Introduction to the issue

David Bravo*

Chile has usually been considered one of the outstanding countries in the World in terms of its record in reducing poverty. At the same time, income inequality in Chile remains high by international standards; in fact, cross-country comparisons places Chile amongst those countries with the highest dispersion of monetary income (World Bank 1997, 2001; Bravo and Contreras, 2004).

This volume originated from a Workshop on Income Inequality sponsored by the Centro de Microdatos and the Inter-American Development Bank in December 2006. Some of the papers and authors that were part of this seminar sent updated versions of their pieces for a refereeing process. The papers of this volume cover a wide range of poverty and inequality issues.

Jere Behrman asks how much might Human Capital policies affect earnings inequalities and poverty? It reviews some recent benefit/cost estimations for human capital intervention in Latin America and the Caribbean, suggesting some investments in which the returns appear quite high. The contribution of schooling attainment targeted to the poor in reducing poverty and income inequality is also reported and illustrated using Chilean data. Alternative simulations suggest to Behrman significant impacts of well-targeted increases in schooling attainment on reducing poverty and inequality.

How does the income distribution of Chile compare with other countries? On this topic David Bravo and José Valderrama show that Chile is one of the few countries that adjusts the information obtained from household surveys to make the figures compatible with National Accounts. This paper shows that this adjustment leads to important changes in the top-end of the distribution and to an overestimation in the main inequality indicators in Chile. Chile looks more unequal in international relative terms due to this adjustment. Bravo and Valderrama use Peru and Chile to illustrate their point. Juan Pablo Valenzuela and Suzanne Duryea compare the income distributions of Chile and Uruguay. They show that Chile in 2003 had a Gini Coefficient 8.5 points higher than Uruguay. Using microsimulations, they conclude that most of the difference comes from the wealthier household, particularly those belonging to the top 2%. Another fraction of the differences is explained by differences in returns to higher education in both countries. They also emphasize that the national account adjustment in Chile is overestimating the gap between the Gini coefficients of those countries.

* Centro de Microdatos, Departamento de Economía, Universidad de Chile. E-mail: dbravo@econ.uchile.cl
Three papers look at strategies for alleviating poverty. Douglas McKee and Petra Todd analyze the Mexican conditional cash transfer program Oportunidades. They study the program’s potential longer-term consequences on the poverty and inequality of disadvantaged children. Using nonparametric simulations of earnings distributions, with and without the program, they are able to predict that Oportunidades will increase future mean earnings but have only modest effects on poverty rates and earnings inequality. On the other hand, Galasso and Hoces, Hojman and Larrañaga evaluate Chile Solidario the Chilean anti-poverty program. Emanuela Galasso finds that the program tends to increase significantly the take-up of cash assistance programs and of social programs for housing and employment, and to improve education and health outcomes for participating households. However, she doesn’t find evidence on improved employment or outcomes in the short term. She concludes providing evidence of the key role that the psycho-social support has had by increasing awareness of social services in the community as well as household’s orientation towards the future. Finally Hoces, Hojman and Larrañaga offer a critical view on the reliability of the official results due to data shortcomings and, particularly, the lack of baseline data. Using a huge administrative data set they find small but clearly positive effects for several variables as the number of workers in the family, the percentage of workers in the family and the employment of the head of the household.

Javier Núñez and Leslie Miranda provide evidence on the degree and patterns of intergenerational income and educational mobility for Greater Santiago. They find intergenerational income elasticities of 0.52 to 0.54, which stands as fairly high with respect to comparable international evidence. They also find that intergenerational educational mobility is lower for the younger cohorts and a higher degree of intergenerational persistence of income at the two extremes of the income distribution, even if this is more accentuated at the top.

Claudia Sanhueza and Ricardo Mayer focus their analysis on the top incomes in Chile for the period 1957-2007. They corroborate that top incomes concentration is countercyclical in the short run. Over the 50 years period they find that top incomes concentration follows an inverted U-shape, peaking at the end of the 80s. The authors observe important changes in the composition of top income groups related to greater relative importance of women, employees and college schooling levels since the 80s.

Claudio Sapelli gives a different look at the data in his paper. Constructing a synthetic panel from 50 years of cross-section household surveys for Greater Santiago, he decomposes the evolution of the estimated distributions into age, year and cohort effects. The cohort effects found shows a period where inequality increases to then decrease. The author states that the rise can be explained by variables associated with education, while the fall appears to be the consequence of a flattening in the income-age profile and hence a reduction in the returns to experience.

Rodrigo Castro analyses household income mobility in Chile between 1996 and 2001. He finds that mobility has been quite high compared to international standards. His analysis shows that moving from unemployment to employment significantly increases the probability of moving up and decreases the probability of moving down. Vocational education is promoting to move up on the relative
income scale and it is protecting movement down. An important result is that high-school education decreases the probability of degradation.

Finally, Osvaldo Larrañaga and Juan Pablo Valenzuela examine why the income distribution in Chile as a whole did not change between 1990 and 2003. Using micro-simulations of income distribution they analyze the role of returns, participation rates, occupational choices, schooling endowments, subsidies, pensions and household size. They find that the inertia shown by inequality reflects the interplay of factors that cancel each other out, others that operate slowly over time, and the emergence of new developments that affect the distribution.

I hope that from the range of topics covered and methodologies used in the articles of this volume, progress will continue to be made.

I would like to thank the Millennium Science Initiative who made possible the publication of this volume through its funding to the Microdata Center (Project P07S-023-F).

We owe a special debt of gratitude to Cintia Guimaraes and Suzanne Duryea of the Interamerican Development Bank, for all their support and efforts in making the conference a success and now this special issue a reality. Claudia Sanhueza was also key for this success back in 2006.

Finally, I am grateful to the editor of Estudios de Economía; to the authors who provided their papers; and to Milena Essus and Marizza Espinoza from the Microdata Center who worked hard on the edition of this issue.

References


