
ANKER LIVING WAGE REFERENCE VALUE

NON-METROPOLITAN URBAN CHILE 2020



LIVING WAGE

**CLP 623,057
PER MONTH
(US\$751)**

Anker 
Research
Network

GLOBAL 
LIVING WAGE
COALITION

The Anker Reference Values are endorsed by the Global Living Wage Coalition (Fairtrade International, Rainforest Alliance, Social Accountability International and ISEAL Alliance). Development of the methodology was initiated and supported by Fairtrade International and German Federal Ministry for Economic Cooperation and Development (BMZ). Further support was received from Rainforest Alliance, Social Accountability International and Clif Bar & Company.



Anker Living Wage Reference Value¹

Non-Metropolitan Urban Chile 2020

1. Anker Living Wage Reference Value for Chile in 2020

The Anker Living Wage Reference Value for 2020 for non-metropolitan urban Chile is CLP 623,057 (USD 751)² per month with a 95% confidence around it from CLP 550,039 to CLP 705,777 (USD 663 to 851). This is comprised of the net living wage, or take-home pay, of CLP 513,399 (619 USD) required for workers living in non-metropolitan urban locations to be able to afford a basic but decent living standard in a typical non-metropolitan urban area of Chile, plus CLP 109,658 (USD 132) in mandatory payroll deductions on a living wage of 17.6%, which would need to be paid by law as contributions to the state health fund (7.0%) and unemployment insurance fund (0.6%), and in private pension contributions (10.0%).³

Living wage is defined as:

“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events” (Global Living Wage Coalition).

2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on a new methodology developed by Richard Anker, Martha Anker, and Ian Prates. This methodology is based on a rigorous statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies for developing countries. It was developed primarily under the auspices of the Global Living Wage Coalition.

Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and living income benchmark studies and easy to update every year. Thus, they are of special value to countries where a full quality-assured Anker methodology living wage or living income study has not yet been conducted.

Anker Living Wage Reference Values represent a living wage for typical families in rural or urban areas of developing countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (urban) areas of a country, which is generally around +/- 10%, using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (urban) regions, the margin of error is likely to be larger for

¹ Prepared by: Fabricio Bonilla, Koen Voorend, Richard Anker, Martha Anker, and Ian Prates.

² Exchange rate used to convert to US dollars is Chilean Peso (CLP) 829.78. This is the average exchange rate for the three-month period from February through April 2020.

³ Workers earning a living wage would not need to pay income tax, because the tax-free threshold is CLP 680,022.

locations with atypical living costs within a country such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

3. Country Context

Geography and demographics

Chile is a South American country that extends over nearly 4,300 km from North to South. Hence, it has a great variety of climates, from the driest Atacama Desert to the very wet, high-precipitation southern regions. The 27% of the country's surface that is considered habitable is home to 90% of Chile's population.⁴ Half the country's population live in the Metropolitan Santiago (40.5% of the population) and Valparaíso (10.3%) regions.⁵

In 2019, 88% of the country's population of 18,952,038⁶ lived in an urban area.⁷ Among the most vulnerable groups, indigenous people (especially the Mapuche who make up 80% of all indigenous people in Chile) account for one in every eight Chileans.⁸

Chile's population is aging at a faster pace than the regional average. In the past 50 years, life expectancy at birth increased by 4.2 years per decade, to reach 79 years in 2019. As such, Chileans over age 60 are expected to make up 33% of the population by 2050 (compared to 15.7% today).⁹

Economy

GDP per capita (in constant internationally comparable dollars) grew markedly between 2010 and 2013, from 20,560 to 23,214 USD, but then stagnated until 2017 (23,663 USD). In 2019, per capita GDP was USD 24,226.¹⁰

Mining (most importantly copper¹¹), which is concentrated in northern Chile, is considered the country's economic motor. It represented close to 55% of all exports in 2018¹² – and there is a strong industrial processing sector that depends on mined minerals. Wood and fruits are two other

⁴ CENGAGE. (2020). Chile, Geography. Retrieved from <https://www.encyclopedia.com/humanities/encyclopedias-almanacs-transcripts-and-maps/chile-geography>.

⁵ Instituto Nacional de Estadísticas. (2017). Resultados CENSO 2017. Retrieved from <http://resultados.censo2017.cl/Home/Download>.

⁶ The World Bank. (2019c). Population, total - Chile. Retrieved from <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=CL>.

⁷ Central Intelligence Agency. (2020). Chile. Retrieved from <https://www.cia.gov>.

⁸ Instituto Nacional de Estadísticas. (2017).

⁹ Thumala, D., Kennedy, B. K., Calvo, E., Gonzalez-Billault, C., Zitko, P., Lillo, P., Slachevsky, A. (2017). Aging and Health Policies in Chile: New Agendas for Research. *Health Systems & Reform*, 3(4), 253–260. <https://doi.org/10.1080/23288604.2017.1353844>.

¹⁰ The World Bank. (2019a). GDP (current US\$) - Chile. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CL>.

¹¹ Observatory of Economic Complexity. (2020). Chile Exports, Imports and Trade. Retrieved from <https://oec.world/en/profile/country/chl/>.

¹² Montoya, J. D. (2018). Actividades económicas de Chile. Retrieved from <https://www.actividadeseconomicas.org/2017/09/actividades-economicas-de-chile.html>.

important export sectors (mainly from La Araucanía, Bío Bío, and Maule regions), along with seafood (coastal North) and wine.¹³

Labor market

Labor force participation rates in Chile for prime working age males 25-54 are approximately 91% in both urban and rural areas according to tabulations from the 2019 labor force survey. Female labor force participation rates are lower at 72% for urban areas and 56% for rural areas. Unemployment rates for ages 25-54 are similar for males and females as well as for rural and urban areas according to 2019 labor force survey data at 7.8% and 7.9% for urban males and females and 6.8% and 7.1% for rural males and females. Part-time employment rates (defined as less than 30 hours per week) are much higher in rural areas compared to urban areas and for women compared to men at 6.8% and 21.4% for urban males and females and 12.6% and 31.6% for rural males and females. Because of the Covid-19 pandemic, the unemployment rate reached 12.9% in August 2020.¹⁴

Chile's labor market performs relatively well in terms of formality of work compared with other countries in Latin America. Where the informal sector employs over 50% of the labor force in Latin America¹⁵, informality in Chile was about 29% in early 2020.¹⁶ Chile also stands out in the region for its relatively high proportion of rural workers with a formal contract. In 2016, 65.2% of rural workers had a formal contract, vis-à-vis the 27% average in Latin America.¹⁷ Informal work is slightly more common among women than men: 29.8% versus 27.5%.¹⁸

Social Conditions

Poverty and Inequality

The poverty rate at the World Bank \$5.50 poverty line for upper-middle income countries fell from 19.6% to 3.7% between 2006 and 2017.¹⁹ Measures of multidimensional poverty suggest that 20.7% of the population lives in deprivation²⁰ and around 30% of the population is economically vulnerable.²¹

¹³ ODEPA. (2015). Panorama de la agricultura Chilena (Chilean agriculture overview). Odepa. Retrieved from <https://www.odepa.gob.cl/wp-content/uploads/2018/01/panorama2015.pdf>.

¹⁴ Instituto Nacional de Estadísticas. (2020b). Informalidad y condiciones laborales. Retrieved from <https://ine.cl/estadisticas/sociales/mercado-laboral/informalidad-y-condiciones-laborales>.

¹⁵ Staffing America Latina. (2020). ILO: Nearly 140 million informal workers in Latin America and the Caribbean. Retrieved from <https://staffingamericalatina.com/en/oit-cerca-de-140-millones-de-trabajadores-en-la-informalidad-en-america-latina-y-el-caribe/>.

¹⁶ Instituto Nacional de Estadísticas. (2020b). Op cit.

¹⁷ International Labor Organization. (2016). Trabajar en el campo en el siglo XXI. Retrieved from http://www.oitinterfor.org/sites/default/files/file_publicacion/plaboraltematico1.pdf.

¹⁸ Instituto Nacional de Estadísticas. (2020a). *Informalidad laboral*.

¹⁹ The World Bank. (2020). Op cit.

²⁰ T13. (2018, August 21). Casen 2017: La Araucanía es la región más pobre de Chile. Tele13. Retrieved from <https://www.t13.cl>.

²¹ The World Bank. (2020). Op cit.

Poverty rates in rural areas at the national poverty line are, on average, twice as high as those in urban areas: 22.1% compared to 10.2%.²² Rural-urban differences are also reflected in the greater proportion of people covered by a pension system – 61.6% of the urban population compared to 48% of the rural population.²³

Regional disparities in economic vulnerability are high, with national poverty rates ranging from 17.2% in the La Araucanía region to 2.1% in Magallanes. Rural poverty rates are 29.1% and 8.1% respectively in these regions. Finally, in all regions in Chile, poverty rates among indigenous people are especially high, averaging between 22% and 33%.^{24, 25}

Healthcare

Chile's healthcare system is composed of a public and a private sector and is highly stratified.²⁶ The public forms of health insurance, overseen by the *Fondo Nacional de Salud (FONASA)*, covered around 75.6% of Chileans in 2017²⁷, including 3% covered through military health centers.²⁸ The public insurance scheme is free for people living below the national poverty line, while others are expected to make co-payments depending on their household income. In 2005, the System of Health Guarantees Law (*Plan de Acceso Universal de Garantías Explícitas, Plan AUGE*) was implemented in Chile as a universal coverage plan for a listed set of diseases to improve the quality of the public health sector “to address issues of equity and inequality in the Chilean system, in particular between the private and public sectors”.²⁹

The private system (*Instituciones de Salud Previsional* or *ISAPRE*), covers approximately 18.4% of the population. This leaves 6% of the population as uninsured independent workers.³⁰ The Chilean stratified health system means that people, irrespective of their health plan coverage, must (co)pay for many services directly. As such, in 2017, Chile ranked third highest among OECD countries in out-of-pocket health expenses as a percent of healthcare expenditures.³¹

Despite substantial increases in public social spending, with an average annual growth rate of 8.5% between 2005 and 2017, Chile ranked sixth last among OECD countries in terms of healthcare expenditures.³² The gap between private and public spending, however, has

²² Centro Latinoamericano para el Desarrollo Rural. (2016, September 30). Chile: Pobreza en zonas rurales duplica a los índices en zonas urbanas. Noticias. Retrieved from <https://rimisp.org/noticia/chile-pobreza-en-zonas-rurales-duplica-a-los-indices-en-zonas-urbanas/>.

²³ International Labor Organization. (2016). Op cit.

²⁴ Soto, C. (2018, August 21). Casen 2017: Baja la pobreza pero empeora la distribución de ingresos. La Tercera. Retrieved from <https://www.latercera.com>.

²⁵ Instituto Nacional de Estadísticas. (2017). Op cit.

²⁶ Noy, S. & Voorend, K. (2016) Social Rights and Migrant Realities: Migration Policy Reform and Migrants' Access to Health Care in Costa Rica, Argentina, and Chile. *Journal of International Migration and Integration* 17(2): 605-629.

²⁷ OECD. (2019). Panorama de la Salud 2019. Panorama de la Salud 2019. <https://doi.org/10.1787/9789264306035-es>.

²⁸ Becerril-Montekio, Víctor, Reyes, Juan de Dios, & Manuel, Annick. (2011). Sistema de salud de Chile. *Salud Pública de México*, 53(Supl. 2), s132-s142. Recuperado en 05 de octubre de 2020, de <http://www.scielo.org.mx>.

²⁹ Noy and Voorend (2016). Page 614.

³⁰ Becerril-Montekio et al (2011). Op cit.

³¹ OECD. (2016). Health policy in Chile. OECD health policy overview.

³² Only above Hungary, Latvia, Mexico, Poland and Turkey OECD. (2019).

decreased over time. Whereas in 2000, private sector per capita healthcare expenditure was twice that of public healthcare expenditure, by 2015 this ratio had narrowed to 1.2 times.³³

Education

Chile made a great effort to expand its education system in the last two decades. Currently, education expenditures are about 6% of GDP³⁴, which is among the highest in OECD countries. This includes a significant increase in pre-primary enrollment – from 40% to nearly 80% between 2005 and 2016³⁵ – and practically universal access to lower secondary education.³⁶ However, about 20% of each cohort in secondary school does not reach the final year and retention and completion remain challenges.³⁷

Problem areas include the number of children per classroom for 1st through 8th grades, which is among the highest of OECD countries, and teachers' pay in 2017, which was around half that of other professionals with equivalent education levels on average.^{38, 39} Also, tertiary education coverage is limited. Whereas the enrollment rate in the education system at age 16 was greater than 90% in 2016, it drops to 55% at age 20. University education is mostly private, with 60% of funding coming from households, which makes access strongly income dependent.⁴⁰

The education system has disparities between urban and rural areas. In the latter, lower numbers of students and smaller facilities imply that per student costs are an estimated 30% higher than in urban areas. Rural students perform weaker in standardized national tests, “with the greatest results gap in the highest socioeconomic level”.⁴¹

4. Wage ladder and gaps to a living wage, Chile 2020

Figure 1 presents a wage ladder for non-metropolitan urban Chile. It compares the Anker Living Wage Reference Value to five other wage indicators: World Bank poverty line wage for upper-middle income countries, national poverty line wage, two prevailing wage estimates for low-wage workers, and the national minimum wage. It is important to keep in mind when interpreting the

³³ Asociación de Isapres de Chile. (2018). Gasto y Financiamiento de la Salud en Chile y en Isapres. Composición del Gasto en Prestaciones y Licencias Médicas en ISAPRE 2012-2017 (Vol. 2017).

³⁴ Sánchez, D. (2018). Panorama de la Educación Indicadores de la OCDE 2018. Ministerio de Educación de Chile, 1–36. Retrieved from <https://centroestudios.mineduc.cl/wp-content/uploads/sites/100/2018/09/EAG2018-Chile.pdf>.

³⁵ Sánchez, D. (2018); for children between 3 and 5 years. Op cit.

³⁶ Santiago, P., Fiszbein, A., García Jaramillo, S., & Radinger, T. (2017). OECD Reviews of School Resources: Chile 2017.

³⁷ Santiago et al. (2017). Op cit.

³⁸ Mizala, A., & Schneider, B. (2019). Promoting quality education in Chile: the politics of reforming teacher careers. *Journal of Education Policy*, 00(00), 1–27. <https://doi.org/10.1080/02680939.2019.1585577>.

³⁹ Even after a new salary-boosting scale was instituted in 2017, following the 2016 *Política Nacional Docente* (PND, National Teacher Policy).

⁴⁰ Sánchez, D. (2018). Op cit.

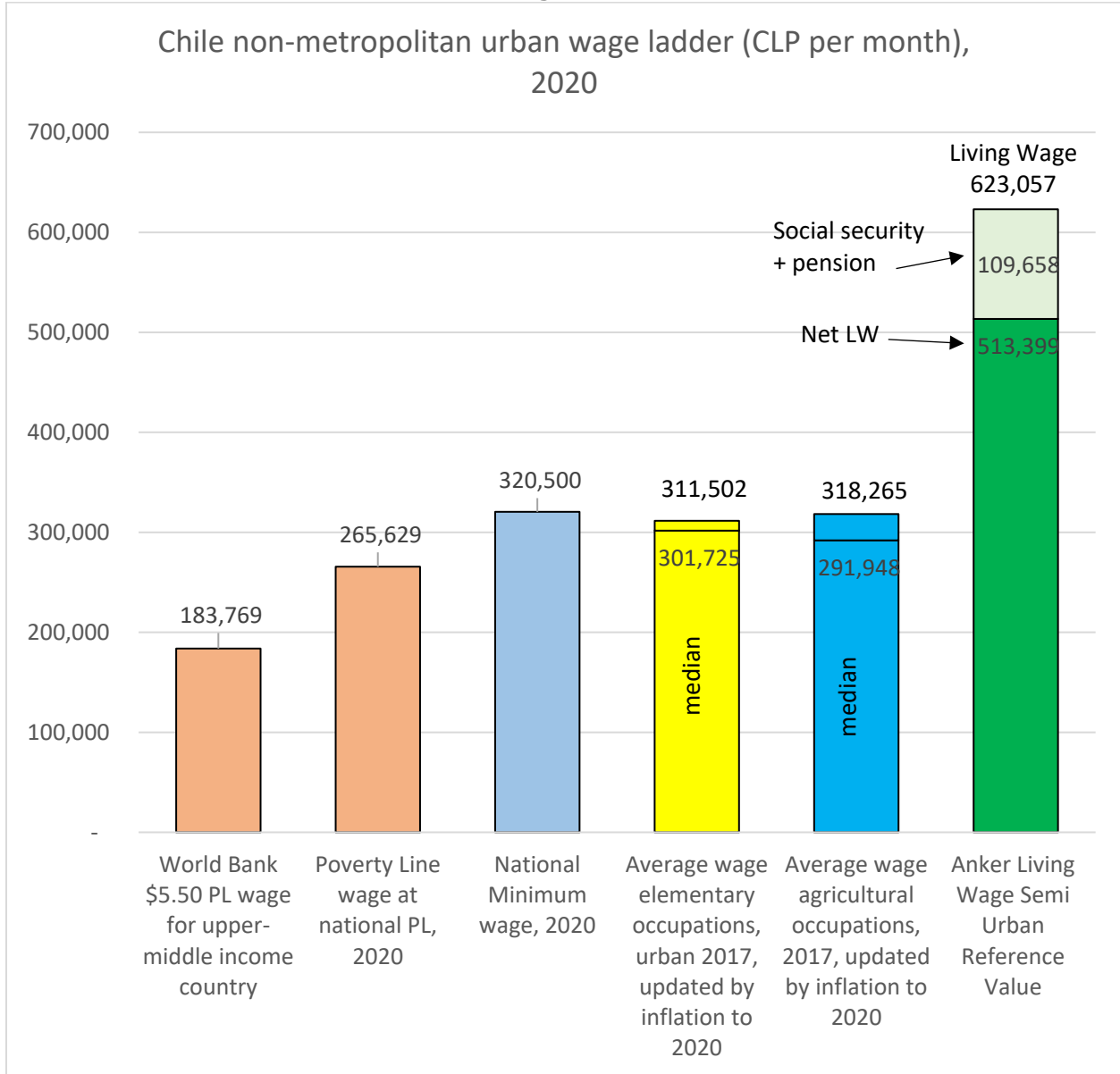
⁴¹ Tamayo, M., Rebolledo, J. and Besoáin-Saldaña, A. (2017). Monitoring inclusive education in Chile: Differences between urban and rural areas. *International Journal of Educational Development*, 53, pp. 110-116.

size of gaps to living wage that mandatory payroll deductions have an important effect that on the sizes of these gaps, since they comprise 17.6% of the living wage.

The Anker Reference Value for non-metropolitan urban Chile is much greater than poverty line wages for Chile. It is 3.4 times the World Bank poverty line wage for upper-middle income countries and 2.3 times the national poverty line wage. This implies that these poverty lines are too low for Chile (see notes a and b to the wage ladder figure below for discussion on these poverty lines for Chile), which may help to partially explain the very low reported poverty rates for Chile, including those in urban areas.

The Anker Reference Value for non-metropolitan urban Chile is around twice the national minimum wage, the average wage for elementary occupations, and the average wage for agricultural occupations. It is clear that wages for low-wage workers in Chile are too low for basic decency. Further, since these two average prevailing wages are slightly lower than the minimum wage, this implies that some low-wage workers in the informal sector earn less than the national minimum wage.

Figure 1



Notes:

^a National poverty line for Chile is updated every month by the inflation rate by the Ministry for Social Development. It is expressed in adult equivalent unit values and for families with 2 to 10 members. There is only a national poverty line and so no differentiation between rural and urban poverty lines, nor between regions. We used values for April 2020.

^b The World Bank poverty line wage for Chile was estimated using the World Bank poverty line for upper-middle income countries (\$5.50 PPP) for two reasons even though the World Bank now considers Chile to be a high-income country. First, Chile's GNI per capita in USD is at the bottom of the range for high-income countries and so the World Bank high-income country poverty line of \$21.70 PPP would not be appropriate for Chile. A World Bank paper by Joliffe and Pyrdz (2016), which estimated comparable national poverty lines, estimated a \$7.17 PPP poverty line for Chile which is close to Chile's national poverty line. This attests that a \$21.70 PPP high income country poverty line would greatly overestimate the poverty line for Chile.

^c Family size of 4 (2 adults and 2 children) was used for expositional purposes to estimate the urban national poverty line wage and the World Bank poverty line wage. A family size of slightly over 4 is the minimum family size required to ensure population reproduction. This is higher than the: (i) average household size (which is biased downward by the 23% of households being female-headed) of 3.30 (rural) and 3.39 (urban) when single person households (that do not include children) and especially large households (that possibly include more than two adult earners) are excluded, and (ii) family size of 3.69 implied by the national child mortality adjusted total fertility rate of 1.69.

^d Number of full-time equivalent workers per family of 1.62 (rural) and 1.70 (urban) is used for expositional purposes to estimate poverty line wages. These were estimated using data from the 2017 and 2019 labour force surveys on labour force participation rates, unemployment rates, and part-time employment rates for rural and urban males and females ages 25-54 or 25-59. Part-time employment is defined as less than 30 hours per week.

^e Payroll taxes are 17.6% and include Pension (10.0%), Unemployment Insurance (0.6%), and Health Plan (7.0%). Income tax would not be assessed on a living wage, because income tax is not paid on income below \$680,000 CLP per month.

^f Anker Living Wage Reference Values are estimated directly based on statistical analysis and therefore do not have an explicit number of full-time workers per family or reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage benchmark studies).

^g Monthly minimum wage was last increased on March 1st, 2020, from \$301.000 CLP to \$320.500 CLP.

^h Average and median agricultural wages were estimated using 2017 Labour Force Survey microdata and then updated to 2020 by inflation.