

REFORMING EDUCATION TO TARGET INEQUALITY: THE  
CHILEAN EXPERIENCE SINCE THE 1980S

by  
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## ABSTRACT

KATHRYN EILEEN TRABUE: Reforming Education to Target Inequality: The Chilean Experience since the 1980s  
(Under the direction of Professor Oliver Dinius)

The market-driven educational reforms of Pinochet's military government introduced public choice theory to the design of the Chilean education system. The result was an expansion in educational coverage, but the reinforcement of socioeconomic inequalities. Reforms of the democratic regime in 1990 maintained the market-oriented structure set in place by the military regime. The Chilean education system still faces high inequality in access to tertiary education because of the structural inequities of the primary and secondary system. The student protests of 2006 and 2011 and general discontent with inequality in Chilean society have pushed policymakers to respond with reforms that would target these inequities.

This thesis evaluates the potential of educational reforms of the Bachelet and Piñera administrations to address inequality. The type of inequality considered is the opportunity of access to education, predominantly at the secondary and tertiary level. The thesis identifies the relationship between education and inequality and then builds an educational profile of Chile to provide a foundation for analysis of current reforms. By highlighting the educational inequalities facing Chile, it is possible to assess the current policies and their future impact on inequality.

## TABLE OF CONTENTS

LIST OF ABBREVIATIONS.....	vi
INTRODUCTION .....	1
CHAPTER I: EDUCATION AND INEQUALITY – THE CASE OF CHILE.....	6
<i>Creating a Fair and Equitable Education System</i> .....	10
<i>Chile’s Education System</i> .....	14
<i>Targeting Policies to Meet the Challenges of Chilean Education</i> .....	20
CHAPTER II: A HISTORY OF CHILEAN EDUCATIONAL REFORM.....	23
<i>Before Pinochet</i> .....	23
<i>Pinochet’s Market-oriented Reforms of the 1980s</i> .....	25
<i>Democratic Regime’s Equity and Quality Reforms of the 1990s</i> .....	30
<i>Effect of Reforms on the Tertiary Sector</i> .....	31
CHAPTER III: QUANTITATIVE EDUCATIONAL PROFILE OF CHILE FROM 1990 TO THE PRESENT .....	34
<i>Educational Coverage from 1990 to 2009</i> .....	34
<i>Stratification within the Secondary Sector</i> .....	40
<i>Enrollment within Tertiary Institutions</i> .....	45
<i>Funding the Tertiary Sector</i> .....	48
<i>Gender within Universities</i> .....	50
CHAPTER IV: POLICY EVALUATION OF THE CURRENT REFORMS .....	51
<i>Reforms under the Bachelet Administration</i> .....	52
<i>Reforms under the Piñera Administration</i> .....	56
BIBLIOGRAPHY .....	65
APPENDIX.....	68

## LIST OF ABBREVIATIONS

- AFD – Direct Public Grant, (*Aporte Fiscal Directo*)
- AFI – Indirect Public Grant, (*Aporte Fiscal Indirecto*)
- CFT – Technical Training Centers, (*Centro de Formación Técnico*)
- CASEN – Chile’s National Socioeconomic Survey, (*Encuesta de Caracterización Socioeconómica*)
- CdD – Performance Agreements, (*Convenios de Desempeño*)
- CLP - Chilean Peso, (*Peso Chileno*)
- CRUCH – Council of Rectors of Chilean Universities, (*Consejo de Rectores de las Universidades Chilenas*)
- DEMRE – Department of Evaluation, Measurement and Educational Reporting, (*Departamento de Evaluación, Medición y Registro Educacional*)
- FFAA – Establishments for the Armed Forces, (*Establecimientos de Educación Superior de las Fuerzas Armadas, de Orden y Seguridad*)
- FIAC – Academic Innovation Fund, (*Fondo de Innovación Académica*)
- HDI – Human Development Index
- IP – Professional Institute, (*Instituto Profesional*)
- LAC – Latin American and Caribbean
- LGE – General Education Law (*Ley General de Educación*)
- LOCE – Organic Constitutional Law of Education, (*Ley Orgánica Constitucional de Educación*)
- MECE –Education Quality Improvement Program, (*Programa de Mejoramiento de la Calidad y Equidad en la Educación*)
- MECESUP – Higher Education Quality Improvement Program, (*Programa de Mejoramiento de la Calidad y Equidad en la Educación Superior*)
- MIDEPLAN – Ministry of Planning and Cooperation, (*Ministerio de Planificación Nacional y Política Económica*)

MINEDUC – Ministry of Education, (*Ministerio de Educación*)

OECD – Organization for Economic Cooperation and Development

P-900 – 900 Schools and Critical Schools Program (World Bank)

PISA – Program for International Student Assessment

PSU – University Selection Test, (*Prueba de Selección Universitaria*)

SEP – Preferential Subsidy Law, (*Subvención Escolar Preferencial*)

SIMCE – National Evaluation System of Learning Results of Chile’s Ministry of Education, (*Sistema Nacional de Evaluación de resultados de aprendizaje del Ministerio de Educación de Chile*)

UNDP – United Nations Development Program

UNESCO – United Nations Educational, Scientific and Cultural Organization

## INTRODUCTION

During my semester abroad in Valparaíso, Chile last spring, the university constantly had to cancel classes and close its doors because of violent student protests. Every other week there was an organized student demonstration, shutting down the university as administrators would have to barricade their doors against the protestors. Students with faces masked by bandannas or t-shirts flooded the main plazas carrying massive posters crying out for the government to listen to their demands. The protests became so violent that police officers would leave riot-proof vehicles equipped with water cannons in the main plaza constantly prepared for the students and walk around the city daily with their riot gear. In the historic Plaza Sotomayor of Valparaíso, tourists would awkwardly have to take pictures of the monument that honors those who fought in the Battle of Iquique while trying to avoid these intimidating tanks, barricades and police officers. In Santiago these protests were almost a weekly occurrence and much more violent. In August 2011 a 16-year-old student died in one of these demonstrations, fueling even more violence. The graffiti in nearly every part of the city reflected the students' unrest with satirical images of Chile's president and mottos that identified their movement. As an exchange student, I heard and understood the basic cries of the protesters – more equality, free education paid for by the government, an end to the corrupt profitmaking, etc. – but the prolonged nature of the protests and violence left me wondering how unequal could Chile's education system be to warrant such upheaval.

The system that the students are protesting today is the byproduct of the military government's educational reforms in the 1980s. These reforms made significant structural changes in Chilean education. With the goal of improving efficiency,



Pinochet's market-oriented reforms introduced public choice theory to the educational structure through the privatization, labor deregulation, and decentralization of the Chilean education system. The democratic government of the 1990s maintained the structure set in place by the military government, though beginning to focus policies on equitable practices. While maintaining the private/public competition mechanism established by Pinochet, the government—with the support of international organizations like the World Bank—began targeting rural and at-risk schools in an effort to build more equity within the system.

Chilean students face a segmented education divided into private and public schools that do not ensure equal access, particularly on the secondary and tertiary level. The student protests of the last decade have helped bring these inequities further into focus and show the student desire for Chilean education to evolve into a fairer, more equal system. Starting in 2006 with a series of protests called the March of the Penguins or the Penguin Revolution because of the school uniforms worn during the protests, high school activists demanded quality education for all. Despite the responses of Michelle Bachelet's government, by 2011 students took to the streets again, now a more university-level group but with the continued presence of high school activists. The students continue to demand a new framework for education in the country, including more direct state participation in secondary education and an end to the existence of profit in higher education. These protests, still active and attracting international awareness, show the unwillingness of students to accept the pervasive inequalities still plaguing their education.

The Chilean government has responded with reforms since the protests, policies with the aim of calming the student protestors. The administrations of former President Michelle Bachelet and President Sebastián Piñera have introduced new education laws, preferential subsidies and tributary reforms, among other various reforms to appease the students. Most of these policies attempt to address the inequities the students protest in various ways.

Studying Chilean educational policy is important because education can be the primary means for intergenerational economic and social change. If a government is to target societal inequality, then it is necessary to not only create a strong educational system, but one that is fair and equitable to begin addressing the mutual reinforcement of inequalities. The inequities of the Chilean educational system continue to hamper its development. The dangers of this increasing gap highlight the importance of investigating the factors influencing disparities in educational attainment. The implementation of education reform without a thorough understanding of these problems is not likely to make a significant difference.

This thesis focuses on the potential for current reforms to address inequality in the Chilean educational system. The type of inequality I consider is the opportunity of access to education, predominantly at the secondary and tertiary level. I identify the relationship between education and inequality and then build an educational profile of Chile to provide a foundation for analysis of current reforms. The goal is to pinpoint the educational inequalities still facing Chile and suggest whether government policies, such as the recent reforms of the last two presidents, will be able to address them.

My first chapter is a theoretical literature review that analyzes the broader relationship between education and inequality. In this chapter I identify why targeting equity in education is important, as well as the current debate on what the goals and mechanisms of an equitable educational policy should be. In this chapter there is an overview of the Chilean educational system and the challenges facing Chile's educational policies.

I then start building an educational profile of Chile in my second chapter with a qualitative analysis of past educational reforms starting with those of the military government in the 1980s to those of the 1990s following the democratic transition. This qualitative analysis of historical reforms helps describe the inequalities of opportunity in access to education from the last three decades and analyzes how and why the government implemented these reforms. By using literature and opinions of other scholars, I establish the general impact of these reforms in addressing the inequalities. This chapter highlights the structures and strategies of the past reforms that had the potential to affect equity in the access of secondary and tertiary-level education. There is a focus on the contrast and similarities between the market-driven and equity-driven orientations of these reforms.

Further building a picture of Chile's educational profile, my third chapter analyzes the Chilean education system quantitatively in a longitudinal manner since 1990. Data from Chile's CASEN household surveys provide data measuring the changing trends in educational coverage within each educational sector and socioeconomic quintile. Then data analysis of Chile's secondary national evaluation tests, SIMCE, and the national entrance tests to higher education, the *prueba de seleccion universitaria*

(PSU), identifies the stratification of the secondary sector in the recent decade. Then an analysis of tertiary enrollment and funding structures help map the educational inequities with regard to access to the tertiary sector.

The concluding chapter of my thesis is a policy evaluation of the educational reforms of the Bachelet and Piñera administrations. By breaking down the current laws and reforms in place, I highlight what exactly is being targeted with the reforms of these two administrations. In light of the lessons learned from my first two chapters, I assess how the current reforms will impact and address the inequality discussed in the third chapter.

## CHAPTER I: EDUCATION AND INEQUALITY – THE CASE OF CHILE

As development scholars extend the definition of development beyond simple monetary indices, addressing inequality has become a central concern for any developing society. Amartya Sen, a Nobel-Prize-winning economist, suggests that development should be defined through freedoms, primarily through the “capabilities of persons to lead the kind of lives they value – and have reason to value”. Sen suggests that “with adequate social opportunities, individuals can effectively shape their own destiny”. These social opportunities allow for levels of human development that create the universal opportunity to live a “good life”. Disparities in the provision of these social opportunities limit the establishment of human capability. By taking from Sen’s definition, inequality of opportunity then becomes one of the primary barriers to achieving human development.<sup>1</sup>

The relationship between education and inequality comes from the understanding of this “capability approach”. Sen’s vision of human development shows that raising human capability improves the choices, wellbeing and freedom of people, their role in influencing societal change and their role in influencing economic production. Human capability is the freedom that people have to lead those lives that they determine as valuable. Education is the primary means of increasing said human capability, thus educational policy has become a crucial component for societies wanting to target inequality. As suggested by scholars like Professor Martin Hall, who has written extensively on higher education policy, access to appropriate education can be the key to breaking cycles of marginalization, i.e. poverty traps, and therefore to social justice.

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<sup>1</sup> Amartya Sen, *Development as Freedom*, (New York: Alfred A. Knopf, 1999), 10-11.

Education, specifically higher education, is the main “gatekeeper” out of these “cycles of marginalization”.<sup>2</sup> Education is the primary means for intergenerational economic and social change. Therefore educational policy has been inextricably linked with most attempts to address systemic inequalities, particularly in the last two decades.

The Organization for Economic Cooperation and Development (OECD) gives three main reasons for the desirability of an equitable education system. Firstly, the United Nations Declaration of the Rights of the Child and the constitution of most nations recognizes the right to education: “there is a human rights imperative for people to be able to develop their capacities and participate fully in society”.<sup>3</sup> Secondly, the long-term social and financial costs of educational failure are high. Inequality is a competitive disadvantage because those without the skills to fully participate socially and economically generate higher costs for health, income support, child welfare and security. Lastly, “equity in education enhances social cohesion and trust”.<sup>4</sup> In all, fair and inclusive education can be “one of the most powerful levers available to make society more equitable” as the OECD argues.<sup>5</sup>

While still heavily researched, there is empirical evidence that inequality can hold back growth. Uri Dadush and Kemal Darvis in their “Inequality in America” argue that high and rising levels of inequality can cause increased macroeconomic instability. Inequality contributes to the fraying of political consensus, boom-bust credit cycles and

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<sup>2</sup> Martin Hall, “Inequality and higher education: marketplace or social justice?” *Leadership Foundation for Higher Education*. (2012): 1-60.

<sup>3</sup> Simon Field, Malgorzata Kuczera, and Beatriz Pont, *No More Failures: Ten Steps to Equity in Education*, (OECD, 2007), 11.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

may ultimately lead to a chronic weakness of economic demand.<sup>6</sup> The authors of this book suggest a connection between high income inequality and events that triggered the Great Recession.<sup>7</sup> If these economists are correct, then it is the rebalancing of the distribution of income that would play a key role in improving the U.S. economy's growth potential in a sustainable way.

International organizations like the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the OECD, among others, place most of the burden of providing this “quality education for all” on the shoulders of national governments. According to UNESCO, whose mission is to promote education as a public good and fundamental human right, “governments are required to respect, promote and protect in order to ensure equality of opportunities in access to knowledge, the quality of educational offerings and the results of learning for the entire population.”<sup>8</sup> Therefore, each government is responsible for its education policy and should focus on targeting whatever prohibits education systems providing this “quality education for all.”

But building educational systems that can address these social disparities requires an understanding of inequality's cyclically reinforcing nature. Inequality within an educational system creates further socioeconomic disparity. Consider students who are not able to attend higher education because of low-performing, rural secondary schools with little material or teacher support to help them pass entrance tests. Because of the inequities within the education system, these students are destined to be working in lower

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<sup>6</sup> Uri Dadush, Kemal Dervis, Sarah P. Milsom, and Bennett Stancil, *Inequality in America: Facts, Trends, and International Perspectives*, (Washington, D.C.: The Brookings Institution, 2012), 1-100.

<sup>7</sup> U. Dadush, K. Dervis, S.P. Milsom, and B. Stancil, “Can Income Inequality Destabilize the U.S. Economy?” *The Globalist*, March 28, 2013, <http://www.theglobalist.com/storyid.aspx?storyid=9946>.

<sup>8</sup> MINEDUC, OECD, and UNESCO. “Challenges of the Chilean Education System,” January 2010, <http://unesdoc.unesco.org/images/0019/001903/190330e.pdf>.

positions making lower wages than students who were able to attend high-performing schools that provided strong curriculum and support, sufficiently preparing them for the entrance tests and further achievement in higher education. The inequalities they face in their educational system maintain or create further disparities in their socioeconomic levels.

From another perspective, socioeconomic disparities also create inequalities within the education system. Living in a rural, impoverished area with families that perhaps cannot afford better schooling sets these students on a lower track than those with families from a higher socioeconomic level. The socioeconomic level of these students with more educational support allows them to thrive in the academic setting, maintaining the difference between them and poorer students.

Primarily the two relationships suggest that inequality is a mutually reinforcing process in the sense that socioeconomic inequalities create further inequalities. The “poorer” students described above are stuck in a cycle of inequality that would be difficult to break free from. They are from a weak socioeconomic background and will likely get into under-performing institutions and stay socioeconomically where they are because of inequality within society and the education system. The “wealthier” students are from strong socioeconomic backgrounds and are able to get into the higher-performing systems. These “wealthy” students have the opportunity to stay strong socioeconomically, thus continuing the cycle of inequality. This cycle is multigenerational as students tend to fall under the same income bracket as their parents with their educational advantage and then even increase the gap with the passing of time.



If educational policy hopes to target societal inequality then it is necessary to not only create a stronger education system, but one that is fair and equitable to correct for this mutually reinforcing inequality.

### *Creating a Fair and Equitable Education System*

Attaining and then measuring the achievement of a better education system is complicated because the measureable effects of education are difficult to understand and challenging to predict. Varun Garui, an investment officer in the World Bank Group, observes that “sometimes education appears as factual knowledge or the mastery of a skill; at other times it manifests a belief, curiosity, a habit, or the willingness to admit ignorance. And how it works, the cognitive processes that underlie it, remain poorly understood...Uncertainty, and therefore disagreement, about its goals and mechanisms complicate expectations to produce it.”<sup>9</sup>

Creating more equitable education systems requires a collaboration of researchers and policy makers, making the creation of educational policy difficult as each have different goals and interests. More often than not the educational change that takes place in schools and classrooms is not the one intended in research reports or plan documents. By design these collaborators have different interests. Researchers seek explanations that from a set of limited relationships between factors. But in the real world, all other things are not equal. Policy makers are interested not just in the simplifications but look at a problem from the multiple political interests which have been treated as noise in most

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<sup>9</sup> Varun Garui, *School Choice in Chile: Two Decades of Educational Reform*, (Pittsburgh: University of Pittsburgh Press, 1998), 106.

research. The difference in perspective often creates a disagreement between the two when targeting educational reform.

Because there is disagreement in the goals and mechanisms of educational policy, social ideologies play a large role in understanding the role of education as they do in understanding the role of inequality. The primary debate about the proper structure of education systems and their relation to inequality lies between the traditional or state-centered approach and school choice, a branch of public choice theory. The traditional approach suggests that educational structures should be centralized with the idea of district-run, publicly-governed schools – what we term as state-centered, public education. The government is responsible for funding, managing and supervising the school system. In regards to inequality the traditional approach, when accurately implemented by political administrations, would create quality education for all by maintaining standard, nation-building curricula that could unify citizens under one approach building citizenship through the common experience.

Opponents to this state-centered approach suggest that private competition can increase the quality and eventually equality of the school system. Following theoretical foundations that date back to Adam Smith, public choice theory suggests that distributing goods and services by a sovereign results in an outcome that would be, both in terms of absolute magnitude and intrasectoral distribution, economically irrational. Distributing goods via the market, on the other hand, would give recipient—or students and their families in this case—the opportunity to choose what they like and compel them to pay for their choices directly, a system rewarding only those providers—the schools—that

satisfied their demands and imposed limits on budgetary expenditures.<sup>10</sup> In terms of education, this would mean introducing competition into the school system by allowing private schools to compete with public schools for student enrollment and decentralizing the entire education system. To introduce competition, the government provides educational subsidies, also known as vouchers, which follow students as they move from public schools to state-subsidized institutions that can be either for-profit or non-profit institutions.

The main advocates for public choice theory suggest that these vouchers and the decentralization of the education system can make improved educational opportunity available to disadvantaged students. Supporters of the decentralization suggest that vouchers give parents greater control over their child's education. Private schools, whether for-profit or non-profit, have more flexibility to cut waste or other abuses with which public schools are able to get away, e.g. more flexibility to hire incompetent teachers without having to worry about the union response. So in regards to inequality, voucher systems actually allow students from lower socioeconomic classes move freely within the education system, which can reduce segregation.<sup>11</sup>

Critics contend that vouchers actually lead to greater stratification and can increase inequities based on race and socioeconomic status. From the demand side of vouchers, opponents worry about decision-making and whether low-income families have access to enough information to make an educated decision.<sup>12</sup> On the supply side,

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<sup>10</sup> Varun Garui, *School Choice*, 17-22.

<sup>11</sup> Derek Neal, "How vouchers could change the market for education," *Journal of Economic Perspectives* 16, no. 4 (2002): 25-44.; Thomas J. Nechyba, "Mobility, Targeting, and Private-School Vouchers," *The American Economic Review* 90, no. 1 (March 2000): 130-146.

<sup>12</sup> M. Schneider, P. Teske, and M. Marschall, *Choosing Schools: Consumer Choice and the Quality of American Schools*, (Princeton: Princeton University Press, 2000).

critics argue that in order to remain competitive and save costs, schools have incentives to skim off the highest performing students who are usually least demanding in terms of resources.<sup>13</sup> Another argument by the critic is that taxpayers cannot hold private schools accountable concerning how they use public funds. The use of these public funds could go to lining their own pockets in profiteering ventures, rather than the betterment of the school and its students.

When creating educational policy that targets inequality, one has to distinguish between equality and equity. In a theoretical sense, equality is the idea of equal access where everyone is entitled to the same level of access, while equity is the means to address inequality. In order to maximize opportunities for access experienced by certain groups, a society uses “equitable” practices to level the playing field. Where equality can be considered “fairness” between each group, equity could be considered “unfair” because of the redistribution of resources to diminish the differences between each group that history has established. The difference is the goal versus the method. In theory, equal access is the goal of equity.<sup>14</sup>

Consider a government that has a budget of ten million dollars for education and 100,000 students to support. Equality is understood as each student equally accessing or receiving support equivalent to one hundred dollars. Equity, however, considers the fact that the top 10% of these students come from a wealthy background with access to highly qualified teachers, private tutoring and parents that already have a significant level of education, as compared to the bottom 10% that are not as lucky in their educational

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<sup>13</sup> D. Epple, and R. Romano, “Competition between private and public schools, vouchers and peer group effects,” *American Economic Review* 88, no. 1, (March 1998), 33-62.

<sup>14</sup> Cecilia García-Peñalosa and Klaus Wälde, “Efficiency and equity effects of subsidies to higher education,” *Oxford Economic Papers* 52, (2000), 702-722.

situations with maybe one working-class parent with little to no higher education attending a low-performing public school. An equitable practice would be to redistribute the ten million dollars of educational resources in a way so as to give the students in the bottom 10% a chance to diminish inequalities between themselves and the top 10%. While it may be *fair* to allot each student their one hundred dollars in educational resources, this practice would help maintain the cycle of inequality. Redistributing the resources through equitable policies would be a step in giving students from a lower socioeconomic background the opportunity to access higher levels of education.

### *Chile's Education System*

Chile, while still classified a developing country, has a fairly high level of human development as determined by the United Nations Development Program (UNDP) with a Human Development Index (HDI) of 0.805, ranking it number 44 on an international scale (2011) placing it in a group with countries like Portugal (41), Bahrain (42), Latvia (43), Argentina (45) and Croatia (46).<sup>15</sup> According to the World Bank, Chile has one of the fastest growing economies in Latin America with “consolidated macroeconomic stability” and a “large and well-diversified financial system”. The inequality levels however are also high, with the average income of the richest 20% of Chileans being 12 times that of the poorest 20% in 2009.<sup>16</sup> With regard to the quality of education, Chile has achieved one of the highest graduation rates in the developing world and high levels of improvement in areas like reading and math in its secondary education according to

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<sup>15</sup> “Chile – Country Profile: Human Development Indicators,” UNDP, International Development Indicators, accessed September 5, 2012, [hdrstats.undp.org/en/countries/profiles/CHL.html](http://hdrstats.undp.org/en/countries/profiles/CHL.html).

<sup>16</sup> “Chile Overview – Context,” World Bank, Working for a World Free of Poverty, accessed September 5, 2012, [www.worldbank.org/en/country/chile/overview](http://www.worldbank.org/en/country/chile/overview).

the OECD's international PISA tests. Chile's Education Index according to the UNDP is 0.797, only bested by Cuba (0.876) and Argentina (0.806) of the countries in Latin America.

But even with these results and the continued priority of educational reform in the country, Chilean education has not been able to overcome inequality and exclusion, as revealed by inequities in graduation rates, school attendance (entry rates and years averaged), educational coverage (access to schools), public spending (grants per student) and levels of financial support (scholarships vs. student loans) when measured by region and income level.<sup>17</sup> When looking at the UNDP's Inequality-adjusted Education Index, which is adjusted for inequality in the distribution of years of schooling, Chile scores 0.688 (2011), placing it between countries like the Russian Federation and Bosnia and Herzegovina that have regular HDI international rankings of only 66 and 74 respectively.

Access to tertiary education is extremely important in Chile's education system because tertiary education has a higher rate of return, as compared to other regions. In Europe, primary education has a higher return rate than tertiary studies, meaning an extra year of primary education in Europe will be more beneficial to the average citizen than an extra year of tertiary studies. However, in Chile primary and secondary education does not really impact income. Incomes are greatly impacted by higher education. As a result, returns of higher education are important in Chile where an additional year of higher education has a 22% impact on salaries. In Europe a citizen with higher education earns 1.5 times more than a person with basic education, but in Chile a citizen with a tertiary

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<sup>17</sup> Pablo González, "Education for All Global Monitoring Report 2009: Governance, management and financing of educational equity-focused policies in Chile," (Background paper prepared for the Education for All Global Monitoring Report 2009: *Overcoming Inequality: why governance matters.*) (UNESCO, 2009), 1-49.

degree earns 5.5 times more than the person who completed only basic education.<sup>18</sup> This higher return rate fuels many of Chile's inequalities. As considered before, the inequalities within the system maintain the societal inequalities when students graduate.

Entry to tertiary education is highly unequal because of the stratification of the education system through the secondary sector. Chile's education system consists of compulsory education that lasts for twelve years, typically starting at the age of six. Eight years are spent in basic primary education with the remaining four years spent in upper secondary education. After the first two years of upper secondary education, students are streamed into either humanistic-scientific/general education or technical-professional/vocational education. In 2006, 64.5% went into the general stream and 35.5% into the vocational stream.<sup>19</sup>

The Chilean school system operates under the rationale of public choice which creates an educational market for parents to choose what education is appropriate for their child and how much they are willing to spend on education. Thus, primary and secondary schools fall into three categories: municipal, state-subsidized and private. Municipal schools are run by the different municipalities and do not charge fees. State-subsidized schools, operating under a system similar to that of charter schools that can be non-profit or for-profit institutions do charge, but significantly less than the private institutions since the government provides educational vouchers for each child attending a state-subsidized school. It is generally acknowledged in Chile that the private schools

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<sup>18</sup> M. Reider and David Durkee, "Educating citizens, participation and democracy building: Educational Reform in Chile and what might be learned from France," *Rethinking Development in an Age of Scarcity and Uncertainty: New Values, Voices and Alliances for Increased Resilience*, (University of York, 2011), 14.

<sup>19</sup> OECD, *Education at a Glance 2008*, (2008), 331, <http://www.oecd.org/education/skills-beyond-school/41284038.pdf>.

provide education to the most socioeconomically advantaged, the state-subsidized schools attract middle-income families and the municipal schools cater to the poorer sections of society.<sup>20</sup>

Chile's university entrance test is the primary factor in the selection process for Chilean universities. Similar to the SAT in the United States, is the *Prueba de Selección Universitaria* (PSU) tests the mastery of the national curriculum using multiple choice answers. The test consists of four sections, two of which (language and math) are obligatory. Students can also elect to take the science section as well as history and social sciences. The scores range from 150 to 850.<sup>21</sup> Unlike the SAT, every student seeking to enroll in a tertiary institution must take the PSU which is the primary determinant in the enrollment process.

There is a large difference in PSU preparation in the different types of secondary schools. Most municipal schools struggle to complete the full national curriculum and if they do complete it do not have sufficient time to prepare their students for the PSU, whereas private schools typically complete the full national curriculum much earlier and have much more time for preparation. After graduating from secondary education, a large proportion of well-off Chilean students spend a year at *pre-universitarios*, private organizations that help coach students and prep them for the PSU. Most poorer families whose children attend municipal schools cannot afford to pay the *pre-universitarios*, which according to the OECD attract most of their business from both private schools engaging them to coach pupils in schools time and from higher income families

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<sup>20</sup> OECD and World Bank, "Tertiary Education in Chile," *Reviews of National Policies for Education*, (2009), 26.

<sup>21</sup> *Ibid*, 27.



paying tuition. As a result, entry to tertiary education is highly unequal between rich and poor, privately-educated and municipally-educated.<sup>22</sup>

On the tertiary level, Chile has four types of higher education institutions: technical training centers (*Centros de Formación Técnica*, CFTs), professional institutes (*Institutos Profesionales*, IPs), establishments for the Armed Forces (*Establecimientos de Educación Superior de las Fuerzas Armadas, de Orden y Seguridad*, FFAAs), and universities. The course length depends on which of these is attended. The technical training centers typically last two years and professional degree courses at professional institutes four years. CFTs provide programs for technical degrees that take between two and two and a half years to complete. IPs are all private, self-financed and can be for-profit or non-profit. Like IPs, CFTs are private institutions and can be for-profit or non-profit. By law, all universities must have nonprofit status. Their degrees will typically take at the very least five years to complete, depending on the degree acquired. The universities offer professional and technical degree programs that lead to a *licenciatura*, or Bachelor's degree, providing the qualifications and skills needed to proceed to more advanced research. Universities also offer post-graduate diplomas (*post títulos*), Master's degrees and medical specializations.

There are two types of universities: traditional and non-traditional. Traditional universities are all members of the Council of Rectors of Chilean Universities (CRUCH) created in 1981, and so are also called CRUCH universities. Other universities are classified as non-traditional or non-CRUCH universities. There is no difference in the degrees they may award. The main difference is that traditional CRUCH universities began as state-subsidized entities while the non-traditional universities are all private.

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<sup>22</sup> OECD, "Tertiary Education," 83.

Students in CRUCH universities are more easily eligible for direct funding and support by the state. Another difference is the prestige attached to studying at a certain institution. Traditional CRUCH universities generally carry a higher level of prestige, and therefore have more competitive enrollment standards. Their students on average have higher PSU scores than students attending private institutes.<sup>23</sup>

Tertiary institutions receive public funding through Direct Public Grants, Public Indirect Grants and other grants funded jointly by the World Bank and the Chilean government under the MECESUP program. Direct public grants (*Aporte Fiscal Directo*, AFD) are only available to CRUCH universities. The amount universities receives depends on the population of undergraduates, the number of undergraduate courses, staff with Masters and PhD degrees, as well as funded research projects and publications. Public Indirect Grants (*Aporte Fiscal Indirecto*, AFI) are given to universities that recruit the 27,500 students with the highest PSU scores. The purpose of the AFI is to encourage competition for the best students. As the OECD suggests, “in practice [AFI] directs public funding to the institutions with established high reputations whose students are most likely to come from better-off families.”<sup>24</sup> The other grants tertiary institutions receive are intended to improve the quality of undergraduate, postgraduate and technical training, research and institutional management. This includes programs like the Academic Innovation Fund (*Fondo de Innovación Académica*, FIAC) and performance agreements (*Convenios de Desempeño*, CdD).

The funding scheme and trends in the cost of attendance suggest that the tertiary sector is more demanding of institutions that tend to have students from the lower income

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<sup>23</sup> See Figure 3.7.

<sup>24</sup> OECD, “Tertiary Education,” 51.

brackets. Private universities historically tend to have a higher cost of attendance, but recently annual costs of attendance show that while state-subsidized, traditional CRUCH universities are charging close to the same tuition of private non-traditional universities. Student support from the government goes primarily to students attending these non-traditional universities.<sup>25</sup>

As will be discussed in the third chapter there is a higher level of prestige attached to the traditional CRUCH universities and more scholarship support available to students. By housing students with higher PSU scores, one can assume that there is a larger majority of the wealthier students in these traditional universities and more students from lower income groups in the just as expensive private universities that do not offer much student support. This is seemingly an inverse relationship as the wealthier students see more support and the poorer students are left to fund their education on their own. I do not have the data to fully support this assumption, as I do not have enrollment figures of tertiary institutions by students' income groups. However, the trends of the data in my third chapter, combined with literature and the general consensus of Chileans I talked with while abroad, seems to suggest this assumption is accurate.

### *Targeting Policies to Meet the Challenges of Chilean Education*

Chile has insufficient human capital due to the bad performance of its education system. Scholars of Chilean education, such as José Joaquín Brunner, the ex-minister of state of Chile under President Eduardo Frei, highlight the many challenges that face Chilean education and the policies that must address these challenges. As Brunner

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<sup>25</sup> OECD, "Tertiary Education," 85.

concludes, “It will be impossible to eliminate poverty without a notable increase in the quality of education and it will be difficult to overcome underdevelopment with this grave shortage of human capital.”<sup>26</sup>

In recent years, Chile’s educational authorities openly agree with the research of various scholars and international organizations, observing the need to address the inequalities in their system. The headlines of current educational policies almost always feature the words “inequality” or “equity”. Chile’s Ministry of Education (*Ministerio de Educación*, MINEDUC) stated in 2003 that one of its principal objectives in tertiary education policy is “to achieve equity with access, correcting inequalities. Talent is equally distributed among young people: opportunities should be broadened to guarantee the right to attend higher education to all young people with talent.”<sup>27</sup>

Creating real educational reforms is much more difficult than making policy recommendations. Competing political ideologies as well as competing class and interest groups, strongly impact the creation of educational policy.<sup>28</sup> This competition makes it challenging to effectively create educational policy when trying to target something like building an equitable education system. While it seems most parties and actors in Chile currently recognize the need for equity-building policies in the education system, the means of achieving this change is heavily disputed. Even if able to create policies that target inequality, which is not always the primary goal of educational reforms, policymakers often have to sacrifice or disguise their ideological goals in order to address outside pressures or seemingly accommodate adversary demands.

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<sup>26</sup> José Joaquín Brunner, “Educación en Chile: el peso de las desigualdades,” *Speech given at the Conferencias Presidenciales de Humanidades*, (Santiago de Chile: April 20, 2005).

<sup>27</sup> OECD, “Tertiary Education,” 31.

<sup>28</sup> Kathryn Fischer, *Political Ideology and Educational Reform in Chile. 1964-1976*, (Los Angeles: UCLA Latin American Center, 1979), 3-4.

The challenges facing Chile's education system call for more equitable policies. Achieving greater equity in Chilean education would help attack the mutually reinforcing inequalities of its society, but scholars and policy makers heavily debate what educational policies can achieve this equity. The system as it stands, allowing for school choice, seems further segregate the students between income groups, a detail which the following chapters will analyze.

## CHAPTER II: A HISTORY OF CHILEAN EDUCATIONAL REFORM

Educational policy has primarily been a debate of how large a role a government is to have within the education system. From the state-centered approach of a heavily centralized system to the conservative market-driven approach of decentralization, the last few decades in Chilean educational policy have seen a large transformation. The primary shift in policy that I will be discussing is the introduction of Pinochet's market-driven reforms to the education system in the 1980s which increased inequality through decentralization and the introduction of a public/private competition mechanism.

### *Before Pinochet*

Before the implementation of Pinochet's educational reforms in the 1980s, the education system was operated under the *estado docente*, or the teaching state, which recognized the importance of the state's educative role. Since the 1800s, education had been strongly centralized in Chile. Ever since the creation of the Ministry of Education (MINEDUC) in 1827, the Chilean government had a significant responsibility in the supervision of educational institutions. By 1927, the government was responsible for primary education, secondary education, professional education, libraries, archives and museums.<sup>29</sup>

In the early part of the twentieth century the middle class grew and teachers became increasingly important figures in the development of Chilean educational policy.

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<sup>29</sup> Fischer, *Political Ideology*, 92.

Teachers received important ministry jobs and were even consulted by policymakers. “In some sense the teachers became the ministry and the ministry the teachers...centralized state control of education was never seriously questioned.”<sup>30</sup> In 1938 Pedro Aguirre Cerda, a member of the Radical Party (*Partido Radical*) and a teacher was elected to the presidency and with him and his successors in the decades to follow educational policy that sought to provide basic education for all Chileans.

Chile achieved near universal coverage in basic education by the mid-1960s under the administration of Eduardo Frei, Sr., a Christian Democrat. The Frei government designated educational reform as its top policy priority. During his administration, Chile also expanded its secondary education, modernized the curriculum and improved teacher training. The fundamental principles of the reform policy under Frei included the right to education where “all individuals must be guaranteed the right to the highest level of education to which their intellectual capabilities and interests can carry them.”<sup>31</sup> It was also at this point in Latin America that Paulo Freire’s literacy campaigns were popular, aiding to the ideological base of the Frei administration’s educational policies.

In 1970 the socialist Salvador Allende was elected president with the rise of his Popular Unity (*Unidad Popular*) coalition. The Allende administration sought to revise the organization and content of the system to conform more closely to the ideological tenets of Marxist-socialism. Socialist educators emphasized the need for an educational revolution to accompany the socialist transformation of the Chilean society. Allende, however, faced a large opposition in Congress that made it challenging to successfully implement his educational reforms. There was still a large traditionalist attitude holding

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<sup>30</sup> Garui, *School Choice*, 15.

<sup>31</sup> Fischer, *Political Ideology*, 30-35.

strong in Chile with the concept of the freedom of education, as many Chileans believed in the right to private education. Also, the massive educational bureaucracy created by Frei became a large interest group in opposition to Allende's radical propositions. By the time of the military coup on September 11, 1973, Allende had not done much to bring about an educational revolution.<sup>32</sup>

### *Pinochet's Market-oriented Reforms of the 1980s*

The primary shift in Chilean educational policy came with the military government of General Augusto Pinochet, which introduced reforms that decentralized the education system and implemented the public-private competition mechanism with the educational voucher system. In the early years of military rule, Pinochet's administration saw education as an instrument of national socialization. The primary objectives for the military junta during these transition years were to encourage "moral and patriotic values," depoliticize the educational system by purging the schools and universities of Marxist materials and to promote a competitive system that "rewards those who best embody the virtues promoted by the state."<sup>33</sup>

By 1980 the military government launched a series of market-based education reforms with the objective of promoting greater efficiency through administrative decentralization, per-head system of financing through educational vouchers, labor deregulation and open competition between the public and privately administered schools. Siding with both the Catholics and classical economists, the military junta

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<sup>32</sup> Fischer, *Political Ideology*, 82-117.

<sup>33</sup> Françoise Delannoy, "Education Reforms in Chile, 1980-98: A Lesson in Pragmatism," *World Bank Country Studies: Education Reform and Management Publication Series 1*, no.1, (June 2000), 8.



removed the *estado docente* and replaced it with a system exemplifying public choice theory. Theory behind the military reforms suggested that they would provide autonomy in the form of school choice for parents and curricular flexibility for schools and that the capitation grant system would become an exit option for parents dissatisfied with their children's educational experiences.

These market-oriented educational reforms consisted of five main initiatives: municipalization, capitation-based financing, open competition, labor deregulation and student assessment. The municipalization policy decentralized education by transferring school administration to more than 300 municipalities. By decentralizing education, the reform was meant to give communities educational autonomy. Local governments were given the responsibility for contracting, hiring and firing teachers, and for maintaining infrastructure, while the central ministry retained its regulatory, quality assurance and curriculum setting functions.

Pinochet's per-head system of school financing through educational vouchers is meant to enhance competition among schools. The vouchers are based on the average monthly student attendance to both publicly and privately managed schools. This policy is meant to increase the quality of school institutions as they compete for the vouchers students. The competition for funding was supposed to inspire better results.<sup>34</sup>

This encouragement for competition was the third pillar of the market-oriented reforms. The government encouraged privately administered schools to compete with public schools for student enrollments. Students and parents were permitted to seek matriculation at any subsidized school, irrespective of location. The vouchers paid to schools on the basis of attendance in theory act as a powerful incentive for schools to

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<sup>34</sup> Delannoy, "Education Reforms in Chile," 7-11.

develop strategies to improve student retention. Opening the system was meant to encourage the expanse of state-subsidized schools allowing Chile to absorb the demand for secondary school expansion (a result of the near-universal primary enrollment in the 1960s). Many students left the public sector for these state-subsidized institutions while the municipal system saw a large decrease in student population. The private sector also continued to grow as it competed with the other sectors for larger student enrollment.<sup>35</sup>

The labor deregulation aspect of the reforms stripped the teachers of their civil servant status and made them subject to private sector labor laws that allowed for local wage determination and prohibited labor action. The military government meant for this deregulation to weaken the teachers' union. While the union was formally replaced by an educator's association, teachers lost control over national education policy and were faced with a fragmented, uncertain labor market.

Student assessment was introduced to provide parents with relevant information on student achievement as a basis for school choice and accountability, a prerequisite for a market approach to education which the military regime was not able to achieve. The government introduced a national assessment called the Performance Evaluation Program (PER). This assessment was suspended in 1984 due to cost concerns during the financial crisis, but was reintroduced in 1988 as the *Sistema Nacional de Evaluación de resultados de aprendizaje* (SIMCE) which is the national evaluation system still in place today. Although intended to inform parental choice regarding school quality, SIMCE results were not distributed to schools during this period. By not distributing the scores, schools were not able to openly compete with each other. Parents were not able to make choices

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<sup>35</sup> Delannoy, "Education Reforms in Chile," 12-13.

about their children's education based on school performance, making the market-driven reforms incomplete.<sup>36</sup>

The market-driven reforms of the military government were able to go farther than in other countries because of the strength of the Chilean regime and its general autonomy from civil society, government bureaucracies and other political parties, but were still incomplete.<sup>37</sup> As suggested in the previous chapter, creating educational policy is challenging because of the conflict between opposing coalition and class and interest groups. Being a military regime, Pinochet's administration did not have to worry as heavily about appeasing the opposing actors. The teacher coalitions and others that strongly favored the *estado docente* were against many aspects of the reforms, but military repression did not allow for the type of political debate seen in earlier years. In seventeen years of uninterrupted rule, the military government was able to implement far-reaching reforms, a task near impossible for a government only in power for a small amount of time.

Even though these reforms were more far-reaching than those made in other regions, they were still incomplete. The military government did not publish the SIMCE results that were supposed to inform parental choice. The limited access to information made the competition highlighted in classical economics impossible. The parents were not able to effectively choose the best education because of the lack of necessary information, particularly those in lower socioeconomic circumstances.

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<sup>36</sup> Dagmar Raczynski and Gonazlo Muñoz, "Reforma Educacion Chilena: El Difícil Equilibrio entre la Macroeconomía y la Micropolítica," *CIDEPLAN: Serie Estudios Socio / Económicos*, n. 31, (February 2007), 7-9.

<sup>37</sup> Garui, *School Choice*, 75.

Scholars like Françoise Delannoy also suggest that the method of decentralization did not allow for the management that the administration theoretically intended. First, given the political landscape, most parents and teachers were not willing to challenge school principals, who were often military personnel. There was a conflicting governance structure as the regime handed school administration to the municipal governments, yet the pedagogical aspects were still left to the ministry. The municipal government also had very limited information. The central government did not provide municipal administrators with training or adequate resources; this marked the genesis of fiscal deficits in municipal budgets which were to be particularly devastating for poorer municipalities.<sup>38</sup>

A 1988 plebiscite put an end to military rule. By 1990 the military government stepped down after intense negotiations between the armed forces and the Concertación, a coalition of several central-left parties including the Christian Democrats, the Socialist Party, the Radical Party and the Social Democrats among others. On its last day in office (March 10, 1990), the Pinochet government passed a Constitutional Law on Education (LOCE) designed to “lock up” its reforms by making any amendment subject to a political quorum, a 4/7 majority, which was and remains largely unattainable. The LOCE stood as a barrier because it would have required a constitutional amendment to remove the law. The decentralized structure had strong supporters within the centrist wing of the Concertación, and thus the law was not challenged. As Delannoy notes, “[Some members of the Concertación] believed that, once combined with increased investment and with

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<sup>38</sup> Delannoy, *Education Reforms in Chile*, 9-10.

general and targeted process interventions, these mechanisms could restore quality and close the equity gap, which had worsened during the 1980s.”<sup>39</sup>

### *Democratic Regime’s Equity and Quality Reforms of the 1990s*

With the return to democracy, Chilean education reform focused on equity and quality.<sup>40</sup> The market-oriented policies that Pinochet’s administration implemented to end Chile’s fiscal crisis of the mid-1980s had succeeded in creating high GDP growth and rising educational coverage, but they had also reinforced inequalities. In terms of structure, the educational system continued to operate under the school choice theory and continues to do so today. The main difference in policy is that the democratic regime attempted to address their educational reforms to the needs of an increasingly diverse school population and target compensatory support to the most vulnerable in pursuit of equal educational opportunity.

The primary initiatives of these reforms were equity, quality, greater transparency, fiscal priority and a new teacher’s statute. Education Minister Ricardo Lagos, a socialist, recognized the need for Chile to focus on more than just educational access which was already universalized in basic education. Thus the change of strategy was to target those that were disadvantaged by the education system. The government targeted more resources toward low-income communities. The government also targeted educational quality as the cornerstone of future economic growth, poverty alleviation and social cohesion. In terms of transparency, the government continued to use the SIMCE

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<sup>39</sup> Delannoy, *Education Reforms in Chile*, 20.

<sup>40</sup> Quality has been a politically-charged term since this time period. Primarily the democratic governments following Pinochet’s administration referring to a quality education system as one that is able to properly prepare students in regards to international comparisons.

national assessments created by Pinochet's administration, but the democratic government shared the data more openly with the public. By 1990 the focus in the use of SIMCE results shifted from comparison between types of schools to stimulate competition to correcting inequities through targeting. With funding and technical advice by the World Bank, the government designed pedagogic support initiatives for vulnerable students, like the P-900 program, which refocused the subsidies of the educational vouchers by targeting educational resources.<sup>41</sup>

The reforms of the democratically elected government also reversed the labor policies of the Pinochet era, which had taken away the civil servant status for teachers. In 1991 the government and the teachers' union agreed upon a new legal framework which provided teachers with assured tenure and centrally negotiated wages. The law was also accompanied by a significant pay increase (125% in real terms between 1990 -1998).<sup>42</sup>

However, structurally the education system remained the same as under the military government. The Chilean system is a global example for the application of school choice. The democratic administrations maintained the public/private competition mechanism, decentralization and finance structure of the voucher system.

### *Effect of Reforms on the Tertiary Sector*

Pinochet's market-oriented reforms established the tertiary sector as it is today, dividing itself into four distinct tiers of institutions. The reforms established the CRUCH, the creation of new self-financed private universities and the formation of new

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<sup>41</sup> The P-900 program was a targeted education program for the 900 lowest-achieving subsidized schools, as measured by the 4<sup>th</sup> graders scores in the SIMCE national evaluation. Its focus was to meet the specific needs of the students, improve teacher quality, provide free textbooks and other educational materials and improve infrastructure. The program is still in effect today and was extended in 1998 to reach both pre-primary and secondary institutions.

<sup>42</sup> Delannoy, *Education Reforms in Chile*, 16.

alternatives taking the form IPs and CFTs and FFAAs. Until 1980 the tertiary sector consisted of only eight universities, two belonging to the state (the University of Chile and the State Technical University) which reflected 65% of all enrollments. The other six universities were private, but their funding was assumed by the public sector.

The 1980s military regime decentralized the two state universities and diversified the system of finance for the pre-existing universities. The result of the decentralization was that many of the state universities' former branches became newly independent regional universities, in line with the municipalization policy that was enacted in the primary and secondary sectors. The new system of finance transferred a considerable part of costs to students and their families. Between 1980 and 1990 public contributions fell by 41% in real terms (i.e., accounting for inflation).<sup>43</sup>

Under the Concertación, the tertiary sector maintained the structure of decentralization and financing established by the military regime. A new goal of the coalition was the creation of the Higher Council of Education (*Consejo Superior de Educación*) to be the organization responsible for licensing universities and professional institutes in attempts to check the quick growth and quality of these private institutions. The creation of this council did not stop the increase in the number of self-financed private universities, but the new process of accreditation and licensing did slow down the growth. Between 1981 and March 1990, 120 new institutions had been set up (40 universities and 80 IPs), between July 1990 and December 2005 only 20 new institutions were approved (10 universities and 10 IPs) and 38 were closed down.<sup>44</sup>

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<sup>43</sup> OECD, "Tertiary Education," 32.

<sup>44</sup> Ibid, 32.

The end result of the market-driven reforms was an expansion in educational coverage, but increased inequality due to the decentralization and school choice competition. The reforms of the 1990s targeted inequality, but did little to restructure the education system. The system in place today is just an elaboration of the educational structure Pinochet's administration created. In essence, one could even consider today's system a more perfect example of the education Pinochet desired. It is stronger reflection of public choice theory since democracy actually allows information to be more readily available to the public. This information leads to a better example of the perfect competition the military regime desired.



## CHAPTER III: QUANTITATIVE EDUCATIONAL PROFILE OF CHILE FROM 1990 TO THE PRESENT

The persistent inequalities of the education system that the military reforms reinforced take on many different forms. Stratification in educational coverage between income quintiles reflects the inequalities in the opportunity of access that students face in certain sectors of the education system. The changes in educational coverage from the democratic regime to today reflect the evolution of inequality of access in the last two decades and the remaining problems in regard to equitable access with Chilean education. Analysis shows that the remaining inequities between socioeconomic groups remain primarily in access to the tertiary sector. Data analysis of the PSU entry tests and national evaluation tests of secondary schools, like the SIMCE, as well as the funding structure of these tertiary institutions further reflect the inequalities of Chile's system.

### *Educational Coverage from 1990 to 2009*

By using the CASEN household surveys conducted by Chile's Ministry of Social Development (*Ministerio de Desarrollo Social*, MIDEPLAN) since 1990 every two years until 2000 and every three years until 2009, it is possible to chart the evolution of educational coverage for each income quintile. The data I am able to use from these household surveys distinguishes between the pre-primary, primary, secondary and tertiary sector and the separate income quintiles.<sup>45</sup>

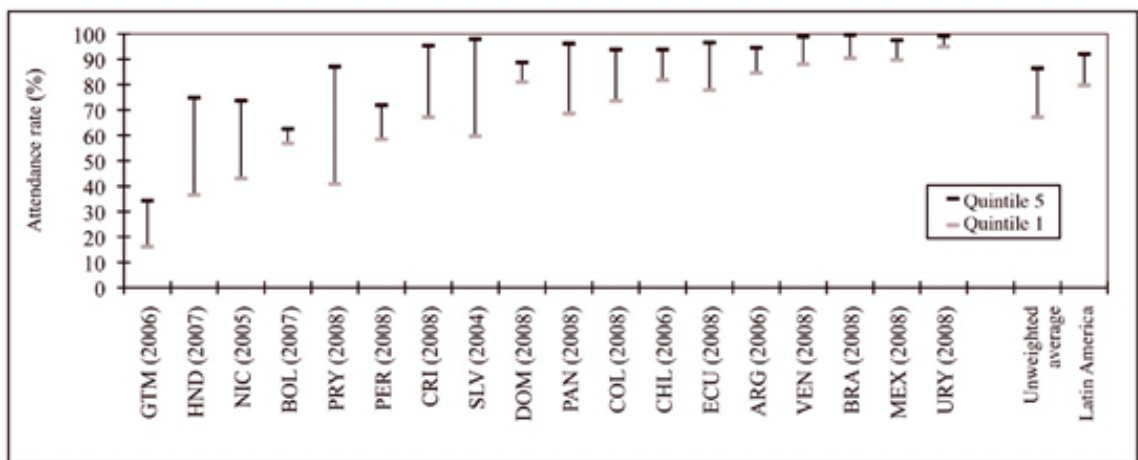
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<sup>45</sup> Data for educational coverage reflects the total percentage of students within the age group defined for each educational sector assisting an educational institution. Along with providing the net and brute data for educational coverage, MIDEPLAN provided a corrected figure. It is this corrected data that I used to manipulate data of educational coverage. See the appendix for the full tables of educational coverage.

### Pre-primary

Both the pre-primary and tertiary sectors of Chile have seen the greatest change from 1990 to 2009, as well as the most inequality within the population. Preschool attendance has grown a total of 21.54 percentage points within the last two decades for the total preschool-age population, starting with only 21.0% attending preschool in 1990 to 42.6% by 2009. For each year reviewed there has been a total difference of 15-25 percentage points of preschool coverage between the highest and lowest income brackets. Even while educational coverage of the pre-primary sector has grown a large amount since 1990, there is still an obvious divide between coverage for wealthy and impoverished students. The level of growth has been fairly consistent within each income bracket, simply maintaining the inequality in pre-primary educational coverage.

**Figure 3.1:** Differences between the first and fifth quintiles in school attendance rates of children one year younger than the official age to start primary education, as of approximately 2008 (in percentages)



Source: United Nations Economic and Social Council, ECLAC. *Challenges for Education with Equity in Latin America and the Caribbean*. (Buenos Aires: ECOSOC – AMR, 2011), 7.

Compared to other Latin American countries, Chile is about average in terms of pre-primary coverage and the differences in coverage between its lowest and highest economic quintiles. Chile has similar results to Argentina, but is outperformed by Uruguay, Brazil, Mexico and Venezuela as can be seen in the figure below.

### *Primary Sector*

In the two decades from 1990 to 2009 there was very little change in coverage of primary education. This is a testament to the near universal coverage of primary education in Chile by 1990. There is only a difference of a few percentage points between income levels for both males and females in 1990, 3.3 points for the total primary-level population between the lowest and highest income levels. By 2009, primary level coverage was near complete with even the lowest income group showing 98.6% in coverage. The total primary-level population showed 99.2% coverage in 2009.

### *Secondary Sector*

Secondary coverage showed a slight rate of change within the two decades. The total difference from 1990 to 2009 was 12.24 percentage points for the entire secondary-level population. In 1990, total coverage for secondary education was only 80.8 percent. When broken down between income levels there was a large variance. Only 73.8% of students in the lowest income bracket were receiving secondary education in 1990. In comparison, 94.5% of students in the highest income bracket were receiving secondary education, a difference of 20.7 percentage points. By 2009 that gap decreased to 16.5 percentage points and only 6 percentage points by 2009. There has been a clear decrease in the inequality of educational coverage within the secondary sector within the last two

decades in Chile. With 93% of the total secondary-age population attending secondary education, Chile still has a way to go to achieve universal coverage. But an increase from 80.8% of the population to 93% within just two decades is a definite sign of progress. In comparison to other LAC countries Chile has both the highest primary and secondary completion rate as of 2008.<sup>46</sup>

It is interesting to note that for each year examined and within each income level (excluding the IV income category in 1990, the III and V income category in 2000, and II income category in 2009, female secondary coverage has been higher than male secondary coverage. This difference is only equivalent to a little less than 1% difference in the total male and female secondary coverage, but still significant when considering educational differences between males and females. While gender inequality may touch other levels of the Chilean education system, educational coverage on the secondary level does not show signs of gender inequality.

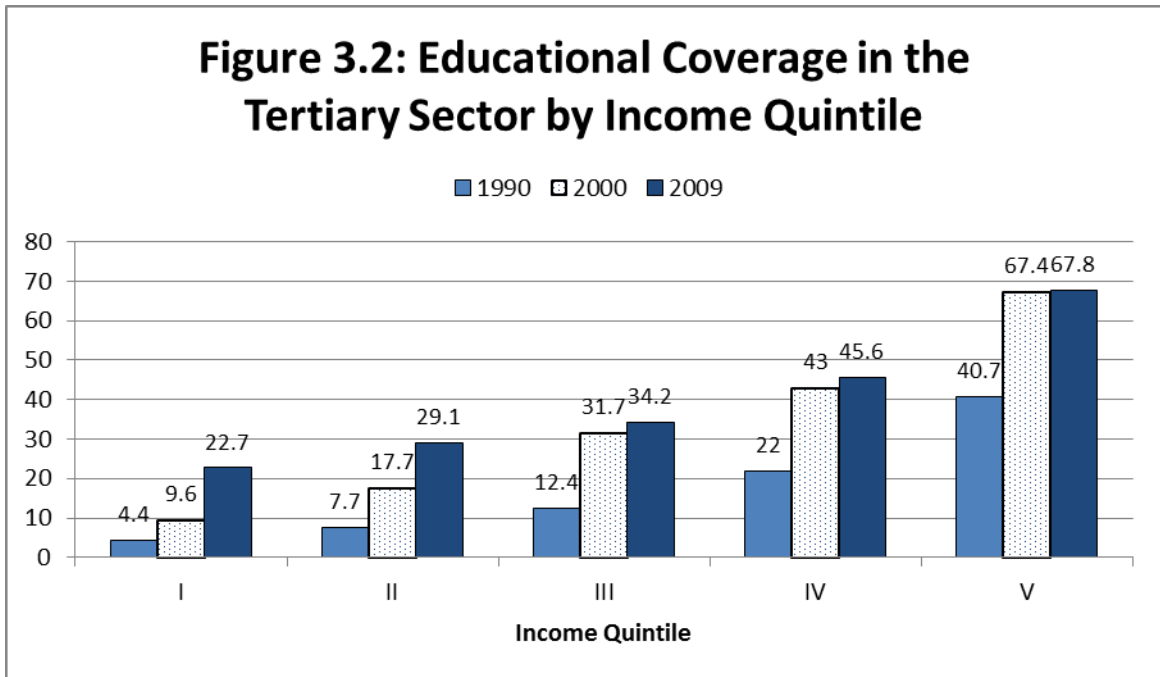
### *Tertiary Sector*

Educational coverage in Chile's tertiary sector for the past two decades has shown significant levels of growth. In 1990 only 16.2% of the tertiary-age population was enrolled in a tertiary organization. Of this 16.2%, there is a clear variance between income levels. While 40.7% of those in the top income bracket were receiving tertiary-level education, only 4.4% of the lowest income bracket attended a tertiary institution. The breakdown for the brackets in between show an exponential decrease in educational coverage as income decreases. With a difference of 36.3 percentage points between the highest and lowest income brackets in tertiary coverage – a figure that does not even

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<sup>46</sup> See Table 1 in ECLAC 2011.

show graduation rates, types/quality of tertiary institutions attended, or other important facts – is a clear projection of the educational inequalities Chile faced in 1990.



Source: MIDEPLAN – CASEN household surveys 1990, 2000 and 2009.

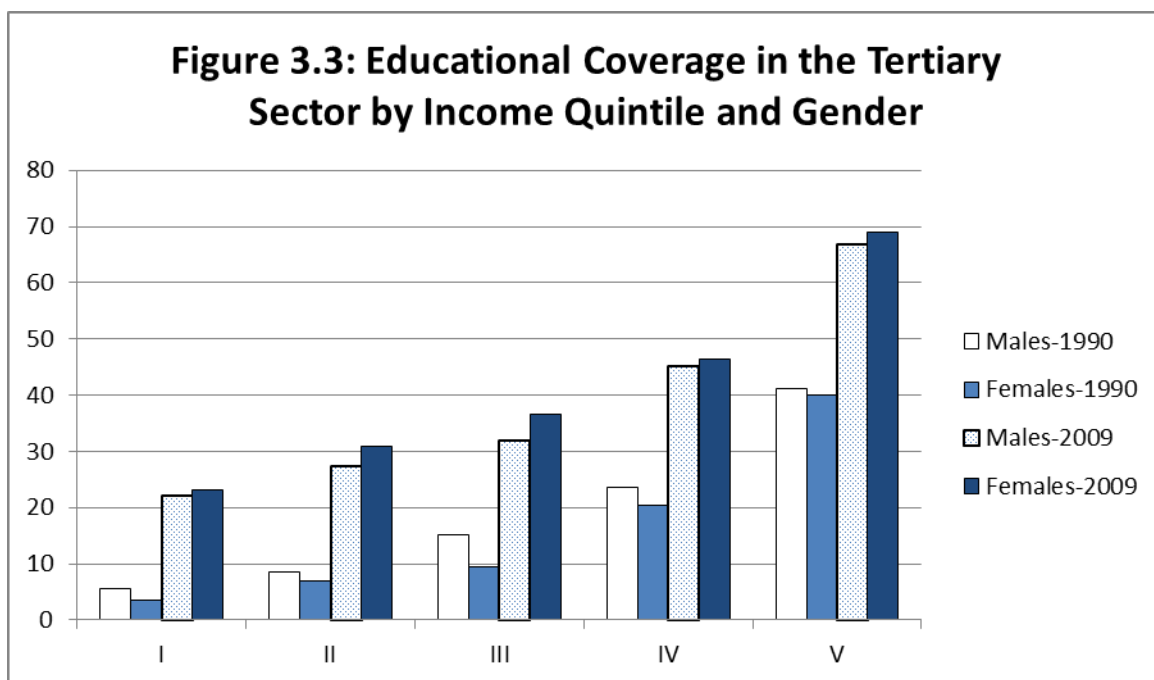
A decade later, educational coverage in the tertiary sector had increased. In fact tertiary coverage had doubled from 16.2% in 1990 to 32.2% for the total population attending a tertiary institution. However, the inequalities seen in 1990 became even more pronounced growing from a previous gap of 36.3 percentage points to a gap of 57.8 percentage points between the highest and lowest income brackets. 67.4% of the wealthiest students were attending a tertiary institution, but only 9.6% of the lowest income group. As Figure 1 shows, the main increase in tertiary educational coverage between 1990 and 2000 was in the highest income groups.

The stratification in tertiary educational coverage from 2000 to 2009 is not very significant, only a 7.6 percentage increase to 39.8% of the total population attending a tertiary institution. The growth that does occur mainly affects the two lowest income

groups, each increasing by more than 10 percentage points, while the higher income quintiles simply maintain their levels with limited growth. The gap between the highest and lowest income quintile decreases to 45.1 percentage points, still higher than the gap in 1990 but a significant decrease in the gap seen from 2000.

By simply looking at educational coverage in the tertiary sector, there is not a significant depiction of gender inequalities. In 1990, females were underrepresented in each income category but only by a couple of percentage points. In total, 18.3% of males attended a tertiary institution in comparison to the 14.3% of the female population. By 2009 the percentage of females attending tertiary education (40.6%) actually overcame the percentage of males (39.0%). Demographic changes in the population do not need to be considered when analyzing these figures, because the educational coverage simply takes into account the percentage of each group of males or females in their representative income bracket. Just like the figures from educational coverage on the secondary level, it seems a larger percentage of female students are attending tertiary institutions.

Before suggesting any notion of gender inequality in Chile's tertiary sector, these figures will need to be broken down further. Of the several indicators to consider on the tertiary level are the types and quality of institutions that females and males attend, graduation rates and the main study of each a gender (all factors that can significantly impact future income levels). The gender divide is more pronounced in this between institutions and even within institutions by looking at what each gender is studying. This divide will be further analyzed in the next sections of this chapter.

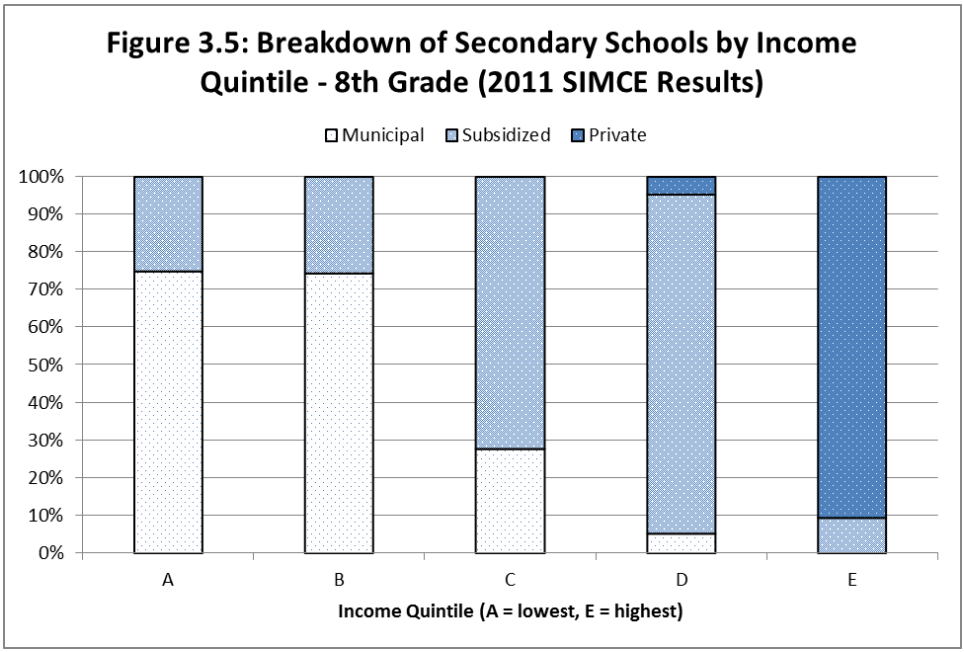
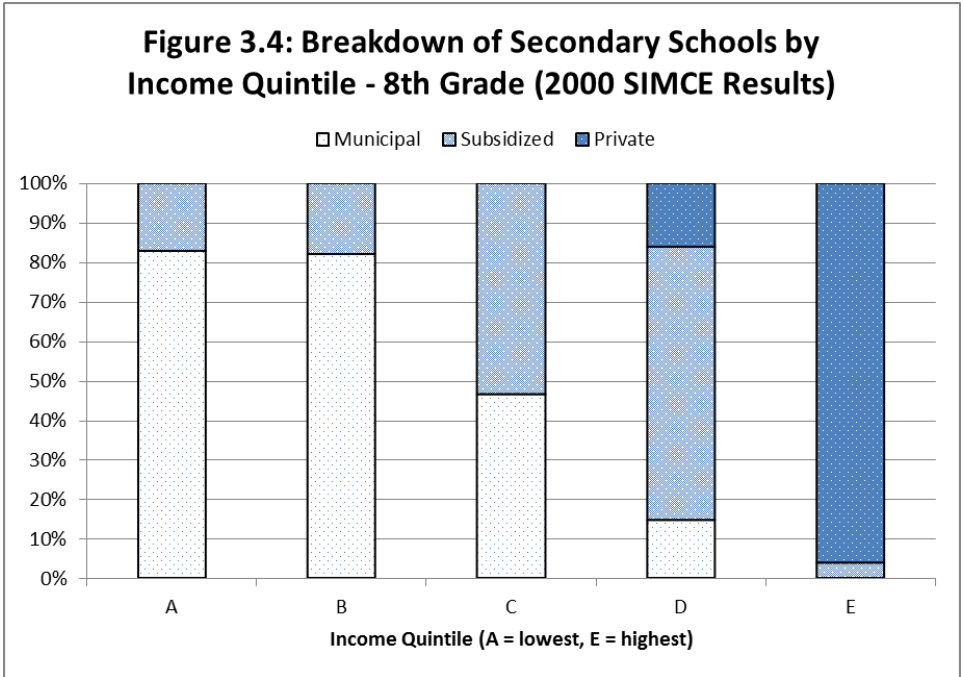


Source: MIDEPLAN – CASEN household surveys 1990 and 2009.

### *Stratification within the Secondary Sector*

The continuance of public and private competition has led to greater stratification within the secondary sector since 2000. The SIMCE, Chile’s national evaluation system administered by Chile’s Ministry of Education, shows the evolution of these state-subsidized schools and their impact on educational inequality. The figures below show how subsidized schools have absorbed some of the overflow from the lowest and highest income groups in the last decade. There are more subsidized schools competing with the private schools in the highest income brackets and more subsidized schools competing with the municipal schools in the lower brackets. One could assume that if these state-subsidized institutions were of similar quality, then absorbing these poor and wealthy students would help diminish inequality. However, the average test scores in languages

in mathematics for each school actually show a divergence between income brackets over the last decade.



Source: MINEDUC – SIMCE national evaluation



The spread between income quintiles has grown from 2000 to 2011. In 2000 reading scores differed about 35 points between the highest and lowest income brackets. By 2011 the difference spread to 50 points. The spread of math results reflect the same trend, but even more pronounced as the difference went from about 35 points to 68 points.

Table 3.1: Average 2000 SIMCE Results by Income Quintile					
	A	B	C	D	E
Reading	242.9	243.1	250.5	265.5	277.5
Math	239.6	240.9	248.1	264.0	274.0

Table 3.2: Average 2011 SIMCE Results by Income Quintile					
	A	B	C	D	E
Reading	237.7	238.9	253.6	272.4	288.4
Math	236.8	240.6	256.5	278.7	304.5

Source: MINEDUC - Simce

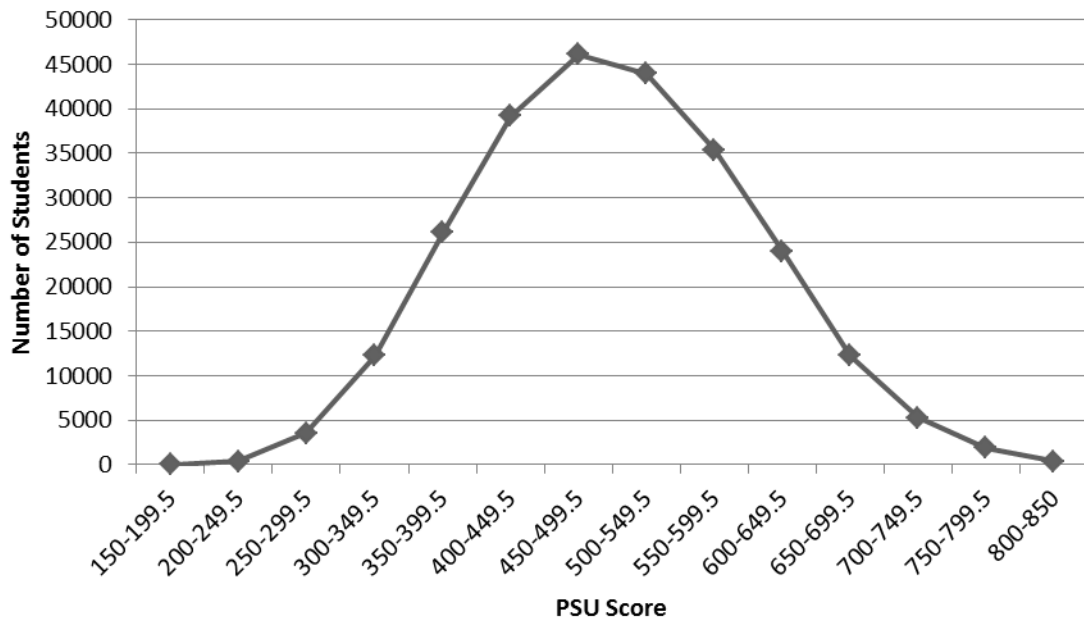
There is also a marked difference between the different types of schools. The distribution of the 2011 PSU scores, the entrance test for tertiary institutions also reflects this divergence. Because entry to tertiary institutions is primarily based on this test score, differences in PSU scores between private, subsidized and municipal schools reflect an aspect of the inequality of access. As discussed in previous chapters, the different types of schools see different amounts of PSU preparation, more or less categorizing these students in their preparedness for the tertiary level.

The 2011 PSU scores show that Chilean students that ranked in the 50<sup>th</sup> percentile of total students scored a 496 on their language exam and a 497 on their mathematics exam. The average score for those students in municipal secondary institutions was 472.7, students in private subsidized schools averaged 501.8 and those in completely

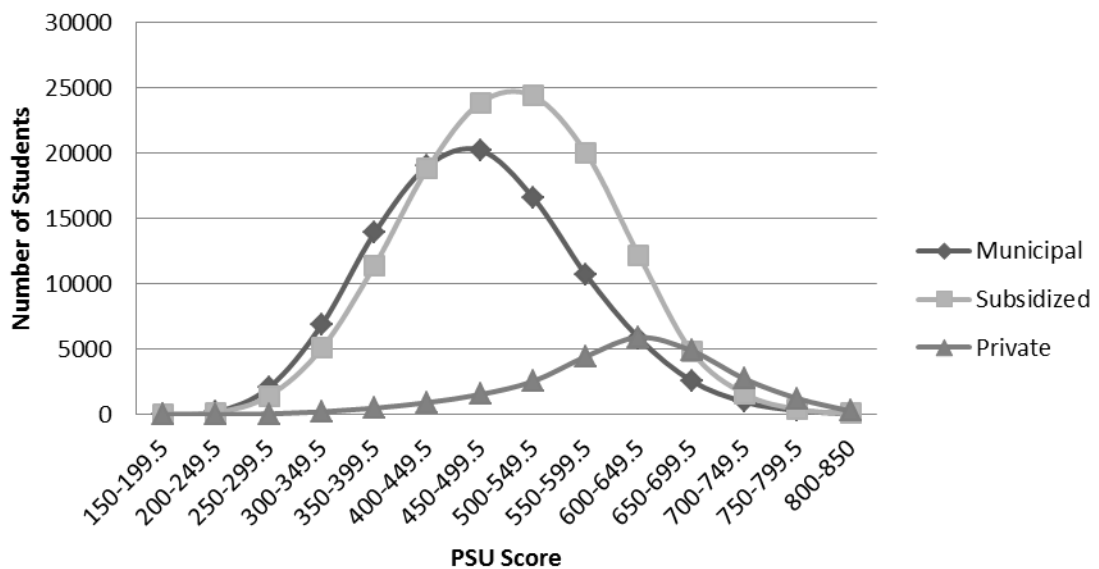
private institutions averaged a 611.3. Considering that the average PSU score of students attending universities is 564 and the minimum score of those enrolled in universities is 477, the average student attending a municipal institution will not even be able to enroll in a university, no matter the quality of the institution. Compare that to the average student of private secondary institutions. With an average score of 611.3, it is clear that the average student in a private institution will have no difficulty enrolling in a university and they will have a large advantage in competing for spots in universities that require higher PSU scores for admission.

If it is to be understood that the PSU measures preparedness for a tertiary-level institution, then municipal students face a large disadvantage. Even the above-average student in a municipal institution will not be as prepared for a tertiary education as compared to the average student in a private institution. Even if success on the PSU does not reflect preparedness for success in a university setting, but rather simply the amount of time spent preparing for a generic test, students in private institutions are being more exposed to the material presented on the test. As discussed in the first chapter, this preparedness can come from the ability to hire tutors as well as the ability for the private institutions to finish required material before other institutions and spend more time on test preparation.

**Figure 3.6: 2011 PSU score range**



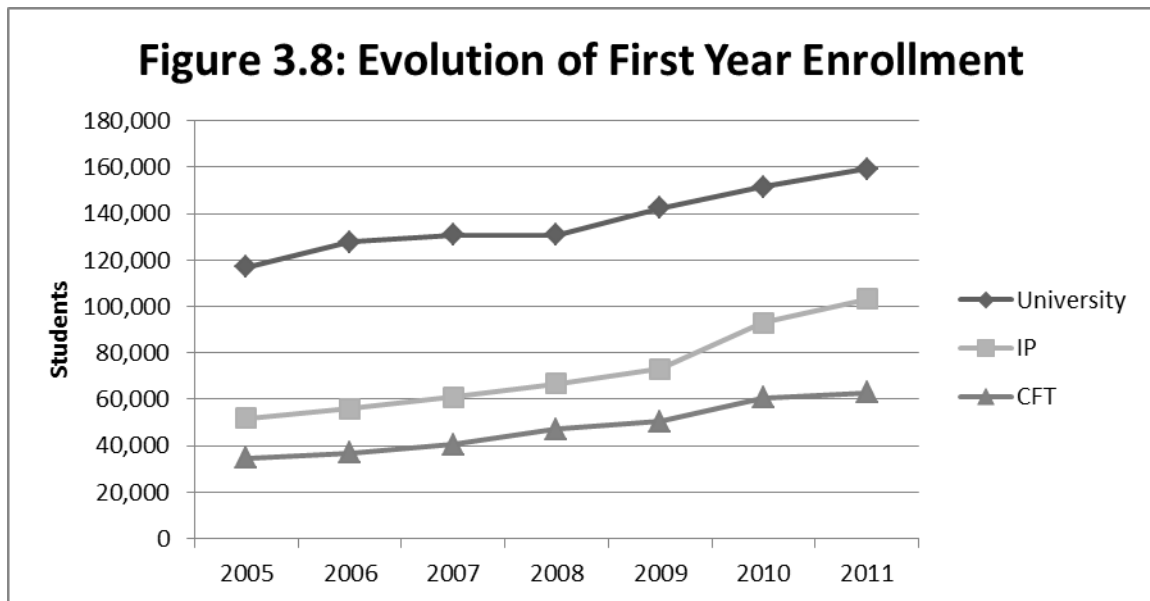
**Figure 3.7: 2011 PSU Scores according to school type**



Source: "Compendio Estadístico Proceso de Admisión Año Académico 2011," *Universidad de Chile* – Departamento de Evaluación, Medición y Registro Educativo, DEMRE, (2011).

### *Enrollment within Tertiary Institutions*

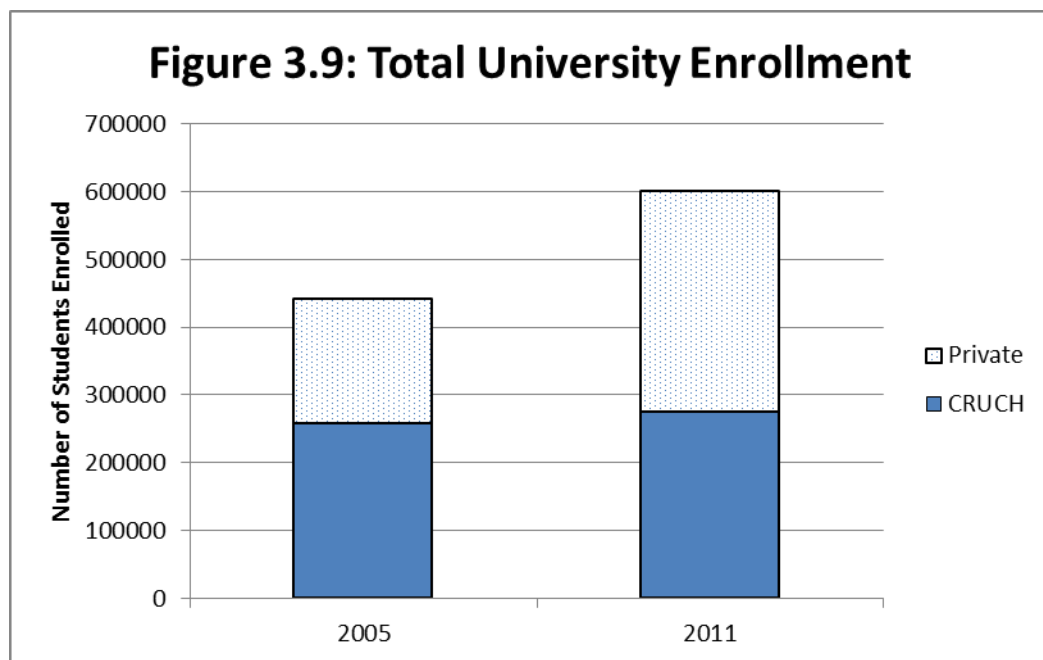
The majority of students in the tertiary sector attend universities, whether traditional or non-traditional. IPs and CFTs, while not as popular nearly a decade ago, have seen an increase in student enrollment in recent years. In 2005, IPs and CFTs made up approximately 40% of tertiary population. By 2011 that has grown to 50%, half of the tertiary population.



Source: CNED Database, (Estadísticas Pregrado),  
[http://www.cned.cl/public/Secciones/SeccionIndicesEstadisticas/indices\\_estadisticas\\_sistema.aspx](http://www.cned.cl/public/Secciones/SeccionIndicesEstadisticas/indices_estadisticas_sistema.aspx)

Within the university population, there has been an upward trend of students attending private institutions. The figure below shows growth in student numbers since 1990 using student population as the baseline. The figure shows how the main increase in student population is in private universities. As suggested by the OECD, the growth spurt from 1999 was more due to proliferation of branch campuses by existing universities than

to creation of new universities.<sup>47</sup> By 2005 the majority of the student population was still attending a CRUCH university with 58% of university students. But by 2011, the increased popularity of private institutions took over the majority of the student population. 54% of the Chilean university population was attending private institutions as compared to the 46% attending traditional CRUCH universities. There was steady growth in the population of CRUCH universities, as well as CFTs. IPs saw a decline from 1990 to 2005, but as the figure above reveals enrollment in IPs became more popular in the last decade. As noted before, IPs and CFTs have become more popular within the tertiary sector.

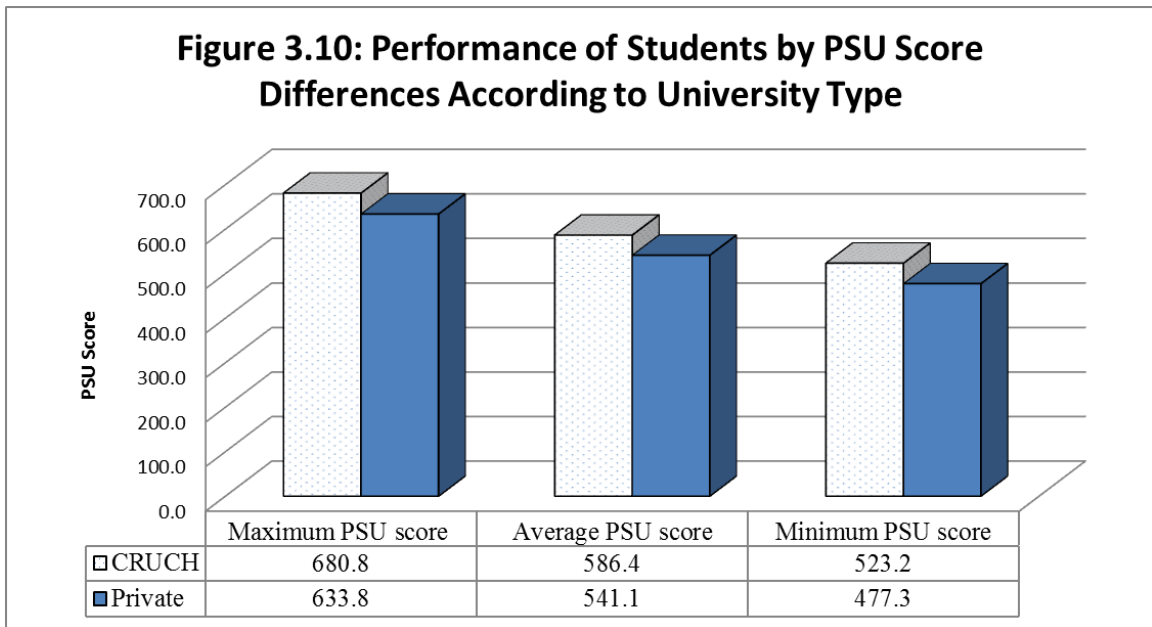


Source: CNED Database, (Estadísticas Pregrado),  
[http://www.cned.cl/public/Secciones/SeccionIndicesEstadisticas/indices\\_estadisticas\\_sistema.aspx](http://www.cned.cl/public/Secciones/SeccionIndicesEstadisticas/indices_estadisticas_sistema.aspx)

As described above there is a difference in the level of prestige attached to traditional CRUCH universities and private non-traditional universities. Data from the national entrance test, the PSU (*prueba de selección universitaria*) similar to the SAT or

<sup>47</sup> OECD. "Tertiary Education," 38.

ACT in the United States, show the higher prestige for traditional CRUCH universities. The test consists of four sections, two of which (language and math) are obligatory. Students can also elect to take the science section as well as history and social sciences. The scores range from 150 to 850. Traditional CRUCH universities have higher enrollment standards and their students on average have higher PSU scores than students attending private institutes.

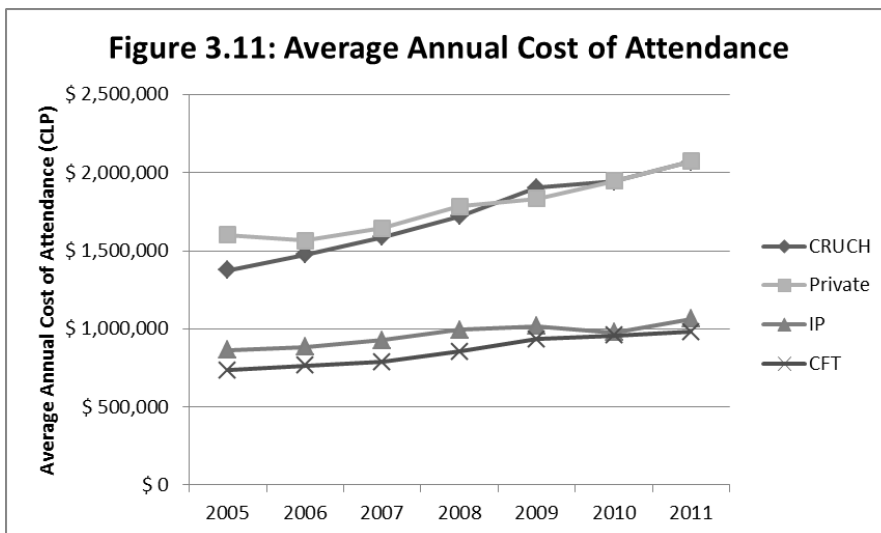


Source: CNED Database, (Estadísticas Pregrado),  
[http://www.cned.cl/public/Secciones/SeccionIndicesEstadisticas/indices\\_estadisticas\\_sistema.aspx](http://www.cned.cl/public/Secciones/SeccionIndicesEstadisticas/indices_estadisticas_sistema.aspx)

Private universities historically tend to have a higher cost of attendance, but recently annual costs of attendance show that while state-subsidized, traditional CRUCH universities are charging close to the same tuition of private non-traditional universities. It is important to note that the figure below does not take into account student support, i.e. student loans and scholarships.

## Funding the Tertiary Sector

Tertiary institutions receive public funding through Direct Public Grants, Public Indirect Grants and other grants funded jointly by the World Bank and the Chilean government under the MECESUP program. Direct public grants (*Aporte Fiscal Directo*, AFD) is funding that is only available to CRUCH universities. The amount universities receives depends on the population of undergraduates, the number of undergraduate courses, staff with Masters and PhD degrees, as well as funded research projects and publications. Public Indirect Grants (*Aporte Fiscal Indirecto*, AFI) are given to universities that recruit the 27,500 students with the highest PSU scores. The purpose of the AFI is to encourage competition for the best students. As the OECD suggests, “in practice [AFI] directs public funding to the institutions with established high reputations whose students are most likely to come from better-off families.”<sup>48</sup> The other grants tertiary institutions receive are intended to improve the quality of undergraduate, postgraduate and technical training, research and institutional management. This includes



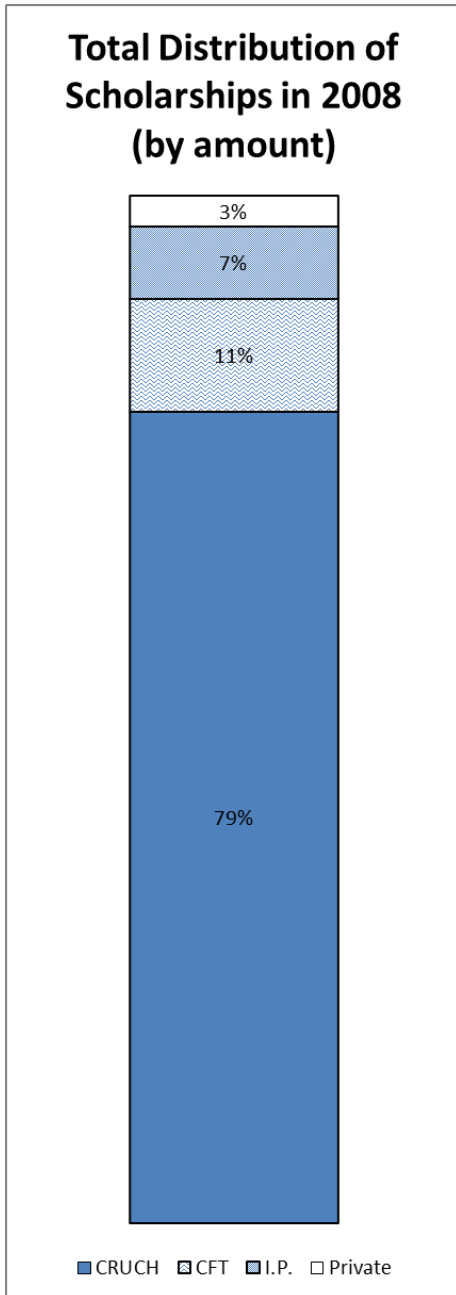
programs like the Academic Innovation Fund (*Fondo de Innovación Académica*, FIAC) and performance agreements

Source: CNED Database, (Estadísticas Pregrado), [http://www.cned.cl/public/Secciones/SeccionIndicesEstadisticas/indices\\_estadisticas\\_sistema.aspx](http://www.cned.cl/public/Secciones/SeccionIndicesEstadisticas/indices_estadisticas_sistema.aspx)

<sup>48</sup> OECD, “Tertiary Education,” 51.

(*Convenios de Desempeño, CdD*). According to the OECD, AFD has grown by about a third from 1995 to 2007, but AFI has been frozen.<sup>49</sup>

**Figure 3.11:**



Tertiary funding is also of course supported by student tuition, which affects access to education for students. Individual contributions can block access to types of tertiary institutions particularly for students from lower socioeconomic backgrounds. The table below shows the evolution of the average annual cost of attendance for each type of higher education institution, showing the average cost of attendance for private universities now average to be the same cost as traditional CRUCH universities. Thus, disregarding student support schemes through student loans and scholarships, the data suggests that there is an equalization of the cost of attendance between the more prestigious traditional universities competing for the academically stronger students and the non-traditional private universities.

However, the breakdown of scholarship support begins to reflect the inequities of the system. Because the CRUCH universities are state subsidized, more student support in the form of scholarships, whether merit-

<sup>49</sup> OECD, "Tertiary Education," 52.



based or by financial need, goes to the students assisting these more prestigious and academically more competitive institutions. Students in the traditional CRUCH universities receive the most amount of scholarships, almost 80% of total scholarship money awarded by the government. As discussed before with the PSU data analysis, students of lower socioeconomic if attending a university are more likely to attend private universities because of the stratification within their secondary institutions.

### *Gender within Universities*

The gender breakdown within these universities shows that there is an inequality between males and females within the university population. More males (52%) make up the population of traditional CRUCH universities, while males only consist of 45% of student enrollment in private universities. Differences in prestige, funding and income after graduation between CRUCH and private universities could present an effect on gender inequalities on the tertiary level of education. The differences in enrollment between males and females can translate to further or at least reinforce socioeconomic gender inequality as a larger proportion of males receive degrees that are considered more prestigious, translating into larger wage differences.

## CHAPTER IV: POLICY EVALUATION OF THE CURRENT REFORMS

Recently, the question of equitable education has been at the forefront of Chilean politics. The student protests of 2006 (or the Penguin revolution) as well as those of 2011 have cast an international spotlight onto the Chilean education system, bringing to light many of the inequalities within the system. The more extreme of both waves of these protestors demanded a return to the *Estado Docente* where the government would abolish public funding of private education and uphold the “right to education” over “educational freedom.”<sup>50</sup>

With each wave of protests and consequent falls in popularity, both the center-left government of Michelle Bachelet and the conservative government of Sebastián Piñera enacted a series of laws and tributary reforms in an attempt to create a more equitable education system – a goal that has been a target of educational reform since the return to democracy in 1990. One could argue, however, that the primary purpose of these reforms was to appease unyielding students rather than effecting significant change in equitable education practices. While Bachelet and Piñera’s reform attempts highlighted the structural inequalities present in the Chilean system, they did not necessarily address them. These waves of educational reform increased educational expenditure and did not address the structural problems that increase inequality, a good action that could improve the quality of the education system but not one that will fully address equity issues.

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<sup>50</sup> The First National Congress of Secondary Students (I Congreso Nacional de Estudiantes Secundarios) held in Valparaíso in January of 2008 offered a list of policy proposals in relation to education regulation, administration, and finance, including an end to neoliberal principles governing education and a new education law. The full text of the resolutions from the student congress can be found on the Observatorio Chileno de Políticas Educativas website:  
<[http://www.opech.cl/editoriales/2008\\_04/jornadas/04\\_Resoluciones\\_congreso\\_nacional\\_de\\_estudiantes\\_secundarios.pdf](http://www.opech.cl/editoriales/2008_04/jornadas/04_Resoluciones_congreso_nacional_de_estudiantes_secundarios.pdf)>

The importance of education in the last decade of Chile's policies has allowed for the creation of many different bills and reforms to address the challenges facing the educational system. I chose to evaluate the most relevant policies that the government has presented with equity being a main component of its goals. This policy evaluation primarily relies on the laws and bills themselves, as well as scholarly opinions and news articles to present the different elements of the reforms.

### *Reforms under the Bachelet Administration*

The protests of the *pingüinos* in August 2006 became the first political opposition President Bachelet had to confront during her tenure. Elected that same year, Bachelet attempted to respond to the demanding students by means of educational reform. As a social democrat that campaigned on a platform of continuing Chile's free-market policies, while increasing social benefits to help reduce the gap between rich and poor, Bachelet did not see any need to restructure the education system. The "growth with equity" approach to social sector reform would not allow the return of Chilean education to the *Estado Docente*. The concern was not the monetary cost of student demands, but rather the challenge to the free market system that made the student demands politically impossible. To respond and diffuse the student demonstrations, Bachelet's government put forth three pieces of legislation in 2007 and 2008: the preferential subsidy law (*Subvención Escolar Preferencial*, SEP), the general education law (*Ley General de Educación*, LGE) and the law to strengthen public education. They were primarily responses to the students' "short term" demands which included an increase in free

school lunches, unlimited use of the student transportation pass and free university entrance exams for all students qualifying for financial aid, among others.<sup>51</sup>

### *Preferential Subsidy Law (SEP)*

The preferential subsidy law was a reform policy of the previous president, Ricardo Lagos, which had been held up in congressional committee until mid-June 2006. In response to the protests, Bachelet gave the subsidy high priority and it passed by December 2007. The law, enacted in February of 2008, increased the amount of government subsidies for “vulnerable” students covering those from pre-school through eighth grade, decreasing in value for the higher grade levels. The subsidy was even higher for rural students. Bachelet’s administration intended for the subsidy to give more resources to schools dealing with vulnerable students, the municipal sector being the largest beneficiary, providing an incentive for publicly subsidized schools to recruit students of lower socioeconomic status, thus decreasing socioeconomic segregation.

Proponents of education competition have posited that subsidized private schools engaged in skimming the best students through their admissions requirements precisely because the subsidy level set by the government did not account for high costs associated with educating vulnerable students. To that extent, the preferential subsidy is an exercise in equity as the more vulnerable students are receiving more resources than those that are less vulnerable.<sup>52</sup>

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<sup>51</sup> Mary Rose Kubal, “Education Reform under Bachelet: A Failure to Rethink Inequalities,” Paper prepared for delivery at the congress of the Latin American Studies Association, (Rio de Janeiro: June 11-14, 2009).

<sup>52</sup> Gonzalo Muñoz Stuardo, “¿Sirve o no sirve la Ley SEP?” *CIPER, Centro de Investigación Periodística*, May 31, 2012, <http://ciperchile.cl/2012/05/31/%C2%BFsirve-o-no-sirve-la-ley-sep/>.

Some critiques of SEP suggest that it is not a sustainable policy and has the potential to further segregate. Participation in the SEP is voluntary and thus further segregates those that do not accept the funding, typically smaller schools that cannot fulfill the different requirements, and those that do. There have also been problems recently with corruption within the system. Comptroller found that about one third of the resources given to the municipalities they audited were diverted to other expenses. Gonzalo Muñoz, a researcher at *Fundación Chile*, suggests that there is a lack of control in the system. Muñoz also suggests that it will be difficult to continue delivering the new resources without the proper support system.<sup>53</sup>

#### *The General Education Law (LGE)*

The Bachelet administration proposed the LGE to replace LOCE, the educational law put into place by Pinochet before the democratic transition, first enacted in 1990. The law did not propose any striking differences to its predecessor; in fact it goes further in defining the school choice system. Both laws specify that it is primarily the duty of parents to educate their children, with the state only having a subsidiary role. LOCE made it a duty of the state to finance a free education system that would ensure access of all students to primary education (LOCE, Art. 3). The LGE specifies that the education system is “by nature mixed” with a state administered sector and a private sector “either subsidized or paid,” ensuring parents and guardians “the right to choose educational establishments for their children” (LGE, Art. 4). At first the LGE was going to contain two provisions that would have constrained market forces – the end of for-profit subsidized education and the end of the ability of primary subsidized schools to select

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<sup>53</sup> Muñoz, “Sirve o no Sirve la Ley SEP.”

students. Following negotiations with the conservative opposition coalition (necessitate by institutional constraints) the first provision was removed and the second drastically modified so as to make it virtually meaningless.<sup>54</sup>

The constraints the Pinochet regime placed in the LOCE, the necessity to have a 4/7 majority to replace a constitutional law, made it impossible for Bachelet to pass the LGE as she intended as it fell three votes short in the lower house and four votes short in the senate. Thus, the government had to create a commission of Concertación (Bachelet's party) and Alianza (the conservative opposition) which was responsible for drafting a compromise resolution. This final version of the LGE maintained state subsidies for for-profit schools, although – unlike the LOCE – it did specify that private school managers must be exclusively dedicated to educational objectives which prevent businesses to “diversify” from other activities by opening schools).<sup>55</sup>

With regards to school selection, the first version of the LGE specified that schools were to have an open admission policy, not being allowed to discriminate on the basis of religion, student socioeconomic status or educational performance and ethnicity. If the schools became overpopulated because of this open admission policy, then there would be a lottery system. After being revised by the joint committee, the final version of the LGE only specifies that schools may not discriminate on the basis of “past scholarly achievement or potential” and prohibits them from requiring information on a family's socioeconomic status.<sup>56</sup> The final version even maintained the wording of the LOCE which requires school managers to publicize admissions requirements including: “requirements for applicants, records and documentation to be presented,” “types of

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<sup>54</sup>Kubal, “Education Reform under Bachelet,” 1-19.

<sup>55</sup> Ley General de Educación, No. 20370, Art. 46.

<sup>56</sup> Ley General de Educación, No. 20370, Art. 12.

exams to which applicants will be submitted,” and “amount and conditions of payment to participate in the process.”<sup>57</sup>

According to Mary Rose Kubal, the LGE is so similar to its predecessor that schools and school managers are not going to have to change for day-to-day administration. In effect the LGE is not going to change anything within the public-private competition mechanism.<sup>58</sup> This opinion is echoed by others saying the LGE is simply a “cosmetic change”.<sup>59</sup>

The main administrative change resulting from the LGE was the creation of organisms like the National Education Council (*Consejo Nacional de Educación*) and the Educational Quality Agency (*Agencia de Calidad de la Educación*). Their role is to approve the educational standards and curricula developed by the ministry, as well as to develop and implement measures of student learning outcomes. Kubal notes that these structures are nothing more than a continuance of what the ministry of education was already doing and do not signify a major change in direction for the education system.<sup>60</sup>

### *Reforms under the Piñera Administration*

Sebastián Piñera started his presidency on March 11, 2010 as the first rightwing president to be elected since the reign of Pinochet elected under the right/central-right Renovación Nacional (RN) party. Just like during Bachelet’s presidential term, the topic of education has been at the forefront of political debate. In 2011 more students took to

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<sup>57</sup> Ley General de Educación, No. 20370.

<sup>58</sup> Kubal, “Education Reform under Bachelet.”

<sup>59</sup> Manuel Luis Rodríguez U., “El Colegio de Profesores planteó sus críticas a la LGE en la Cámara de Diputados,” *CoyunturaPolítica*, April 8, 2009, <http://coyunturapolitica.wordpress.com/2009/04/08/el-colegio-de-profesores-planteo-sus-criticas-a-la-lge-en-la-camara-de-diputados/>.

<sup>60</sup> Kubal, “Education Reform under Bachelet.”

the streets protesting the inequalities of the education system pushing Piñera's administration to respond by means of educational reform. In March 2012 Piñera noted the power of education in increasing social mobility and development in his two year progress report. He stated, "The policies that the Government has promoted in [education] have been conducted under the belief that quality education is the tool of choice for social mobility and the development of the country...Education is a tool for equal opportunities, and it is this belief that leads the search for greater quality and equity throughout the entire education system."<sup>61</sup>

Even though Piñera has often addressed education as the primary means for social mobility and the need to provide a more equitable education system, it does not seem that the reforms under the Piñera administration will provide much more equity to the education system. The policies primarily do not address any structural problems. The policies seem to be mere responses to the students in attempts to mollify their protests, which encourage the students to continue their protests. The reforms and initiatives passed during his presidency have primarily consisted of increasing educational funding, particularly on the tertiary level.

Of the initiatives passed and presented to the Chilean Congress, the primary reforms I distinguish as the most transformative for the education system are the Quality and Equity in Education Law (*Ley de Calidad y Equidad en la Educación*, Ley 20.501 published in February 2011), the increase in preferential subsidies (*Ley 20.550, Subvención Escolar Preferencial*, SEP), and the two bills that increase tertiary educational resources (*Proyecto de Ley sobre Financiamiento Estudiantil para*

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<sup>61</sup> "Rindiendo cuenta: Balance de dos años de Gobierno de Presidente Sebastián Piñera – Informe de avance de los siete ejes prioritarios del gobierno y de la reconstrucción," *Gobierno de Chile*, (March 2012), 1-302, [http://www.gob.cl/cumplimiento/assets/files/final\\_cumplimiento\\_marzo\\_2012\\_digital.pdf](http://www.gob.cl/cumplimiento/assets/files/final_cumplimiento_marzo_2012_digital.pdf). Trans by author.



*Educación Superior*, signed June 2012, and the *Reforma Tributaria para la Educación*, passed the following September).

One bill of importance to this subject is the bill to end profit in the education system (*Proyecto de Ley sobre el fin del lucro*, passed by the Education Commission August 2012 and currently waiting on the Senate floor). This bill has the potential to implement structural reform that would move Chile's education system away from its market-driven orientation.

### *Quality and Equity in Education Law*

The Quality and Equity in Education law modifies the LGE implemented under Bachelet's administration. The law has four goals: improve quality (as measured by the results of the SIMCE national student evaluation), improve equity (decreasing the divide in average SIMCE results between the students pertaining to the wealthiest and poorest income levels), double the number of students that go into teaching by 2014 and make public education better by creating 60 "Academies of Excellence" for high-performing students in sixth and seventh grade focused on being the top performers of the state-subsidized sector.<sup>62</sup> The law primarily increases funding for municipal schools, gives principals more flexibility in hiring and firing, gives more scholarships for those wishing to pursue a teaching degree, as well as more economic incentives for high performances on annual tests. The main proponents consider the incentives of this law to encourage further practices that will enhance quality and equity.

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<sup>62</sup> "Rindiendo cuenta: Balance de dos años de Gobierno de Presidente Sebastián Piñera – Informe de avance de los siete ejes prioritarios del gobierno y de la reconstrucción," *Gobierno de Chile*, (March 2012), 1-302, [http://www.gob.cl/cumplimiento/assets/files/final\\_cumplimiento\\_marzo\\_2012\\_digital.pdf](http://www.gob.cl/cumplimiento/assets/files/final_cumplimiento_marzo_2012_digital.pdf). Translated by author.

The main opponents of this law primarily consist of teachers who are concerned of the changing employment structure and concerned that this change will do little for increased quality and equity in the education system. Jorge Radats, the director of the municipal education department, stresses that one of the shortcomings of this law is the low allocation per pupil to be delivered this year.<sup>63</sup> The law seems to be just as a troubling labor reform that has little to do with enhancing quality or equity in Chile's education.

### *Increase in Preferential Subsidies*

The increase in preferential subsidies (Ley 20.550, *Subvención Escolar Preferencial*, SEP) increases government subsidies by 21%. Before 2010 a vulnerable student received on average 65,000 pesos a month (~130 USD) to attend state-subsidized institutions. Piñera's administration increased this amount to 72,000 pesos (~144 USD) with the objective of reaching 83,000 pesos (~166 USD). That would put 67% of government resources to subsidized schools going to the 40% most vulnerable families according to the Piñera administration. The increase in these preferential subsidies should reduce the gap between the richest and poorest students. Since 2010 the students pertaining to the top 10% regarding income had 3 times the resources of the bottom 10%. According to the government, by 2016 these preferential subsidies would reduce the gap so that the top 10% would only have 2.6 times the resources of the bottom 10%.<sup>64</sup>

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<sup>63</sup> Iván Oliveros, "Catalogan como reforma laboral nueva ley de calidad y equidad en la educación," *BioBioChile*, March 21, 2011, <http://www.biobiochile.cl/2011/03/21/catalogan-como-reforma-laboral-nueva-ley-de-calidad-y-equidad-en-la-educacion.shtml>.

<sup>64</sup> "Rindiendo cuenta: Balance de dos años de Gobierno de Presidente Sebastián Piñera – Informe de avance de los siete ejes prioritarios del gobierno y de la reconstrucción," *Gobierno de Chile*, (March 2012), 1-302, [http://www.gob.cl/cumplimiento/assets/files/final\\_cumplimiento\\_marzo\\_2012\\_digital.pdf](http://www.gob.cl/cumplimiento/assets/files/final_cumplimiento_marzo_2012_digital.pdf). Translated by author.

The opponents of this subsidy say the same as when the SEP was introduced by Bachelet. Increasing the subsidies has the potential to further segregate students and can be unsustainable in the long run. The increase suggested by the Piñera administration is minor when looking at the actual amounts. The most vulnerable families would only receive about \$14 more than they previously did. Even if these subsidies were able to achieve their goal, the difference between the top 10% having 2.6 times the resources vs. 3 times the resources is a minor. This subsidy would only have a minor impact, even if Piñera's administration is able to achieve the results it currently predicts.

#### *Increase in Tertiary Resources*

Two bills proposed to increase tertiary educational resources: the Tertiary Student Financing bill (*Ley sobre Financiamiento Estudiantil para Educación Superior*) signed in June 2012 and the tributary reform for education (*Reforma Tributaria para la Educación*) passed the following September.

The tax reform allocates more resources to education, attempting to target inequality. Introduced and endorsed by President Piñera in April, the reform includes an increase in the taxation of large corporations and a reduction of taxes on those persons in the lower tax brackets. The projected income of this reform of approximately one billion USD annually will be reallocated mainly to bonds, subsidies and tax credits to families with children in preschool and primary school, as well as the provision of more government scholarships and loans to students on a tertiary level. The rationale is that the extra funding will go towards better quality and equity on all educational levels because it reduces the tax burden for those in the lower classes and will encourage these families to

keep their child in school to continue profiting from the tax break. The Chilean government just passed this reform into law on September 4, 2012.

These reforms follow the same line as most of Piñera and Bachelet's reforms with an increase in educational expenditure and little structural reform. Since the government so recently implemented the tax reform, it is hard to tell how much new tax revenue will actually go to tertiary education. The projected income of one billion USD could be a large overstatement or understatement. Either way, as seen in previous chapters and in previous policies, this increase could be unsustainable and may not be used in appropriate ways that would target inequality. As seen with the corrupt use of the SEP Bachelet implemented, the money provided to these private institutions have the potential to simply line the pockets of profiteers or be spent in a wasteful manner.

#### *Bill to End Profit in Government-Subsidized Education*

A highly controversial initiative that is sitting on the senate floor at the moment is the bill to end profit in education. A clear response to the demand of the students protesting, this bill would finish what Bachelet's administration had first attempted with the General Education Law and prohibit the profit in state-subsidized institutions. Nearly a third of Chilean students attend state-subsidized institutions that make a profit (85% of all state-subsidized institutions), while the remaining state-subsidized institutions that are non-profit are typically religious (15%).

Proponents of this bill are primarily those belonging to the Concertación, which consists of the Christian Democrats, Party for Democracy, Socialist Party and Social Democrat Radical Party. These proponents say that 100% of government funds going to

education via subsidies should go straight to education and not into the pockets of private owners, going along the lines of many of the student protesters. Most even suggest that if the selection bias were eliminated then there is no real difference between for-profit and non-profit subsidized institutions.<sup>65</sup>

Opponents, however, claim that this bill would permanently damage the Chilean educational system and further increase inequality. What would happen to the third of the students if their schools were forced to shut down because they would not receive government subsidies anymore? The students attending these institutions would be at a disadvantage because they would either have to attend lower quality municipal institutions, attend institutions with religious affiliations, or pay more to attend fully private institutions, typically not a financial option for many. The transition would therefore increase inequality. Also, according to these opponents, there is no real evidence that these for-profit institutions are using that profit in any other manner than reinvesting that money into educational standards.<sup>66</sup>

If the Chilean government passes this bill, this will definitely signify a new era for Chilean education as the market-driven school choice competition will be severely dismantled with the government taking away funding for the majority of state-subsidized institutions.

### *Conclusion*

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<sup>65</sup> Dante Contreras, Daniel Hojman, Federico Huneeus, and Oscar Landerretche, "El Lucro en la Educación Escolar. Evidencia y Desafíos Regulatorios," *Trabajos de Investigación en Políticas Públicas, Departamento de Economía, Universidad de Chile*, (September 2011), 1-16.

<sup>66</sup> Rodrigo Deleveau, "El Proyecto de ley contra el lucro es inconstitucional y expropiatorio," *El Mostrador: Opiniones*, August 31, 2011, <http://www.elmostrador.cl/noticias/pais/2011/08/31/%E2%80%9Ccel-proyecto-de-ley-contra-el-lucro-es-inconstitucional-y-expropiatorio%E2%80%9D/>.

Until educational reforms attempt to change the competition mechanism that maintains the inequities in the Chilean education system, like the proposed bill to end profit in government-subsidized education, current reforms will not be able to fully target the inequality that plagues Chile's system, particularly in the tertiary sector. The educational reforms of the Bachelet administration and the current reforms of Piñera's administration have merely increased the educational expenditure through new education laws, preferential subsidies and tributary reforms to increase tertiary resources.

After nearly thirty years, the education system operating under public choice theory has seen improvements in quality but has also seen further segregation. Taking from Sen's argument, how Chilean citizens value capacity has shifted because their expectations have changed. Yes, the aggregate output of schooling has increased, the poverty level has reduced and schools are performing better. But better schools are performing increasingly better as the decades pass, and that divergence is what continues to halt Chilean development. The student protests simply reflect the discontent among many sectors of the population with this increasing inequality. Publicly subsidized schools have further segregated society, making education about what you can afford and not about equalizing opportunity to reflect how you can perform. This system simply maintains the mutually reinforcing cycle of inequality in the Chilean society.

The educational reforms thus far have not been able to fully address the structural issues holding back equitable education. Some have been able to address inequality in minor ways, like Bachelet's SEP and even Piñera's tributary reform through targeting measures. But these reforms do not address the core issue and will primarily have impacts in the short run, as these increases in educational expenditures can be

unsustainable. The data in chapter three also showed that even in a decade of increased funding, particularly through targeted subsidies, inequality between income groups did not diminish. In fact, inequality increased. Until educational reforms attempt to change the competition mechanism that maintains the inequities in the Chilean education system, like the proposed bill to end profit in state-subsidized education, current reforms will not be able to fully target the inequality that plagues Chile's system.

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## APPENDIX

### *Educational Coverage:*

CASEN 1990

Sex	Income Quintile	Level of Education			
		Preschool	Primary	Secondary	Tertiary
Male	I	15.6	94.9	73.0	5.5
	II	16.9	96.9	76.4	8.5
	III	20.7	97.7	79.2	15.1
	IV	28.4	97.6	87.5	23.5
	V	35.3	99.0	93.8	41.2
	<b>Total</b>		21.0	96.7	80.4
Female	I	18.3	96.3	74.5	3.6
	II	18.4	96.8	77.7	7.0
	III	20.9	97.6	82.2	9.5
	IV	25.5	97.4	86.4	20.4
	V	29.6	98.8	95.3	40.1
	<b>Total</b>		21.1	97.1	81.1
Total	I	17.0	95.6	73.8	4.4
	II	17.6	96.9	77.1	7.7
	III	20.8	97.7	80.6	12.4
	IV	27.0	97.5	87.0	22.0
	V	32.5	98.9	94.5	40.7
	<b>Total</b>		21.0	96.9	80.8

(\*) Excludes domestic service options within the nuclear family.

CASEN 2000

Sex	Income Quintile	Level of Education			
		Preschool	Primary	Secondary	Tertiary
Male	I	26.0	97.6	81.8	9.0
	II	29.5	99.0	88.1	19.6
	III	33.6	99.0	92.8	33.1
	IV	38.5	99.4	96.0	45.4
	V	51.0	99.6	98.7	67.2
	<b>Total</b>		33.1	98.7	89.9
Female	I	25.7	97.8	82.4	10.1
	II	29.5	98.0	90.8	15.7
	III	31.1	98.6	92.7	29.9
	IV	36.7	99.1	96.5	40.5

	<b>V</b>	52.2	99.8	98.4	67.6
	<b>Total</b>	32.2	98.4	90.6	30.2
<b>Total</b>	<b>I</b>	25.9	97.7	82.1	9.6
	<b>II</b>	29.5	98.5	89.4	17.7
	<b>III</b>	32.4	98.8	92.8	31.7
	<b>IV</b>	37.6	99.2	96.3	43.0
	<b>V</b>	51.5	99.7	98.6	67.4
	<b>Total</b>	32.7	98.5	90.2	32.2

(\*) Excludes domestic service options within the nuclear family.

#### CASEN 2009

<b>Sex</b>	<b>Income Quintile</b>	<b>Level of Education</b>			
		<b>Preschool</b>	<b>Primary</b>	<b>Secondary</b>	<b>Tertiary</b>
<b>Male</b>	<b>I</b>	38.0	98.7	89.8	22.1
	<b>II</b>	39.5	98.9	93.2	27.3
	<b>III</b>	42.9	99.8	93.0	31.9
	<b>IV</b>	44.6	99.0	94.6	45.0
	<b>V</b>	57.2	99.8	95.8	66.7
	<b>Total</b>	42.4	99.1	92.8	39.0
<b>Female</b>	<b>I</b>	37.5	98.5	90.1	23.1
	<b>II</b>	42.5	99.1	91.9	30.8
	<b>III</b>	42.3	99.4	95.5	36.6
	<b>IV</b>	43.5	99.9	95.5	46.4
	<b>V</b>	56.8	99.8	96.2	68.9
	<b>Total</b>	42.7	99.2	93.2	40.6
<b>Total</b>	<b>I</b>	37.8	98.6	89.9	22.7
	<b>II</b>	41.0	99.0	92.6	29.1
	<b>III</b>	42.6	99.6	94.2	34.2
	<b>IV</b>	44.1	99.4	95.1	45.6
	<b>V</b>	57.0	99.8	95.9	67.8
	<b>Total</b>	42.6	99.2	93.0	39.8

(\*) Excludes domestic service options within the nuclear family.

#### Difference from 1990 to 2000

<b>Sex</b>	<b>Income Quintile</b>	<b>Level of Education</b>			
		<b>Preschool</b>	<b>Primary</b>	<b>Secondary</b>	<b>Tertiary</b>
<b>Male</b>	<b>I</b>	10.41	2.76	8.79	3.51
	<b>II</b>				

		12.62	2.09	11.68	11.10
	III	12.90	1.31	13.64	18.04
	IV	10.10	1.79	8.50	21.93
	V	15.63	0.62	4.95	26.00
	<b>Total</b>	12.16	1.99	9.48	16.06
<b>Female</b>	I	7.39	1.44	7.90	6.48
	II	11.13	1.21	13.09	8.77
	III	10.12	0.94	10.48	20.32
	IV	11.13	1.71	10.11	20.11
	V	22.52	0.99	3.11	27.51
	<b>Total</b>	11.12	1.29	9.50	15.90
<b>Total</b>	I	8.90	2.11	8.32	5.21
	II	11.88	1.68	12.30	9.96
	III	11.56	1.13	12.13	19.24
	IV	10.62	1.75	9.30	20.99
	V	18.98	0.80	4.12	26.73
	<b>Total</b>	11.66	1.65	9.49	16.06

Difference from 2000 to 2009

Sex	Income Quintile	Level of Education			
		Preschool	Primary	Secondary	Tertiary
<b>Male</b>	I	11.92	1.07	7.96	13.01
	II	9.98	(0.08)	5.12	7.64
	III	9.26	0.76	0.17	(1.20)
	IV	6.10	(0.37)	(1.40)	(0.41)

	<b>V</b>	6.28	0.13	(2.97)	(0.52)
	<b>Total</b>	9.29	0.48	2.93	4.86
<b>Female</b>	<b>I</b>	11.90	0.73	7.73	13.05
	<b>II</b>	13.00	1.09	1.13	15.07
	<b>III</b>	11.19	0.81	2.75	6.70
	<b>IV</b>	6.84	0.79	(0.99)	5.88
	<b>V</b>	4.64	(0.00)	(2.30)	1.32
	<b>Total</b>	10.50	0.81	2.55	10.36
<b>Total</b>	<b>I</b>	11.90	0.91	7.85	13.04
	<b>II</b>	11.48	0.47	3.19	11.41
	<b>III</b>	10.18	0.79	1.42	2.54
	<b>IV</b>	6.42	0.17	(1.20)	2.65
	<b>V</b>	5.52	0.07	(2.64)	0.40
	<b>Total</b>	9.87	0.64	2.75	7.58

Difference from 1990 to 2009

<b>Sex</b>	<b>Income Quintile</b>	<b>Level of Education</b>			
		<b>Preschool</b>	<b>Primary</b>	<b>Secondary</b>	<b>Tertiary</b>
<b>Male</b>	<b>I</b>	22.33	3.84	16.75	16.52
	<b>II</b>	22.60	2.01	16.80	18.73
	<b>III</b>	22.16	2.07	13.81	16.84
	<b>IV</b>	16.20	1.42	7.10	21.53
	<b>V</b>	21.92	0.75	1.97	25.48
	<b>Total</b>	21.45	2.46	12.42	20.92
<b>Female</b>	<b>I</b>				

		19.29	2.17	15.63	19.53
	II	24.13	2.30	14.22	23.84
	III	21.31	1.75	13.23	27.03
	IV	17.97	2.49	9.12	25.98
	V	27.16	0.99	0.81	28.83
	<b>Total</b>	21.62	2.10	12.05	26.25
<b>Total</b>	I	20.80	3.02	16.16	18.25
	II	23.36	2.15	15.50	21.38
	III	21.75	1.92	13.56	21.79
	IV	17.04	1.92	8.10	23.64
	V	24.51	0.87	1.48	27.14
	<b>Total</b>	21.54	2.29	12.24	23.64