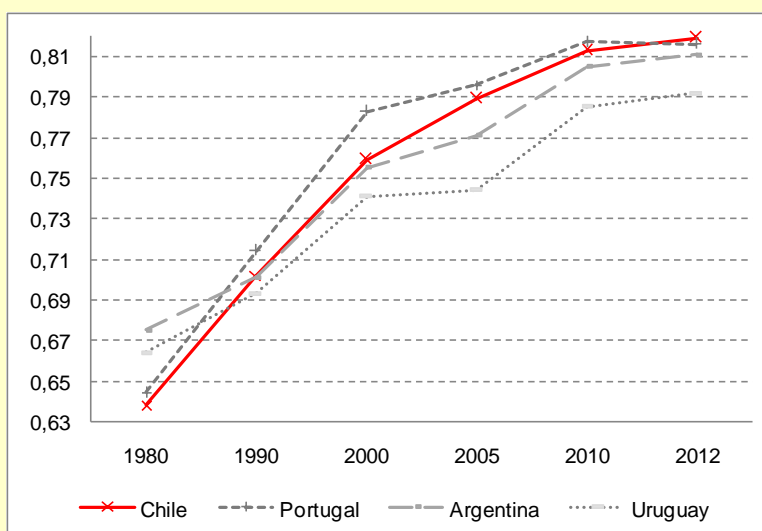
### What are our country's developments over time?

In the 80's, the Chilean HDI was 0.638, a value which exceeded the average of the group of countries with high development. At that time, there were 8 countries<sup>ii</sup> whose indicator was higher than that of our country, which later on surpassed them. Then, if we analyze the opposite case, no country with a lower index in the 80's has managed to do better than Chile afterwards.

Chart 1 shows this development in relation to some of these countries: Portugal, Argentina and Uruguay. We observe that Chile's development has shown a higher performance than the rest of these countries. Between 1980 and 2012, Chile's HDI grew 28.3% (from 0.638 to 0.819). Then, in its last measurement, it improved its position in relation to Portugal.

Chart 1

#### EVOLUTION OF THE HUMAN DEVELOPMENT INDEX 1980-2012



Source: Prepared by LyD based on DHI information.

As can be expected, these developments are due to the evolution of its components. As we can observe in Table 1, in Chile the life expectancy rose from 69.2 to 79.3 between 1980 and 2011. In that period, the expected years of schooling increased by 3.4, and the mean schooling of the adult population, by 3.3%. Moreover, the GDP per capita in constant prices of 2005 has almost tripled in that time.

As we have seen, the HDI goes beyond measuring income. In fact, this same indicator shows that the health and education components have a higher value than that of income, which is 0.935 in health and 0.798 in education, while the value of the income indicator is 0.740. Consequently, it is precisely in this component that there is more space for improvement.

Table 1

### EVOLUTION OF THE HDI COMPONENTS AND INDICATORS, 1980-2012

	Life Expectancy	Expected Years of Schooling	Mean Years of Schooling	GDP per capita (2005 PPP)	HDI
1980	69.2	11.3	6.4	5,174	0.638
1990	73.7	12.8	8.1	6,233	0.702
2000	77.0	12.9	8.8	10,078	0.759
2005	78.4	14.1	9.3	11,090	0.789
2010	79.0	14.7	9.7	12,741	0.813
2012	79.3	14.7	9.7	14,987	0.819

Source: Prepared by L&D with data from 2013 HDI and Human Development Report of Chile 2011.

Then, if this indicator is adjusted by the Inequality Index<sup>iii</sup>, it goes from 0.819 to 0.664, being the Income Index the most affected, which falls from 0.740 to 0.488. In spite of this drop, the HDI adjusted by inequality is still the best compared with all the countries of the region. However, it worsens its position with regard to Portugal.

The Report measures another indicator which is the Gender Inequality Index that is estimated by measuring reproductive health, empowerment and labor market. Chile ranks 66 in this Index. If we analyze the elements determining this Index, we observe that we are below the very high development level in all of its components.<sup>iv</sup>

### **What are the main instruments/tools that allowed achieving these results?**

Our thesis is that what has led Chile to achieve this result is the continuity of the policies and reforms carried out for several decades. As shown in this Report, these policies have not only strengthened growth, but also the quality of life of the population.

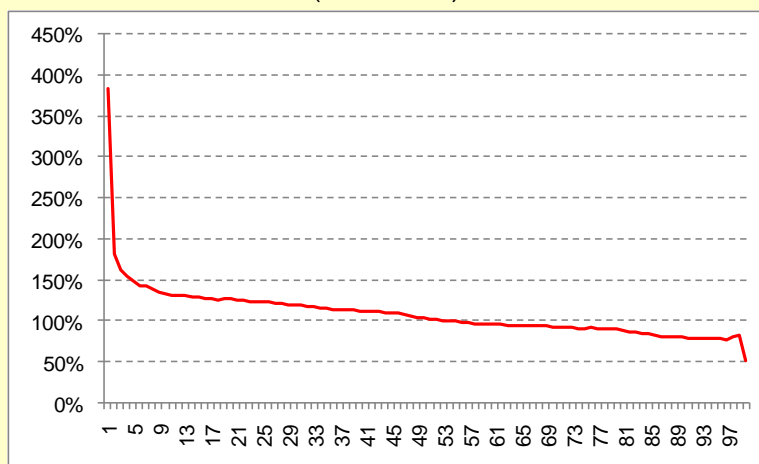
According to the Report, the countries that have achieved great developments in this matter are those that have managed to increase their incomes together with improving their performance in health and education matters. The Report highlights three drivers of development: a proactive

developmental state, tapping of global markets and determined social policy and innovation.

However, we do not only emphasize the macroeconomic reforms, but also the success of Chilean companies that have competitively made a place for themselves in the international markets. As for health, the reforms introduced in 1981 implemented a mechanism to improve its coverage and quality. In education, in the 80's schools were transferred from the Ministry of Education to the municipalities and the schools subsidy was created. In turn, a transversal policy was implemented for boosting focalization and characterizing the most vulnerable population. Therefore, the end of the eighties saw the creation of the *Ficha CAS* (social protection record), the extreme poverty maps and the National Socio-Economic Survey (CASEN), all of which allowed focusing the policy towards the population with lower resources.

Chart 2

### GROWTH IN THE TOTAL PER CAPITA INCOME BY PERCENTILE (CLP 2011)



Source: Prepared by L&D based on CASEN Survey 1990 and 2011.

### Who have been benefited by this development?

Although there is still much work to be done, it is important to highlight that economic development and the policies set out over 30 years ago have reached the families in poverty condition. Chart 2 shows that both social policies and economic growth have been positively focused on the most vulnerable groups, and the latter have proportionally experienced the greatest income increase. It is clear that this income can further improve, especially if the increase derives from employment, rather than from social policy transfers.

### Conclusion

Chile has made a notable progress in the HDI. This Index rose from 0.638 to 0.819 between 1980 and 2012, ranking 40 together with countries with very high human development and leading the region. This is important, since it is often said that despite its economic success, Chile has a society with many deficits that are not measured by the GDP. So, when incorporating other instruments considered representative of human development by the United Nations Development Program, Chile holds an even more outstanding position.

The continuity of the policies and reforms carried out for several decades are responsible for these results in Chile. As the Report shows, they have not only strengthened growth, but also the quality of life of the population.

Despite Chile's good position, it is still possible to improve the quality of life dimension, which is estimated with a value of 0.740, while the HDI value of Chile is 0.819. Therefore, there is still space left to increase growth and thus further improve people's quality of life.

### In brief...

#### HUMAN DEVELOPMENT INDEX 2013:

- It improves the Human Development Index (HDI) from 0.638 to 0.819 between 1980 and 2012. Chile is ranked 40 among 197 countries as one with "very high human development".
- This success is due to the significant improvement of the indicators and public policies focused on the economy and the people.
- There is much space to improve the income dimension, so we should strengthen growth to further improve the people's quality of life.

---

<sup>i</sup> The Rise of the South. Human Progress in a Diverse World". Human Development Report 2013. United Nations Development Programme (UNDP).

<sup>ii</sup> These 8 countries are: Portugal, Latvia, Argentina, Bahrain, Uruguay, Kuwait, Bulgaria and Trinidad & Tobago.

<sup>iii</sup> A Gini income coefficient of 52.1 was used.

<sup>iv</sup> Components: maternal mortality ratio (25 per 100,000 born alive); adolescent fertility ratio (56.0 births per 1,000 women from 15 to 19 years old); parliamentary representation (13.9%); population over 25 years old with, at least, completed secondary education (women 72.1% and men 75.9%); and labor force participation rate above 15 years old (women 42.1% and men 74.1%).