

Ecuador

April 2019

Despite the plunging economy, poverty has remained almost constant. This was partially driven by the steady deterioration of labor market conditions. There was a significant decrease in good-quality jobs, which was partially compensated by the increase in jobs that offer workers fewer hours per week and lower salaries, or a combination of both. The combination of these factors resulted in a higher underemployment rate, as well as in the informality rate, which went back to levels nearing those at the beginning of the decade. The deterioration in good quality jobs has also been reflected in the decline of the average real labor income. In 2018, people also felt discouraged from continuing participating in the labor market. Given that the current situation has been particularly challenging for those at the middle of the income distribution, the incidence on poverty has not been significantly affected yet.

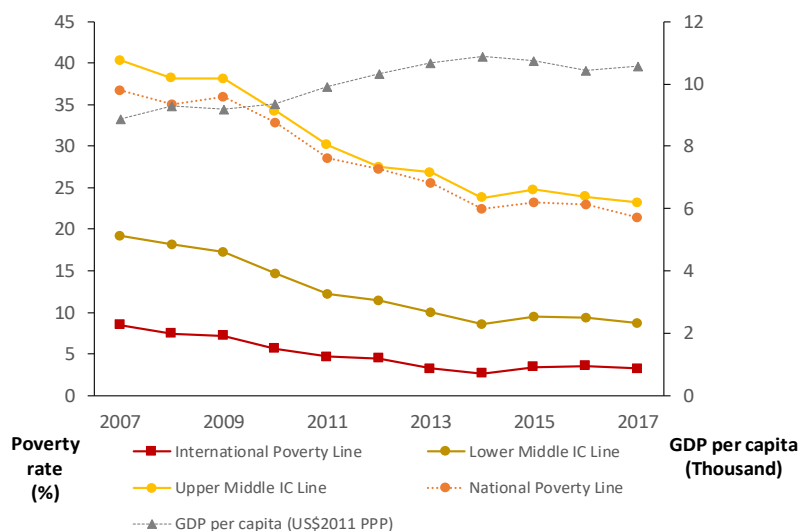
Public transfers from the Bono de Desarrollo Humano (BDH) have been cut to a significant number of beneficiaries since 2014. These transfers were the second most important factor that contributed to poverty reduction between 2007 and 2013. However, the reduction that most households suffered in their total household income from this change in policy was compensated from both domestic and international transfers among households.

In Ecuador, the gains of poverty reduction were shared during 2007-2013. In this period, the income for the bottom percentiles grew between 7 and 9 percent annually, compared to an overall mean growth rate of 4 percent. Nonetheless, since 2013 the income growth for both the bottom and the top percentiles stagnated. The Gini Index shows ups and downs, but in 2018 is roughly the same than that of 2014.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	3,640.0	21.5	2017
International Poverty Line 1.2 in U.S. dollar (2017) or US\$1.90 (2011 PPP) per day per capita	545.0	3.2	2017
Lower Middle Income Class Poverty Line 2.1 in U.S. dollar (2017) or US\$3.20 (2011 PPP) per day per capita	1,470.1	8.7	2017
Upper Middle Income Class Poverty Line 3.6 in U.S. dollar (2017) or US\$5.50 (2011 PPP) per day per capita	3,937.7	23.2	2017
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.41	2012-2017
INEQUALITY			
Gini Index		44.7	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.20	2012-2017
GROWTH			
Annualized GDP per capita growth		0.5	2012-2017
Annualized Income Growth per capita from Household Survey		1.20	2012-2017

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of March 2019, and Global Monitoring Database for the rest.

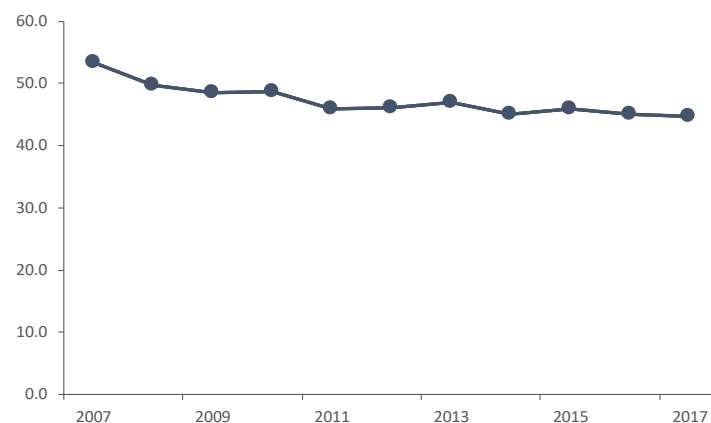
POVERTY HEADCOUNT RATE, 2007-2017



Source: World Bank using ENEMDU/SEDLAC/GMD

INEQUALITY TRENDS, 2007-2017

Gini Index



Source: World Bank using ENEMDU/SEDLAC/GMD

KEY INDICATORS (distribution among groups)

	Upper Middle Income line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	83	17	33	67	2017
Rural population	63	37	56	44	2017
Males	76	24	41	59	2017
Females	77	23	39	61	2017
0 to 14 years old	67	33	54	46	2017
15 to 64 years old	80	20	35	65	2017
65 and older	87	13	27	73	2017
Without education (age 16 and older)	70	30	51	49	2017
Primary education (age 16 and older)	73	27	45	55	2017
Secondary education (age 16 and older)	79	21	38	62	2017
Tertiary/post-secondary education (age 16 and older)	94	6	12	88	2017

Source: World Bank using Global Monitoring Database

POVERTY DATA AND METHODOLOGY

Ecuador's official poverty numbers are based on income, published twice per year (June and December) and, because of consistency on both Encuesta Nacional de Empleo, Desempleo y Subempleo (ENEMDU) questionnaires and poverty methodology, are reported since 2007. The World Bank (WB) also uses income to estimate international poverty but there are some differences with the official aggregate: (1) WB does not include contributions to social security and taxes for salaried workers; (2) WB includes other public transfers while the official aggregate includes only the Bono de Desarrollo Humano; (3) WB includes imputed rent using hedonic model using the QR approach; (4) WB is adjusted by differences in urban/rural prices, while the official aggregate does not correct by spatial differences; and (5) WB does not include domestic workers as members of the household. Regarding the poverty line, the official methodology draws these thresholds from the consumption aggregate adjusted by spatial differences. The fifth round of the Quality of Life Survey (ECV) conducted in 2006 was used to draw both the official extreme poverty line, which reflects a minimum threshold of 2,144 Kcal per person per day, and the official moderate poverty line which uses an Engel coefficient of 56 percent. The poverty lines are updated across time using the total CPI. Both official extreme and moderate poverty lines are equivalent to \$2.50 and \$4.40 per day 2011 PPP. Official poverty numbers based on consumption are also available from 1998, but these are reported every eight years.

HARMONIZATION

The numbers presented in the brief are based on the regional data harmonization effort known as the Socio-economic Database for Latin America and the Caribbean (SEDLAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SEDLAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SEDLAC project due to lack of data. Since an income-based welfare aggregate is widely used in the region for official poverty estimates, income-based microdata is used for the Global Monitoring Database (GMD) and Global Poverty Monitoring. SEDLAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.