

Poverty & Equity Brief

Latin America & the Caribbean

Ecuador

April 2020

Low economic growth translated into weaker labor market and social outcomes. Poverty reached 25 percent of the population in 2019 according to official figures, affecting more than 4 million Ecuadorians. There has been a steady deterioration of labor market conditions: a significant decrease in formal jobs was partially compensated by an increase in jobs that offer workers fewer hours and lower salaries, or a combination of both. These factors resulted in a higher underemployment (18 percent) and informality rate in 2019, the highest levels since 2007 (46.7 percent). Labor market deterioration has also been reflected in the decline of the average real labor income by 2 percent for a second year in a row.

More educated, urban, non-indigenous and male headed households are less likely to be poor in Ecuador. Although poverty rates rise with an increase in household size, this happens at a decreasing rate. The probability of being poor is lower as more household members enter the labor market. Moreover, poverty is highest among individuals employed in agriculture. In contrast, non-farm, and non-agricultural households tend to be better off, regardless of their sector of employment.

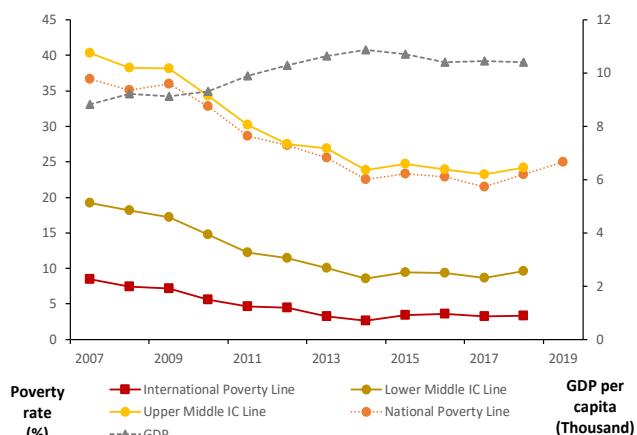
The gains of poverty reduction were shared at the lower end of the income distribution before the plunge in oil prices. Between 2007 and 2013, the income for the bottom 40 grew between 7 and 9 percent annually, compared to an overall mean growth rate of 4 percent. Nonetheless, since 2013 the income growth for both the bottom and the top percentiles of the income distribution stagnated. As a result, inequality, as measured by the Gini coefficient, shows ups and downs, but in 2019 (0.473) is roughly the same as that of 2012 (0.477).

Finally, preliminary results of the impact of the triplet crises -COVID19, a plunge in oil prices and tight constraints access to international financing- show that Ecuador is losing the gains of the past. More than a million people are expected to fall into poverty in 2020 and inequality would also increase by more than 2 points of Gini.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	4,271.1	25.0	2019
International Poverty Line 1.2 in U.S. dollar (2018) or US\$1.90 (2011 PPP) per day per capita	565.7	3.3	2018
Lower Middle Income Class Poverty Line 2.1 in U.S. dollar (2018) or US\$3.20 (2011 PPP) per day per capita	1,650.1	9.7	2018
Upper Middle Income Class Poverty Line 3.6 in U.S. dollar (2018) or US\$5.50 (2011 PPP) per day per capita	4,135.0	24.2	2018
Multidimensional Poverty Measure		4.7	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent	1.25		2013-2018
INEQUALITY			
Gini Index	45.4		2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth	0.79		2013-2018
GROWTH			
Annualized GDP per capita growth	-0.42		2013-2018
Annualized Income Growth per capita from Household Survey	0.47		2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita	1.33		2013-2018

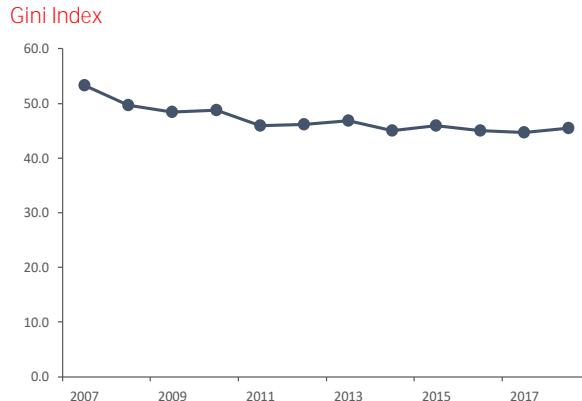
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2007-2019



Source: World Bank using ENEMDU/SEDLAC/GMD

INEQUALITY TRENDS, 2007-2018



Source: World Bank using ENEMDU/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2018	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2018
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	82	18	32	68	Monetary poverty (income)	
Rural population	62	38	56	44	Daily income less than US\$1.90 per person	3.3
Males	76	24	40	60	Education	
Females	75	25	40	60	At least one school-aged child is not enrolled in school	2.3
0 to 14 years old	65	35	54	46	No adult has completed primary education	3.9
15 to 64 years old	79	21	36	64	Access to basic infrastructure	
65 and older	88	12	24	76	No access to limited-standard drinking water	4.4
Without education (16+)	69	31	49	51	No access to limited-standard sanitation	3.1
Primary education (16+)	71	29	48	52	No access to electricity	1.3
Secondary education (16+)	78	22	37	63		
Tertiary/post-secondary education (16+)	95	5	11	89		

Source: World Bank using ENEMDU/SEDLAC/GMD

Source: World Bank using ENEMDU/SEDLAC/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

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.