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2013 CASEN RESULTS: THE IMPORTANCE OF EMPLOYMENT FOR THE MOST VULNERABLE

- A review of the evolution of the components of the household money income by autonomous income quintiles, during the 2006-2013 period, evidenced that after 2009 the autonomous income (mainly in labor income) improved considerably, concentrated in the most vulnerable households.
- On the other hand, the strong increase of the State's money grants in the 2006-2009 period allowed mitigating the negative effect on the money income of the 2008 economic crisis, when only the most vulnerable households suffered a drop in their labor incomes. However, this situation increased their State-dependence.

Household *money income* is the sum of *autonomous incomes* (including labor incomes and other incomes generated by families on their own, such as self-financed pensions) and State *money grants* (cash contributions received from the State, such as the solidarity pillar benefits, female employment bonus, youth employment subsidy, among others).

The recently published results of the 2013 CASEN Survey show a positive evolution of total household money income, for all income quintiles, as well as in each one of its components. In fact, between 2009 and 2013, money incomes per capita increase, on average, far above the figures registered for 2006-2009, as a consequence of the strong economic growth in that period, which, as we will see further on, benefited mostly the most vulnerable.

PERIOD 2006 - 2009

In this period, our country suffered the effects of the 2008 subprime crisis. However, the poor were the most affected, because their autonomous incomes were reduced by 1.5% real annual (see Table 2), mainly explained by a 1.9 % drop annual in real terms of labor incomes (see Table 1). In other words, no employment opportunities were created that allowed households of the poorest 20% to increase their labor incomes, not even slightly (as it occurred in higher quintiles).

Despite the mentioned decrease, the average money income per capita of households belonging to the poorest 20% of the population increased by 5.6% real each year (see Table 3); this is mainly explained by a strong increase in the money grants delivered by the State (see table 4). The solidarity pillar benefits started in this period, and additionally, in August 2009, two extraordinary bonuses of

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CLP$40 thousand, per each dependent relative, were granted in March and August, which were recorded in the results of the CASEN Survey of that year. Although the State money grants were able to reverse the poor performance of the labor market in that period, the first quintile increased its dependence from the State from 20.2% to 35.3%: in other words, in 2009, from every CLP$100 per person in a household of the first quintile, CLP$35.3 came from State allowances and other money contributions (see Table 5).

PERIOD 2009-2013

Unlike the 2006-2009 period, after 2006 the labor market showed a great performance, which benefited mostly the poorest. The income per capita for the first quintile households increased 7.1% real per year (see Table 1), thereby contributing with 8.8% real annual growth of the autonomous income for those families (see Table 2). It should be mentioned that between 2009 and 2013, not only did the labor income of the poorest 20% increase, but this group also had access to better quality jobs: the employment rate[i] for this segment increased slightly, from 30% to 33%. Although in both measurements 2 out of 3 employed persons were salaried workers, while in 2009 61% of salaried workers of the first quintile had a signed legal contract or were about to sign one, this percentage grew to 70% in 2013.

The positive economic growth of the 2009-2013 period also allowed the State to grant money benefits: money grants aimed at the first quintile were increased by 4.8% real each year, even considering that there was no extraordinary contribution like the one in August 2009 (see Table 3).

Thus, in 2013, from every CLP$100 per person in a first quintile household, CLP$32 came from State money allowances; but, unlike 2009, these grants were given in exchange to households being employed (female employment bonus), their children having good school performance (school achievement bonus), among others. Therefore, this type of State grants, rather than creating dependence, opens the door for them to new opportunities to come out of their vulnerable condition.

All in all, the total money income per capita during 2009-2013 increased in real terms in all income quintiles, but mostly in those belonging to the poorest 20% of the population, who were benefited from a 7.4% annual real growth. And labor income certainly played a key role in this increase.

LABOR INCOMES OF THE POOREST ARE HIGHLY SENSIBLE TO THE ECONOMIC CYCLE

Table 1: Household per capita labor income, by autonomous income quintile (in CLP$)

	2006	2009	2011	2013	Annual average variation 2009 vs 2006 (real)	Annual average variation 2013 vs 2009 (real)
I	24,507	23,109	25,343	30,461	-1.9%	7.1%
II	58,596	59,645	64,248	73,321	0.6%	5.3%
III	88,718	90,281	96,022	115,534	0.6%	6.4%
IV	154,064	155,182	162,551	196,922	0.2%	6.1%
V	494,889	511,796	530,672	660,192	1.1%	6.6%

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Source: Prepared by LyD based on CASEN surveys.

THE POOREST WERE MOST BENEFITED BY THE POSITIVE ECONOMIC GROWTH BETWEEN 2009 AND 2013

Table 2: Household autonomous income per capita, by autonomous income quintile (in CLP$)

	2006	2009	2011	2013	Annual average variation 2009 vs 2006 (real)	Annual average variation 2013 vs 2009 (real)
I	31,942	30,491	34,471	42,725	-1.5%	8.8%
II	73,121	75,763	81,851	98,342	1.2%	6.7%
III	115,156	119,199	128,372	152,913	1.2%	6.4%
IV	186,131	193,251	205,297	243,958	1.3%	6.0%
V	587,119	616,511	634,275	775,171	1.6%	5.9%

Source: Prepared by LyD based on CASEN surveys.

MONEY INCOME OF THE POOREST QUINTILE GREW BECAUSE OF HIGHER LABOR INCOME

Table 3: Household money income per capita, by autonomous income quintile (in CLP$)

	2006	2009	2011	2013	Annual average variation 2009 vs 2006 (real)	Annual average variation 2013 vs 2009 (real)
I	40,039	47,124	50,103	62,791	5.6%	7.4%
II	76,374	83,894	88,902	107,395	3.2%	6.4%
III	117,117	124,327	133,068	159,103	2.0%	6.4%
IV	187,206	196,485	208,490	247,703	1.6%	6.0%
V	587,544	617,845	636,060	777,161	1.7%	5.9%

Source: Prepared by LyD based on CASEN surveys.

SUBSIDIES OF THE FIRST QUINTILE MORE THAN DOUBLED BETWEEN 2006 AND 2009

Table 4: Household subsidy incomes per capita, by autonomous income quintile (in CLP$)

	2006	2009	2011	2013	Annual average variation 2009 vs 2006 (real)	Annual average variation 2013 vs 2009 (real)
I	8,097	16,634	15,632	20,066	27.1%	4.8%
II	3,253	8,131	7,051	9,052	35.7%	2.7%
III	1,961	5,128	4,696	6,190	37.8%	4.8%
IV	1,076	3,234	3,194	3,745	44.3%	3.7%
V	425	1,334	1,786	1,990	46.4%	10.5%

Source: Prepared by LyD based on CASEN surveys.

BETWEEN 2006 AND 2009, STATE DEPENDENCE OF THE FIRST QUINTILE INCREASED STRONGLY

Table 5: State dependence, by autonomous income quintile

	State dependence (money income % corresponding to subsidies, per capita)			
	2006	2009	2011	2013
I	20.2%	35.3%	31.2%	32.0%
II	4.3%	9.7%	7.9%	8.4%
III	1.7%	4.1%	3.5%	3.9%
IV	0.6%	1.6%	1.5%	1.5%
V	0.1%	0.2%	0.3%	0.3%

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Source: Prepared by LyD based on CASEN surveys.

CONCLUSION

When analyzing the evolution of the components of the household money income between 2006 and 2013, two very distinct periods can be differentiated. The first, before 2009, is a period where the most vulnerable are most affected by the negative economic cycle, which reduces their labor incomes. In this period, the State played an active role by giving assistance, but although it mitigated the final effect on the money income, it did not become a tool to overcome the poverty condition in a permanent way.

The second period (2009-2013), of high economic growth, allowed creating (labor) opportunities focused (mainly) on the families belonging to the first quintiles. However, the State played a role again, but this extra supports do create longer term opportunities to those who need it most. Consequently, and on average, it improved the income level of the poorest more than those of the rest of the population, thereby reducing their State dependence level.

Methodological Annex:

- Each CASEN Survey used the average PCI of their respective field work period.
- This analysis took into account the incomes according to the new methodology used by the Ministry of Social Development, which does not envisage adjustments to National Accounts. The traditional income methodology of the CASEN Survey did make adjustments to National Accounts, so as to approximate the incomes declared by the interviewees to what is produced by the economy.
- The average household income per capita was calculated, in order to have a measure on how much money an average person from each quintile of different types of income has available, considering both the money income and each one of its components (and each autonomous income quintile). For example, in relation to labor income, in each quintile, labor incomes were added for each household and then it was divided by the total number of household members.

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[i] Number of employed persons / Total of working age population