



# Inequality in Colombia does not give in

Although data are available, there has not been any analysis of income distribution in cities in the country, which could offer elements of public policy so that the mayors identify the best ways to reduce inequality. This Universidad del Rosario research study begins on that path.

By Alejandro Ramírez Peña

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Even though the figures indicate that Colombia is overcoming inequality, it is still the second most unequal country in Latin America. The dishonorable first place goes to Brazil.

According to the Gini Index, a parameter that measures inequality and calculates it from 0 to 1 (the closer to zero the lower the inequality), the country went from 0.55 to 0.49 in the recent decade, a jump that seems significant but actually keeps Colombia on the podium of the most unequal regions in the world.

This situation has caught the attention of Silvia Otero Bahamón, full-time professor, Faculty of International, Political and Urban Studies, Universidad del Rosario, who, in recent years, has been investigating, collecting, and processing information about it since she started work on her thesis on subnational inequality in social development for her Ph.D. in Political Science.

"We know that there are differences between all countries, as well as within them. For example, in Chocó, there is much more infant mortality than there is in Cundinamarca. My doctoral thesis first calculated the margin wherein countries vary versus the size of their subnational inequality and then tried to understand the strategies that nations have tested to decrease

the size of that margin and eliminate subnational inequalities rapidly," she explains.

This sparked her interest in questions about social development, social politics, and the subnational dimension of inequality, that is why she has been doing inquiries related to that line of research even as she became interested in income inequality in Colombian cities.

"The Departamento Administrativo Nacional de Estadística, Dane (Administrative Department of Statistics) produces information on that field, and I began to see that there are cities where inequality in the past 15 years had been reduced as much as it would be in a country such as Uruguay that has been successful in social policy and in reducing inequality. How is it possible that within the country, income inequality has not reduced much, but there are places in the country that have less inequality in terms of income? That encouraged us to propose the project that was presented to Colciencias, today known as the Ministry of Science Technology and Innovation, together with several researchers of the Faculty and Universidad Tecnológica de Bolívar (was first in the eligible bank). This work aims to understand why some cities reduce inequality, while others do not, or not as much, and compares four cities: Bucaramanga and Barranquilla, which greatly reduce inequality, and Pereira and Cartagena, which do not reduce it so much," says Otero.

From what the investigation reveals, for the moment wherein the project is considered, the Risaraldense capital had not reduced inequality much, while Barranquilla had been reducing it steadily and sharply in 2002 and 2016 (which is the last year in which the Initial Gini decreased by 18 percent). Bucaramanga also decreases inequality by 18 percent although not as constantly as Barranquilla and has two strong moments of inequality reduction: One between 2005 and 2008 and another between 2011 and 2016, achieving a Gini comparable to that of Uruguay.

Pereira presents a great stagnation in inequality reduction until 2013, and after that year, it loses 17 percent. Cartagena is the least successful at this task of the four that were analyzed, with a 7 percent reduction, even less than the national level, which is 11 percent.

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Silvia Otero Bahamón, full-time professor, Faculty of International, Political and Urban Studies, Universidad del Rosario, explains: "So, the objective of the investigation is to compare these different inequality reduction trajectories in the country. Therefore, in this exploration, we are collecting information on the population's income, with the help of the surveys that the Dane does in the selected cities."

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To this end, the population is sorted from the lowest to the highest by income level, and it is divided into 10 groups that have the same number of people (deciles). "We analyze the evolution of income by population decile, and the findings in terms of inequality are really shocking," says the researcher.

At the national level, it is evident that the poorest 40 percent of the Colombian population (the first four deciles) concentrated in 2002, 9 percent of total income; that is to say, 40 percent of the poorest people did not even concentrate 10 percent of income, while the richest decile grouped in that same year 46 percent of income, which means very high inequality.

Considering the foregoing, the richest 10<sup>th</sup> percent earns 5 times more than the poorest 40 percent does, a very high number for the international level. And if the trend is plotted as carrying through until 2018, according to the researcher, even though the country has reduced the Gini by 8 percent, this is not reflected in changes related to the income of the poorest. Now this population no longer earns 9 percent of the total but 12 percent, a little more, but there is still a great deal of inequality. And if only attention is drawn at the poorest 10 percent, it is a revelation to see the latest data from 2018, where it is evident that it barely obtains 1.2 percent of national income.

### The population's income is very low

On the basis of this high level of inequality in Colombia, Otero assures that the situation in the cities changes a bit.

In Barranquilla, according to 2018 figures, the poorest 40 percent accounts for 15 percent of income, while the richest 10 percent represents 36 percent, which is a little better than the scene at the national level.

In the year in which Bucaramanga reduces inequality the most (2016), the poorest 40 percent gets 17 percent of income, while the richest 10 percent has 32 percent. Although there is still a lot of inequality, there is a little more redistribution than there is at the national level.

There are cities such as Cartagena, where the years go by and nothing happens. There, the poorest 40 percent still concentrates the same amount of income: In 2012, it was 13 percent, and in 2018, it was 14.8, when compared with the richest 10 percent that went from concentrating 38 percent of income to 36 percent; that is to say, there was little redistribution in this capital.

"Another thing that has been very shocking in this investigation is that the income of the population is very low. We have as a basis, the values for 2015, which allow us to compare every year without being affected by inflation. So, if we convert the values from 2002 to pesos from 2015, we see that in that initial year the poorest 10 percent earned nationally 37,000 pesos per month (this is the per capita income, that is, if there are four members in a household, but only one has income, that income is divided by the four people who inhabit it). The next 10 percent, or decile 2, earns 78,000 pesos per month; decile 3 earns 113,000 pesos per month. At decile 5, the average income is 190,000, and in decile 9, it is about 617,000," reveals the professor.

Thus, at the national level, let us suppose a person lives alone and does not have to share their income with anyone. Then, if that person earned the minimum wage in 2002—which has a reference value of the year 2015 of 644,000 pesos per month—they earned more than 8 in 10 in the population did. That person was in decile 9, and we can say, in relative terms, that the person was rich. The researcher affirms that the precariousness of the income of Colombians is stark.

However, she acknowledges that revenues have partially risen in recent years and that in 2018, the poorest 10 percent no longer earned 37,000 pesos a month but instead went on to earn 73,000—again in 2015 pesos—when compared with decile 9, which reached 940,000.

"In other words, if we think about the aspirations of the middle class, these have to do with owning a home, health, and a car. The middle class is in the middle of the income distribution, and if we take the income of decile 5, which is 330,000 pesos a month, it is evident that it is very difficult, if not impossible, to achieve those aspirations. Therefore, one of the most shocking things about this research is realizing how precarious this income is, and the discord between what we imagine the middle class would be and what it actually is. The aspirations of the middle class are actually only possible for the rich," says Otero.

For the researcher, this situation becomes even more dramatic at a time like the present, when people are not being able to work or generate income. And some say one must live on savings, but how to do it with an income per capita of



200,000, 250,000 or 300,000 per month? Who can save? Thus, saving is a privilege for the 10th decile, which is the richest, even though it does not earn a lot (2,400,000 pesos on average for the year 2018)," she adds.

The foregoing shows that this does not mean that decile 10 comprises millionaires because they receive the entry salary in the job market for some university careers. Those who study engineering or professions of high demand sometimes earn approximately 2,000,000 pesos a month. Then, that professional, who graduated and is earning that money, should feel "happy," because it is part of decile 10 or the richest 10 percent, when the country's average income 2 years ago was 600,000 pesos. That means that whoever earned that amount was getting more than 1 in 2 in the population did, and it would be right in the middle of the table.

"The situation in cities varies because the income of the lowest deciles is considerably higher in the cities we are analyzing. Therefore, it is no longer 73,000 pesos a month that the poorest 10 percent earns, but double (140,000), while the rich get more or less the same. There, we understand why there is less inequality in cities than there is at the national level, and it is because the richest people earn approximately these 2,000,000 pesos, but the poorest raise their income. This is the case for most capitals, where poor people have a better income than the national total," says the professor. ■

**At the national level, it is evident that the poorest 40 percent of the Colombian population concentrated 9 percent of total income in 2002; that is, 40 percent of the poorest people did not even concentrate 10 percent of income, while the richest decile grouped in that same year 46 percent of income, which means very high inequality.**

### Pensions and other factors that affect income distribution

The research of Professor Silvia Otero has also served to identify that the largest part of people's income comes from their work in all deciles, particularly from 2 to 9. In decile 1, aid influences a great deal (with 20 percent), and much of it corresponds to *Families in Action*. In decile 10, the influence is had by pensions, which represent 14 percent of their income, while in decile 1, pensions represent 0.2 percent.

"The concentration of pensions in decile 10 is shocking, because in decile 1 - since they earn 73,000 pesos— almost nobody is retired, and the income for this item is very low. Earning a pension in Colombia, the lowest corresponding to a minimum wage, automatically places a person in the highest deciles.

If we assume that the pensioner does not have to share their pension with anyone and that they receive a minimum wage pension, it means that they automatically earn more than what 8 in 10 in the population does," illustrates researcher Silvia Otero.

Furthermore, she argues that what has happened in the cities that have reduced inequality has happened through two ways. On the one hand, the labor income of the poorest has increased a lot, and on the other hand, in cases such as those of Pereira and Barranquilla, the income of the richest has not improved.

"We have seen cities where labor revenue growth in decile 1 has been impressive, 250 percent or 300 percent, due to very intense economic activity in those places, and that is what we will investigate in the following stage," she announces.