

# Poverty & Equity Brief

Latin America & the Caribbean

## Costa Rica

April 2020

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). In 2019, progress in total poverty was null (from 21.1 to 21 percent), while there was a slight reduction in extreme poverty (6.3 to 5.8 percent). The national Gini coefficient remains at its 2010 level (0.503 in 2010 and 0.508 in 2019), but it declined between 2018 and 2019 (0.511 in 2018). Importantly, in 2000, Costa Rica lost the ranking of being one of the most egalitarian countries in LAC after Uruguay.

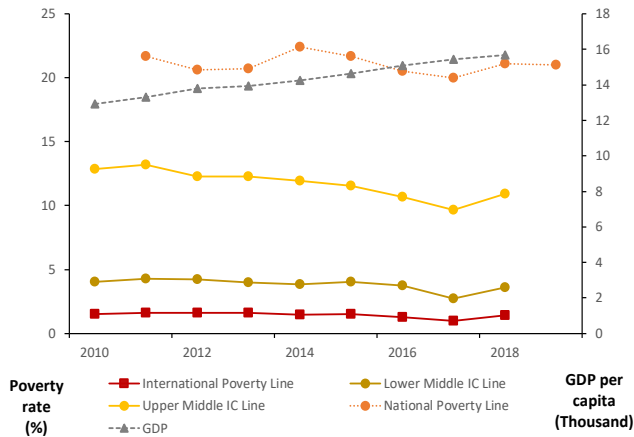
The labor market continues to weaken. The unemployment rate continues increasing and reached its highest point of 12.4 (October-December 2019) with around 15.5 thousand additional people now looking for jobs compared to the previous year. Although around 17 thousand jobs were created in this period, these were not enough to compensate for the marked increase in labor force participation, and employment losses have occurred among the lower skilled.

The COVID-19 crisis is leading the economy into recession in 2020, pushing poverty and inequality upwards. Informal, self-employed and micro and small business will bear the brunt of the shock. Workers and businesses in sectors like hotels, restaurants, and transport (which employ 277 thousand people, 61 percent unskilled and 11 percent poor) will be directly affected, exacerbating inequality. Regions with higher dependence on tourism like Chorotega and Pacifico Central may suffer most. Unemployment is expected to increase significantly, and a loss of just 14 days of monthly labor income among the informal self-employed and small business could push 310 thousand people into poverty (\$5.5/day PPP). Mitigating measures include delayed tax payments for firms and social insurance measures, yet coverage and targeting gaps in social assistance and limited fiscal space could thwart mitigation responses.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	1,049.9	21.0	2019
International Poverty Line 785.5 in Costa Rican colón (2018) or US\$1.90 (2011 PPP) per day per capita	70.9	1.4	2018
Lower Middle Income Class Poverty Line 1323 in Costa Rican colón (2018) or US\$3.20 (2011 PPP) per day per capita	180.5	3.6	2018
Upper Middle Income Class Poverty Line 2273.8 in Costa Rican colón (2018) or US\$5.50 (2011 PPP) per day per capita	545.6	10.9	2018
Multidimensional Poverty Measure		1.8	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		1.40	2013-2018
INEQUALITY			
Gini Index		48.0	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.80	2013-2018
GROWTH			
Annualized GDP per capita growth		2.40	2013-2018
Annualized Income Growth per capita from Household Survey		0.60	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.58	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.

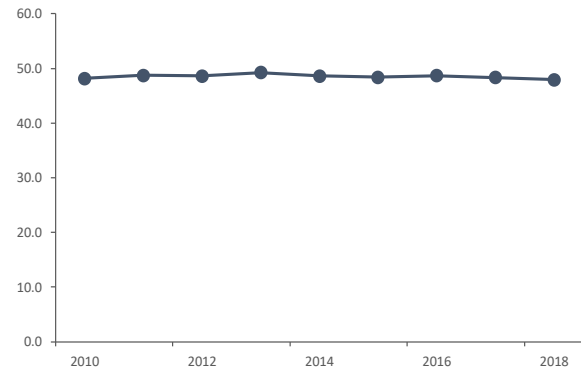
## POVERTY HEADCOUNT RATE, 2010-2019



Source: World Bank using ENAHO/SEDLAC/GMD

## INEQUALITY TRENDS, 2010-2018

### Gini Index



Source: World Bank using ENAHO/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	91	9	34	66	<b>Monetary poverty (Income)</b>	
Rural population	85	15	55	45	Daily income less than US\$1.90 per person	1.4
Males	90	10	39	61	<b>Education</b>	
Females	89	11	41	59	At least one school-aged child is not enrolled in school	1.0
0 to 14 years old	79	21	60	40	No adult has completed primary education	4.9
15 to 64 years old	91	9	36	64	<b>Access to basic infrastructure</b>	
65 and older	96	4	27	73	No access to limited-standard drinking water	0.1
Without education (16+)	84	16	58	42	No access to limited-standard sanitation	1.8
Primary education (16+)	86	14	56	44	No access to electricity	0.4
Secondary education (16+)	91	9	38	62		
Tertiary/post-secondary education (16+)	99	1	9	91		

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 2019, and the extreme and overall official poverty rates at the national level were 5.8 and 21 percent, respectively. The latest harmonized poverty numbers for 2018 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.