

Poverty & Equity Brief

Latin America & the Caribbean

Costa Rica

October 2019

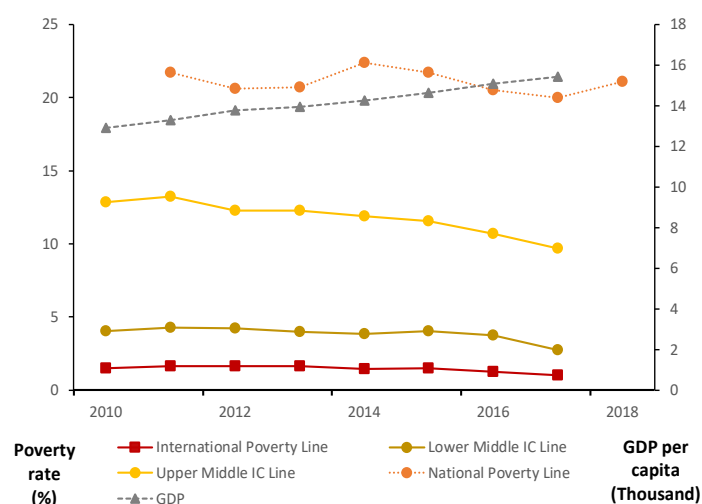
With an estimated 10.6 percent of the population living below the internationally comparable upper middle-income poverty line in 2018 (based on preliminary estimates), Costa Rica remains among the least poor countries in LAC. Yet, the poverty response to economic growth has been limited since 2010, and national poverty rates point to an increase in poverty between 2017 and 2018, both in urban and rural areas. In fact, poverty rates went from 20 to 21.1 percent, adding 23,617 new households to poverty and 12,371 into extreme poverty (extreme poverty rates went from 5.7 to 6.3 percent). Annualized income growth among the poor, or the bottom 40 percent of the population, was 2 percent (relative to 1.7 percent for the overall population) in the last five years. Such low income growth is among the lowest in Latin America and the Caribbean (LAC). Income inequality measured using an internationally comparable income measure has slightly decreased (with the Gini standing at 47.9 in 2018 based on preliminary estimates), yet with virtually no gains compared to the beginning of the decade (48.1 in 2010). Importantly, in 2000, Costa Rica lost the ranking of being one of the most egalitarian countries in LAC after Uruguay; the relative decline in the ranking in comparison with other countries in the region is because other countries in the region made significant and faster gains in reducing inequality.

Non-labor incomes were the main source of the modest poverty reduction in Costa Rica in the past years. However, there is room for improvement, since most of the social assistance programs have low coverage and are insufficiently targeted in Costa Rica. On the side of labor income, the labor market has been weakening. The unemployment rate rose by 3.3 percentage points year-to-year reaching 11.9 percent (April-June 2019) with around 90 thousand additional people now looking for jobs and the vast majority in urban areas. Although around 25 thousand jobs were created in this period, these were not enough to compensate for the marked increase in labor force participation.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line (Households)	N/A	21.1	2018
International Poverty Line 769.5 in Costa Rican colón (2017) or US\$1.90 (2011 PPP) per day per capita	49.2	1.0	2017
Lower Middle Income Class Poverty Line 1295.9 in Costa Rican colón (2017) or US\$3.20 (2011 PPP) per day per capita	134.7	2.7	2017
Upper Middle Income Class Poverty Line 2227.4 in Costa Rican colón (2017) or US\$5.50 (2011 PPP) per day per capita	479.0	9.7	2017
Multidimensional Poverty Measure		1.3	2017
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.04	2012-2017
INEQUALITY			
Gini Index		48.3	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.38	2012-2017
GROWTH			
Annualized GDP per capita growth		2.3	2012-2017
Annualized Income Growth per capita from Household Survey		1.66	2012-2017
MEDIAN INCOME			
Growth of the annual median income		1.46	2012-2017

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

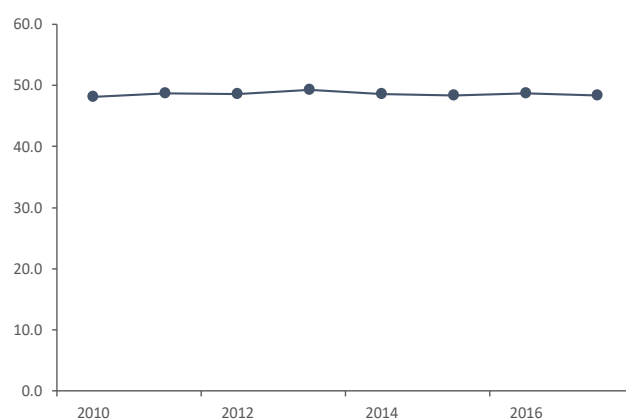
POVERTY HEADCOUNT RATE, 2010-2018



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2010-2017

Gini Index



Source: World Bank using ENAHO/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2017	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people): 2017
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	92	8	35	65	Monetary poverty (Income)
Rural population	85	15	53	47	Daily income less than US\$1.90 per person
Males	91	9	39	61	Education
Females	90	10	41	59	At least one school-aged child is not enrolled in school
0 to 14 years old	82	18	58	42	No adult has completed primary education
15 to 64 years old	92	8	36	64	Access to basic infrastructure
65 and older	96	4	27	73	No access to limited-standard drinking water
Without education (16+)	85	15	60	40	No access to limited-standard sanitation
Primary education (16+)	86	14	54	46	No access to electricity
Secondary education (16+)	92	8	39	61	
Tertiary/post-secondary education (16+)	99	1	8	92	

Source: World Bank using ENAHO/SEDLAC/GMD

Source: World Bank using ENAHO/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

Official poverty estimates in Costa Rica are produced by the Instituto Nacional de Estadísticas y Censos (INEC) based on data from the Encuesta Nacional de Hogares (ENAHO), which are available to the public. Costa Rica estimates poverty based on the Cost of Basic Needs method by determining an absolute extreme and an overall poverty line per person per month. Poverty lines refer to the lack of per capita income required to access a basket of goods and services needed to achieve adequate living conditions. The most recent monetary poverty numbers (percentage of households) in Costa Rica correspond to 2018, and the extreme and overall official poverty rates at the national level were 6.3 and 21.1 percent, respectively. The latest harmonized poverty numbers for 2017 are available at the LAC Equity Lab. There are many differences between INEC's official poverty numbers and the harmonized international poverty measures. INEC's official methodology uses current income per adult equivalent, which includes labor income, public and private transfers, and capital rents. The value of official poverty lines is divided into urban and rural areas. Harmonized international poverty measures, on the other hand, use net income per household member, which includes the value for housing and self-consumption, and are spatially adjusted at the urban/rural level (not included in official estimates).

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.