

Poverty & Equity Brief

Latin America & the Caribbean

Colombia

April 2021

Monetary poverty increased in Colombia, going from 34.7 percent in 2018 based on official poverty rates (and using the new poverty methodology) to 35.7 percent in 2019, resulting in an additional 662,000 thousand people falling into poverty. Inequality measured by the official (national) Gini index continued the upward trend it displayed in 2018, reaching 52.7 in 2019; inequality increased in both urban and rural areas. Households in the bottom 40 percent of Colombia's income distribution experienced little income growth, yet still positive compared to the reduction in average income per capita growth.

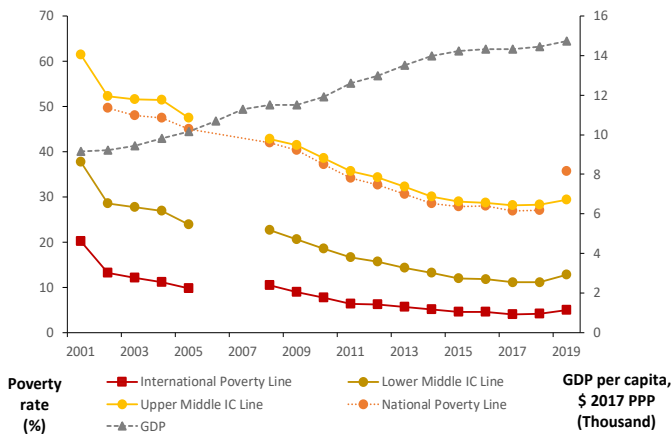
The COVID-19 crisis plunged Colombia into recession in 2020 and exacerbated existing labor market weaknesses. Around 2.5 million jobs were lost in that year. The unemployment rate increased by 50 percent in 2020, reaching 15.9 percent, with large increases in urban areas and among women, the youth, the self-employed, and workers in small firms. Inactivity increased, as 2.5 million jobs were lost over the year. The number of people working less than 20 hours a week increased from 15 percent to 22 percent among the employed. As household income plummeted, other dimensions of wellbeing (especially food security, access to health services and to quality education) worsened (including for the middle class), with potential long-term impacts on human capital and productivity.

Government emergency transfers are estimated to have mitigated around a quarter of the negative impact of the crisis on poverty. However, given that the activity and jobs that contracted the most were in sectors with a large proportion of informal labor (such as commerce, manufacturing, and hospitality), around 3 million people are estimated to have become poor and the incidence of poverty is projected to increase by over 5.5 percentage points (US\$5.5/day poverty line), wiping out the gains since 2011. The new poor are relatively more urban, better qualified and more concentrated in the service sector. This change in the profile of the poor results in part from downward economic mobility due to the severe and widespread impact of the crisis. While government transfers also mitigated impacts on the Gini coefficient, inequalities between groups are expected to increase as gender gaps and inequalities between high-skilled and low-skilled workers widen.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	17.5	35.7	2019
International Poverty Line 3166 in Colombian peso (2019) or US\$1.90 (2011 PPP) per day per capita	2.5	4.9	2019
Lower Middle Income Class Poverty Line 5332.2 in Colombian peso (2019) or US\$3.20 (2011 PPP) per day per capita	6.4	12.7	2019
Upper Middle Income Class Poverty Line 9164.7 in Colombian peso (2019) or US\$5.50 (2011 PPP) per day per capita	14.8	29.4	2019
Multidimensional Poverty Measure		5.5	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		0.37	2014-2019
INEQUALITY			
Gini Index		51.3	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.85	2014-2019
GROWTH			
Annualized GDP per capita growth		1.02	2014-2019
Annualized Income Growth per capita from Household Survey		-0.48	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.19	2014-2019

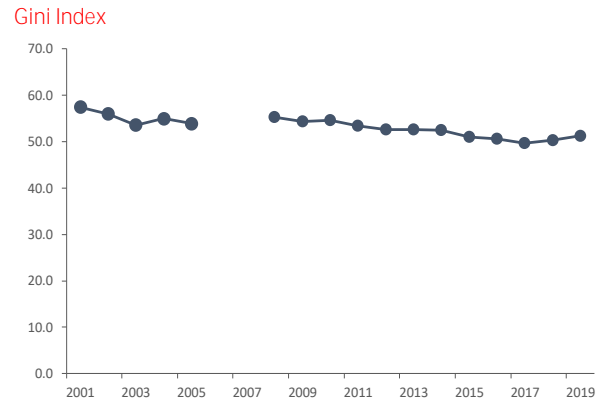
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2001-2019



Source: World Bank using GEIH/SEDLAC/GMD

INEQUALITY TRENDS, 2001-2019



Source: World Bank using GEIH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2019	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population				N/A	Monetary poverty (Income)	
Rural population	73	27	64	36	Daily income less than US\$1.90 per person	4.9
Males	88	12	39	61	Education	
Females	87	13	41	59	At least one school-aged child is not enrolled in school	2.8
0 to 14 years old	80	20	56	44	No adult has completed primary education	5.1
15 to 64 years old	90	10	35	65	Access to basic infrastructure	
65 and older	91	9	28	72	No access to limited-standard drinking water	2.4
Without education (16+)	76	24	60	40	No access to limited-standard sanitation	8.2
Primary education (16+)	83	17	50	50	No access to electricity	1.3
Secondary education (16+)	89	11	38	62		
Tertiary/post-secondary education (16+)	97	3	13	87		

Source: World Bank using GEIH/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

Colombia's official poverty numbers are based on income, published once per year, and have been reported since 2002 except for 2006 and 2007, transition years for moving between the two surveys used to compute income (the former Encuesta Continua de Hogares and the Gran Encuesta Integrada de Hogares, used since 2008). The World Bank (WB) also uses income to estimate international poverty but the difference with the official aggregate is that the WB does not include domestic workers as members of the household. Additionally, the WB adjusts the per-capita income for people living in rural areas using an adjustment factor of 1.15. Regarding the poverty lines, a new methodology was launched in 2020 alongside the 2019 official poverty figure, and applied to the series from 2012 to 2019, based on the 2016-2017 Encuesta Nacional de Presupuesto de los Hogares (ENPH). The food basket and its value were updated, and an endogenous Orshansky coefficient was estimated for each of the geographic domains. Poverty lines will be updated across time using a new price deflator. The official per capita extreme poverty line in 2019 was \$137.350 Colombian pesos, and the per capita extreme poverty line was \$327.674.

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.