



BACKGROUND NOTE

Poverty and Inequality in El Salvador: A Snapshot of Current Trends¹

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Abstract

This background note documents trends and the current situation on poverty and inequality in El Salvador. We examine the current trends in poverty and inequality in El Salvador, comparing them with other countries in the region, identifying primary drivers, and offering a demographic and geographic profile of the poor, based on the latest available data. The analysis covers three periods, 2000–2009, 2009–2019, and 2019–2023, focusing on the latest period to assess the pre- and post-pandemic conditions.

JEL Classification: I31, I32, D31

Keywords: Poverty, Poverty Measurement, Income Inequality

I.

National overview of poverty and inequality

Box 1.1. Measuring poverty in El Salvador

In El Salvador, the extreme poverty rate is defined as the share of the population whose monthly per capita household income is insufficient to purchase a basic food basket that meets their caloric requirements. In 2023, this basket's value was US\$44.47 in rural areas and US\$66.67 in urban areas. Total poverty is calculated as the share of the population whose monthly per capita household income is insufficient to purchase an extended basic consumption basket, which costs double the basic food basket.

For international comparisons, the World Bank uses two international poverty lines (in 2017 Purchasing Power Parity [PPP] dollars per person per day): \$2.15 and \$6.85, reflecting the poverty lines for low-income and middle-income countries, respectively. Income is harmonized for all countries in Latin America and the Caribbean. In El Salvador, the main difference between the harmonized income and that used for national estimates is the inclusion of an 'imputed rent' component and a 15 percent increase in rural income to account for cost differences between urban and rural areas. International poverty is calculated as the share of the population whose per capita harmonized household income per day falls below these thresholds.

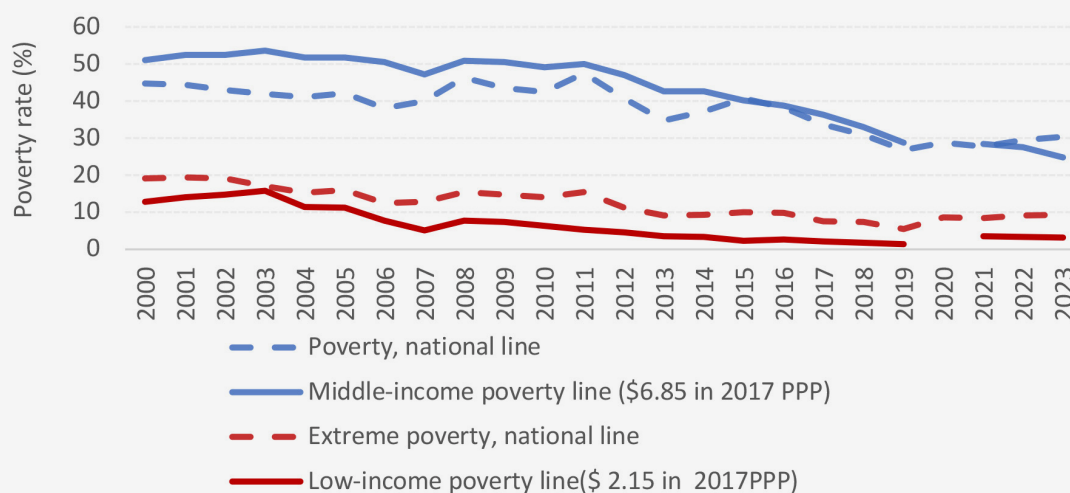
In this report, total and extreme poverty are also referred to as official poverty, while poverty measured using the \$2.15 and \$6.85 thresholds is termed international poverty. For comparison, in 2023, the daily PPP 2017 equivalent values of the total poverty line were \$4.9 and \$7.5 for rural and urban areas, respectively, and \$2.5 and \$3.7 for the extreme poverty line. A key distinction is that the official poverty lines are annually updated to reflect food price changes within the basic food basket, whereas the international poverty lines are expressed in 2017 PPP to account for differences in real prices between countries and adjusted only by the Consumer Price Index (CPI). This methodological discrepancy can lead to diverging trends between both types of poverty rates as the relative differences between them can vary from year to year.

Beyond the monetary concept of poverty, the multidimensional poverty measure acknowledges that poverty affects various aspects of life beyond income, limiting the development of capabilities, and hindering the potential for a fulfilling life. In 2016, El Salvador adopted a multidimensional poverty measure, aligning with global practices. This index encompasses 20 indicators across five fundamental well-being dimensions: (i) education; (ii) housing conditions; (iii) employment and social security; (iv) health, basic services, and food security; and (v) habitat quality.

Total and extreme poverty have increased in El Salvador since the COVID-19 outbreak, disrupting over a decade of progress. From 2000 to 2009, despite fluctuations, the total poverty rate remained relatively stable, while extreme poverty decreased. The absence of longer-term total poverty reduction during this period can be partly linked to weak gross domestic product (GDP) per capita growth, averaging only 1.2 percent, exacerbated by the

2008 global financial crisis. In contrast, during the decade from 2009 to 2019, substantial poverty reduction occurred despite a moderate GDP per capita growth rate of 1.7 percent. Between 2000 and 2019, poverty decreased by 9 percent in urban areas and 30 percent in rural areas, and extreme poverty decreased by 6 and 25 percent, respectively. However, this trend was halted in 2019 by the pandemic (Figure 1.1).

FIGURE 1.1 POVERTY TRENDS IN EL SALVADOR AT NATIONAL AND INTERNATIONAL POVERTY LINES, 2000–2023



Source: World Bank's LAC Equity Lab estimations, 2000–23 SEDLAC data and El Salvador Multipurpose Household Survey (EHPM) data (ONEC).

El Salvador has not reversed this deteriorating trend, and by 2023, both total and extreme poverty rates have reached their highest levels in the post-pandemic era. As of that year, 30.3 percent of the Salvadoran population was living in poverty, and 9.3 percent was suffering extreme poverty. The extreme poverty rate has sharply increased by almost 70 percent, returning to levels last observed a decade ago. It is estimated that an additional 221,000 Salvadorans have fallen into extreme poverty post-pandemic.

Extreme poverty has driven the overall increase in total poverty rates, as the non-extreme poverty incidence in 2023 was equal to the one in 2019. The total population has decreased by over 360,000 between 2019 and 2023, which is 5 percent of the total population in 2019. This underscores the importance of migration as a pathway for Salvadorans seeking better opportunities. Even if the population size had remained constant and acknowledging that the extreme poor lack the resources to emigrate, the rate of extreme poverty would still have

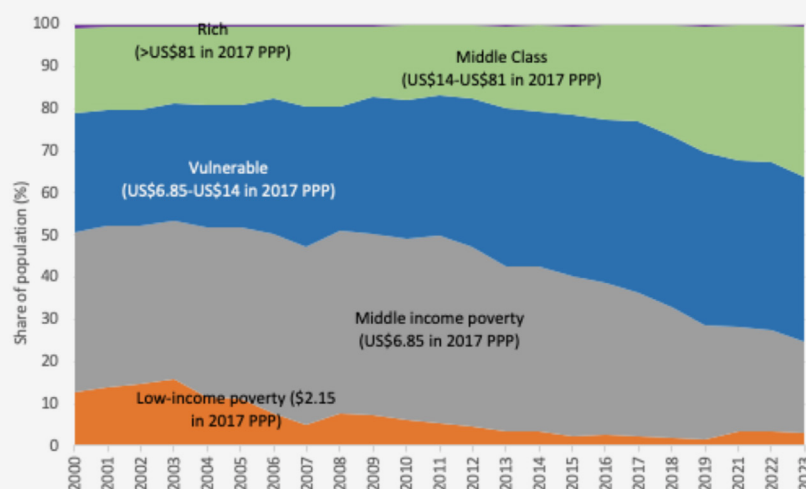
risen to 8.8 percent. This confirms that the surge in extreme poverty is robust and not merely a result of higher emigration. This situation prompts a question: is migration concealing or intensifying the extent of total poverty? Poverty transitions, and the implications of migration on poverty will be further explored in a companion background note for El Salvador Poverty and Equity Assessment.

International poverty rates exhibit a distinct trend compared to the official poverty rates since the pandemic. While the long-term trends during 2000–2009 and 2009–2019 aligned with official poverty measures, the pattern shifted in the post-pandemic period. Poverty measured using the \$6.85 international poverty line has continually declined, even beyond 2019, reaching its lowest level in a quarter century at 24.8 percent. In contrast, poverty using the \$2.15 international threshold increased in 2021 but has since decreased, though it remains above its 2019 level.

Nearly half of those not currently in poverty live under the threat of reentering it. Vulnerability to poverty is measured as

the proportion of individuals with incomes between \$6.85 and \$14 per day (2017 PPP). The vulnerability to poverty has risen from 28.1 percent in 2000 to 39 percent of the population in 2023, illustrating that their incomes, while above the poverty threshold, remain insufficient to withstand potential shocks (Figure 1.2). An alternative measure of vulnerability employs a probabilistic approach. A study using 2019 data from El Salvador defined vulnerable households as those with a 50 percent or higher probability of falling into poverty, showing that this vulnerability largely results from risk-induced factors such as climatic shocks, loss of employment, or crime, and idiosyncratic shocks, as opposed to community shocks.² Addressing the needs of the vulnerable is crucial for moving them beyond mere survival and toward middle-class stability. This approach requires integrating protective measures against individual shocks and enhancing overall resilience. Effective strategies include a robust social protection network and a strong labor sector to mitigate some of these risks. It also highlights the necessity for a more in-depth analysis of the critical risks for Salvadorans, such as climatic threats.

FIGURE 1.2 EVOLUTION OF POPULATION SHARES BY DIFFERENT INCOME THRESHOLDS IN EL SALVADOR (2000–2023)



Source: World Bank's LAC Equity Lab estimations.

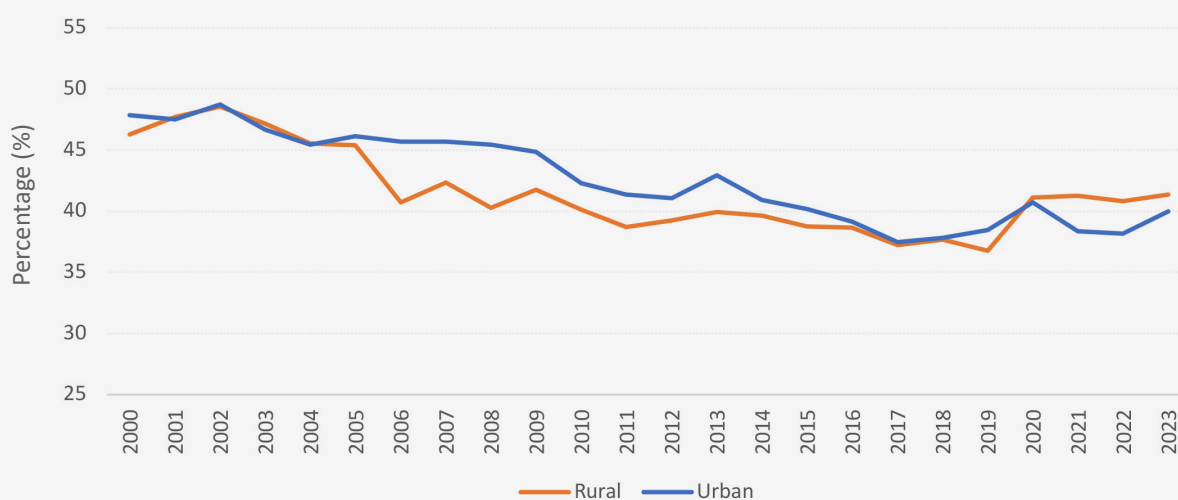
Note: 2020 is not included (no data available).

2. Oficina Nacional de Estadística y Censos (ONEC, 2023a). Robayo and Rude (2023)

Income inequality, as measured by the Gini coefficient, has increased in the post-pandemic period, marking a reversal where rural areas now exhibit greater inequality than urban areas. Despite substantial improvements

from 2000, rural and urban income inequality has increased post-2019, with both areas surpassing the high inequality threshold of a Gini coefficient of 40 percent, with rural areas reaching 41.3 percent and urban areas 40 percent by 2023.

FIGURE 1.3 GINI EVOLUTION BY AREA (2000–2023)



Source: EHPM 2000–23 (ONEC).

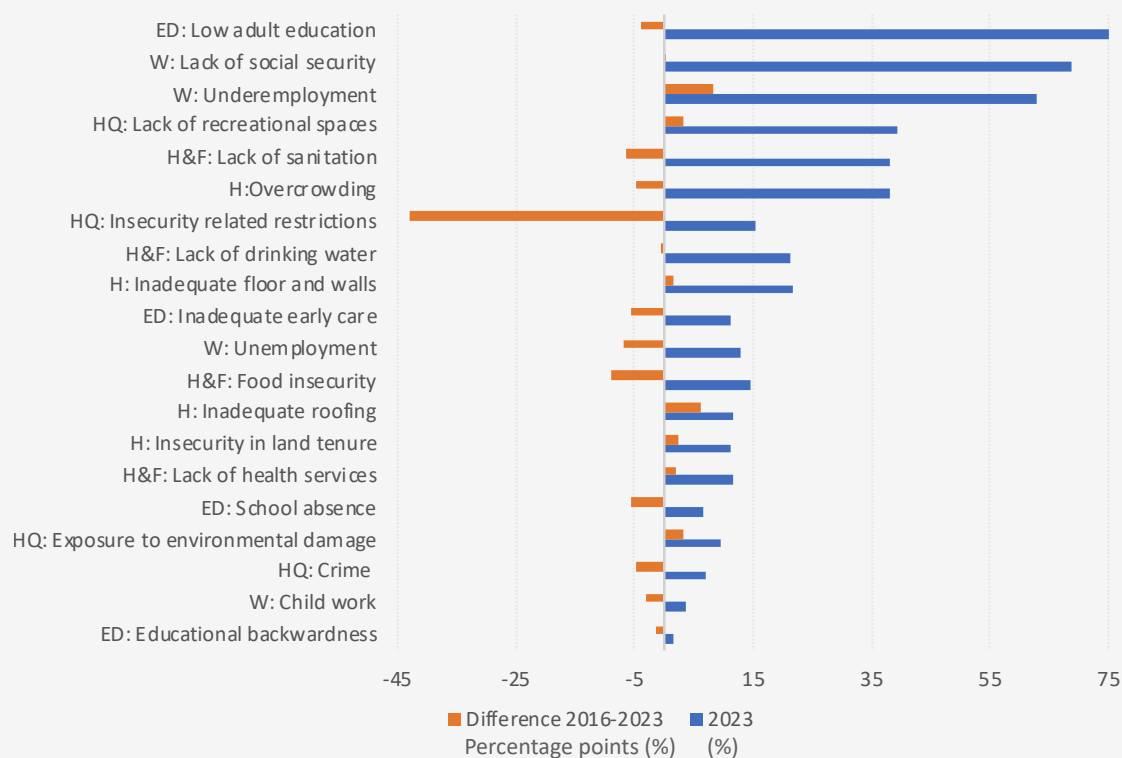
Contrary to the trends in monetary poverty, multidimensional poverty in El Salvador has continued to decline even after 2019.

However, 25 percent of the population still falls within this category and endures ongoing challenges, related to insecure employment, characterized by low adult education levels, limited access to social security, and underemployment/job instability (Figure 1.4). From 2016 to 2023, certain dimensions such as underemployment, lack of recreational spaces, and poor housing roof quality experienced setbacks. However, security restrictions improved, as evidenced by a 43–percentage point decrease during this period.

The diverging trends between monetary and multidimensional poverty underscore the importance of addressing income

growth. Declining trends in multidimensional poverty suggest overall improved access to basic services and conditions. However, the incidence of multidimensional poverty among a large portion of the population reveals that these improvements are insufficient for overcoming the broader challenges of poverty. Additionally, the rising rates and higher rate of monetary poverty compared to multidimensional poverty point directly to shortcomings in income generation as a principal factor behind the worsening trends. Further analysis of income sources, along with an understanding of the dynamics between transient and chronically poor populations, is crucial. This topic is explored in detail in an accompanying background note. This differentiation will help identify patterns and needs specific to each group.

FIGURE 1.4 EVOLUTION OF MULTIDIMENSIONAL POVERTY DIMENSIONS AND INDICATORS
(2016 AND 2023)



Source: EHPM 2016–23 (ONEC).



Note: The poverty dimensions are education (ED), employment and social security (W), habitat quality (HQ), health, basic services and food security (H&F) and housing conditions (H).

Poverty is not only a condition of income or material deprivation; it also affects individuals' development in society, highlighting the importance of relational poverty. An alternative way to measure poverty is by evaluating the welfare of households based on their responses to subjective questions about their own economic status.³ Those who perceive their income as insufficient to meet their basic

needs tend to experience relational deprivations related to trust and social participation. Table 1.1 shows that individuals with an insufficient income perception have lower political participation, less trust in institutions, a lower perception of income distribution fairness, lower expectations for the future, and a greater sense that basic rights are not respected (each of these dimensions is explained in Appendix 1).

³ Amarante et al. (2024)

TABLE 1.1 PERCEPTION OF INCOME AND RELATIONAL DEPRIVATIONS: POPULATION
PERCENTAGE BY TYPE OF DEPRIVATION, 2023

Relational deprivations			Perception of Income is not enough and live with major difficulties (%)	Perception of Income is enough and can have savings (%)
	Social participation	Lack of civil connections	13.9	17.7
		Lack of political action	22.2	13.4
	Social trust	Lack of trust toward other people	71.3	75.2
		Lack of trust toward political institutions	9.3	4.7
		Lack of trust toward social institutions	2.8	1.3
	Social distance tensions	Low satisfaction with life	25.2	4.1
		Low hope in the future	54.4	17.8
		Low justice in income distribution	60.0	31.0
		Intolerance toward inequality	36.7	31.3
	Erosion of social contract	Lack of respect to institutions	17.3	10.3
		Deprotection of basic rights	30.6	16.0
		No social guarantees for equity	29.6	12.8

Source: Latin American Public Opinion Project (LAPOP) El Salvador 2023 Database and Latinobarometro 2023 Database.

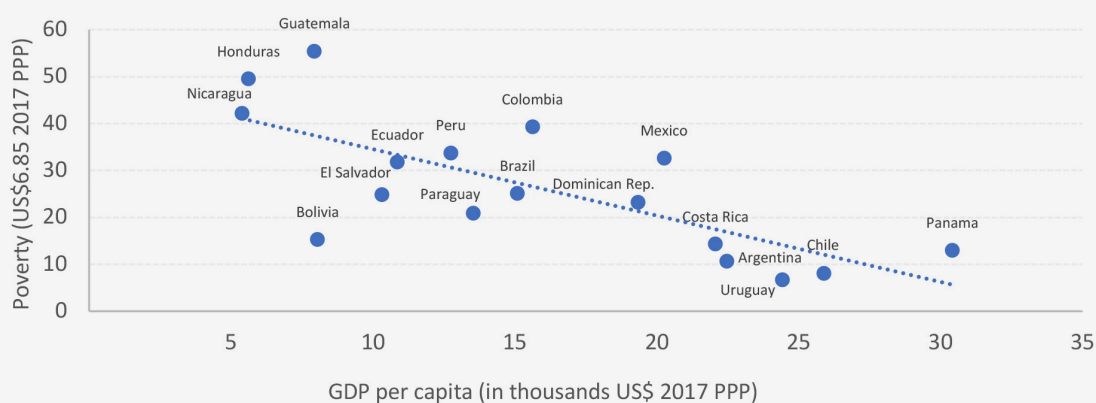
II.

International comparison of trends in poverty and inequality

El Salvador's progress in poverty reduction over the last quarter century stands out within the region. From 2000 to 2021, the country achieved the largest poverty reduction (23 percentage points) in Central America, closely followed by Costa Rica and Panama. This performance places El Salvador among the

top five countries in Latin America for poverty reduction over the same period. Additionally, in 2023 it displays a lower poverty rate than predicted for its GDP per capita level, ranking it in the bottom half among countries in Latin America in terms of poverty rate levels (Figure 1.5).

FIGURE 1.5 GDP PER CAPITA AND POVERTY US\$6.85 (2017 PPP) (CIRCA 2022)



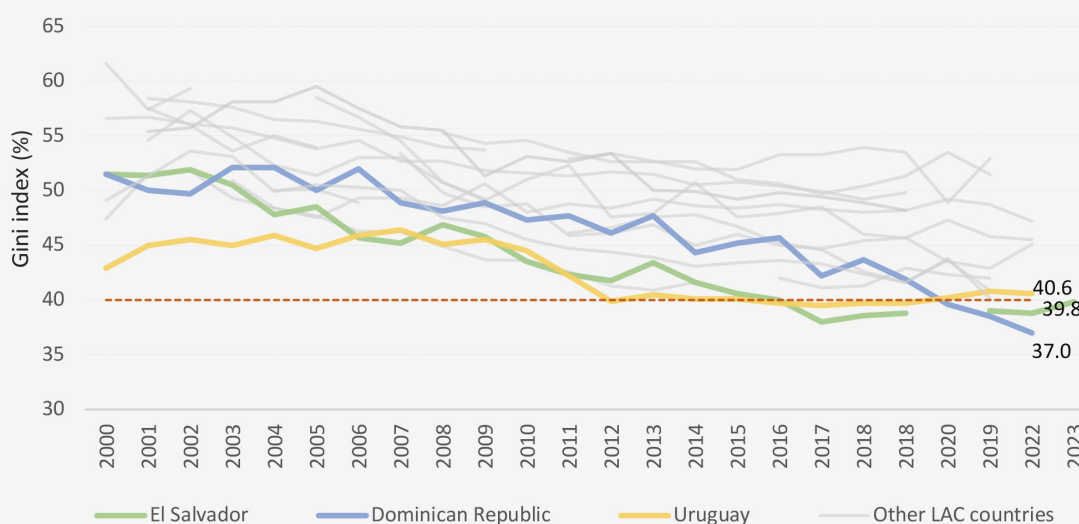
Source: World Bank data, World Bank's LAC Equity Lab estimations and EHPM 2023 data (ONEC).

Note: Poverty data are for 2022 except Nicaragua and Guatemala where the data are for 2014, Honduras is for 2019, Bolivia and Panama is for 2021, and El Salvador and Panama is for 2023.

Income inequality in El Salvador is among the lowest in Latin America, surpassed only by the Dominican Republic. Over the past quarter century, El Salvador, alongside the Dominican Republic and Uruguay, brought its Gini coefficient below the high inequality threshold of 0.40. While most Latin American countries have seen

a reduction in inequality post-pandemic, largely due to decreasing incomes among the top income quintiles⁴, El Salvador has experienced an increase. Nevertheless, by 2023, it continued to exhibit one of the lowest rates of income inequality in the region (Figure 1.6).

FIGURE 1.6 INEQUALITY EVOLUTION FOR LATIN AMERICA AND THE CARIBBEAN (2000-2023)



Source: SEDLAC and EHPM 2023 (ONEC).

Note: The red dotted line indicates the Gini high inequality threshold.

⁴ Maloney et al. (2024)

Box 1.2. Past poverty assessments

The current poverty assessment builds on those published in 2005 and 2015. The former⁵ reviewed the socioeconomic advancements and shortcomings since the end of the civil conflict (1992) and laid out a blueprint for social policy reforms. Between 1990 and 2002, the poverty headcount dropped by over one-third. This progress was coupled with improvements in education, access to essential services (safe water), and enhanced health outcomes (life expectancy and child mortality). Increased labor income had a sizable impact on poverty alleviation, while government transfers and remittances played a limited but positive role. The poorest 20 percent saw their incomes grow relatively little, so inequality increased marginally. About half of Salvadorans living in rural areas were poor, compared to 28.5 percent of the urban population. The report proposed a set of poverty reduction strategies encompassing education, health, socioeconomic infrastructure, and social protection. It also provided elements for a national consensus on budget priorities where the key objectives of the agenda were to develop human capital, strengthen access to basic services, and provide support for the poorest, while boosting growth.

The most recent poverty assessment⁶ aimed to explain the evolution of poverty and inequality between 2000 and 2012, providing a regional perspective. The analysis included interesting novelties among which two are particularly noteworthy: (i) intra and intergenerational mobility using synthetic panels and (ii) peoples' perceptions captured through focus groups. This diagnostic shows mixed progress in achieving shared prosperity and poverty reduction. While the extreme poverty rate fell, overall poverty hardly decreased, and socioeconomic mobility was minimal. The principal drivers of poverty reduction were more jobs, albeit without higher salaries, and an increase in remittance inflows. Social programs contributed to lowering poverty, but on a small scale, while universal subsidies disproportionately benefited the non-poor and consumed valuable resources. The two key policy recommendations that emerge from this report are (i) effective pro-poor spending and (ii) reduction of crime and violence through better access to jobs and education.

5. World Bank (2005)

6. Rounsenville et al. (2015)

Box 1.3. Other relevant World Bank documents for El Salvador

The Jobs Diagnostic⁷ provides a detailed analysis of the Salvadoran labor market between 2000 and 2017 and identifies the issues blocking the creation of more and better jobs. It is composed of three blocks: (i) an overview of the labor market and main trends, (ii) an analysis of business dynamics and labor demand, and (iii) an exploration of the skills that the private sector demands and the challenges posed by labor scarcity. It also provides policy recommendations for job creation, related to improving labor market performance and reducing crime rates, improving the business environment to increase economic dynamism, and reducing distortions in the allocation of labor.

The Systematic Country Diagnostic (SCD) Update⁸ analyzed the country's poverty and growth assessment, broadened the analysis to include a vulnerability lens, and emphasized four out of the eight SCD priority areas. Two major disruptions changed the Salvadoran context covered in this report: the rise to power of a nontraditional party and the COVID-19 shock that affected most countries worldwide. Crime and emigration were emphasized as structural barriers to achieving higher growth and prosperity. Crime destabilizes households and firms, prevents effective government intervention, and especially affects women through gender-based violence. Emigration flows threaten to close the demographic dividend faster than expected. As most priority areas did not improve since the 2015 SCD, the 2022 SCD Update proposed concentrating efforts on 'tier 1' priorities: promoting access to jobs, strengthening the effectiveness of the social protection system, ensuring sustainable and equitable fiscal policy, and improving resilience to disaster risk and pandemics.

Based on these priority areas and the government's main focus of improving key public services, the current Country Program Framework (CPF)⁹ identifies three high-level outcomes: (i) increased private sector-led job creation, (ii) strengthened human capital across the lifecycle, and (iii) improved resilience to disasters and climate change. The CPF objectives include improving fiscal sustainability, enabling private sector access to finance, and expanding early years health services. They also encompass enhancing job opportunities for women and youth, improving disaster risk management, and strengthening climate-smart interventions. The diagnosis in this document stresses that although some efforts have been made, high debt load, low foreign exchange reserves, and a lack of investor confidence threaten the financial sustainability of policies. Other risks are posed by the high exposure to natural disasters, coupled with a weakened institutional outlook.

7. Banegas and Winkler (2020)

8. Robayo and Barroso (2022)

9. World Bank (2023)

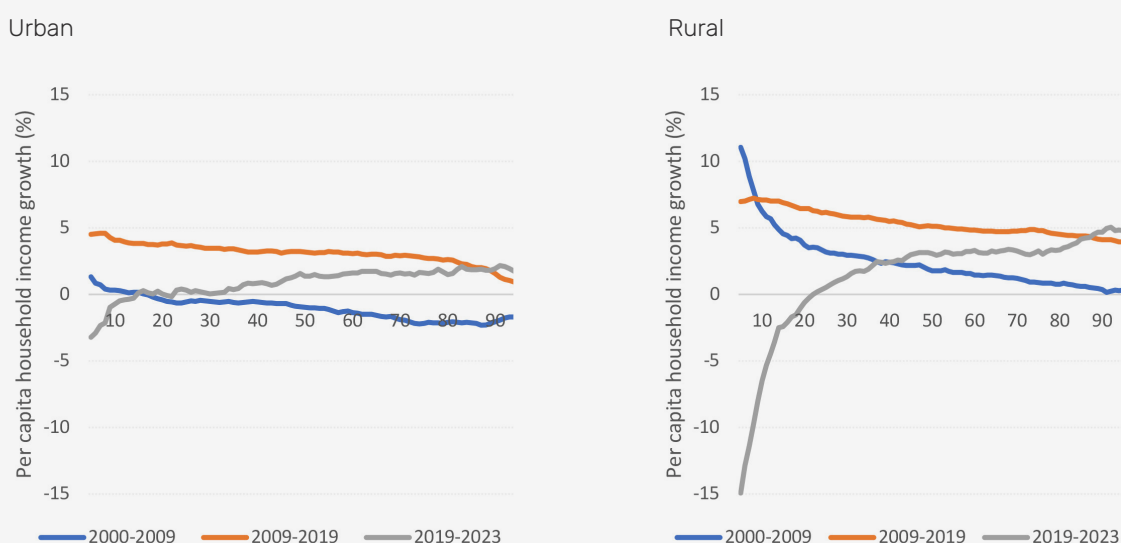
III.

Economic growth and poverty

Growth usually fosters poverty reduction, yet El Salvador has achieved long-term poverty reduction with only moderate economic growth. Growth rates in El Salvador are around 2 percent—slightly below the Latin American average of 2.4 percent. Its growth rate has varied between 0.8 and 2.6 percent in non-pandemic years, maintaining stability compared to countries with high poverty reduction but more volatile growth patterns like Bolivia (2.5 and 6.8 percent), Peru (0.6 and 9.1 percent), Colombia (1.1 and 6.9 percent), and Nicaragua (0.8 and 6.5 percent), which have seen peaks and troughs far more extreme. This stability suggests that consistent growth, rather than peak rates, can also contribute significantly to sustained poverty reduction and shared prosperity. The other component in this puzzle is remittances, as El Salvador's high remittance rates relative to GDP (26 percent) play a crucial role in its economic dynamics¹⁰.

Pre-pandemic economic growth in El Salvador was progressively pro-poor, a trend that reversed during the COVID-19 crisis. A comparison of Growth Incidence Curves (GIC) across three periods illustrates the heightened income volatility among the lower percentiles of income distribution (Figure 1.7). Remarkably, the second decade in this analysis (2009–2019) proved beneficial for all income percentiles, with larger advantages for those in the lower income percentiles. This represents a paradigmatic example of pro-poor growth for all. Post-pandemic, income growth patterns along the distribution experienced a shift, disproportionately affecting the livelihoods of those in greater need as opposed to the previously observed pro-poor growth, exacerbating both extreme poverty and inequality.

FIGURE 1.7 GROWTH INCIDENCE CURVE (2000–2023)



Source: EHPM 2000–23 (ONEC).

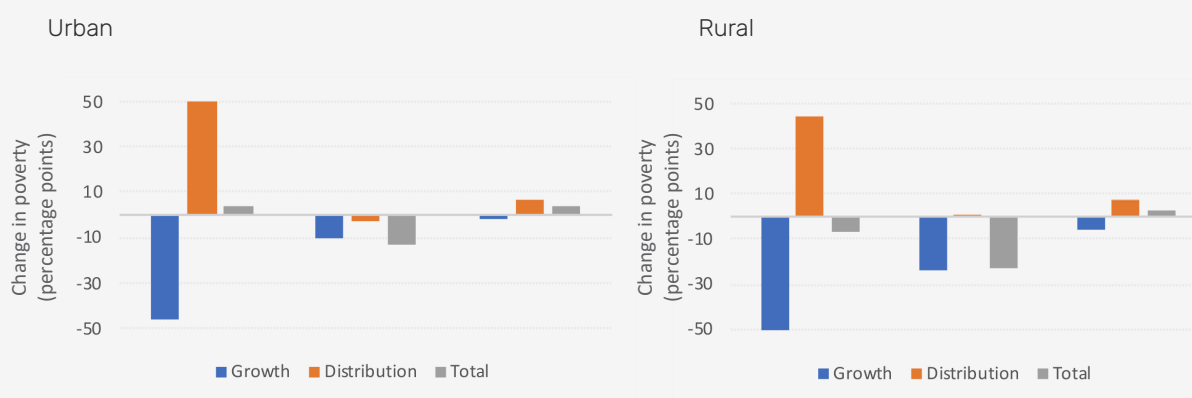
¹⁰World Bank (2024)

Economic growth and distribution have played contrasting roles in driving poverty trends in El Salvador, with growth driving poverty reduction and distribution increasing it.

A decomposition analysis shows that in 2000–2009, growth was the main driver behind a reduction of poverty in urban and rural areas, whereas distribution pushed increases in poverty rates. From 2009 to 2019, growth was the only driver of poverty changes in rural areas, but distribution also played a role in

reducing poverty in urban areas. From 2019 to 2023, although growth continued to drive down poverty, its moderate positive impact was overshadowed by a worsening income distribution that reversed and exceeded the gains from economic growth (Figure 1.8). This pattern in poverty decompositions highlights the need to simultaneously address income inequality, which has been a critical driver of increased poverty, and the insufficient economic growth that has failed to drive a net reduction in poverty during the post-pandemic period.

FIGURE 1.8 CONTRIBUTION OF GROWTH AND REDISTRIBUTION TO TOTAL POVERTY REDUCTION, 2000–2023



Source: EHPM 2000–23 (ONEC).

As a reference, in 2023, Salvadorans would need to more than triple their income to meet the World Bank’s prosperity threshold of \$25 per day (2017 PPP). This threshold is slightly above the typical poverty line in wealthy countries and serves as an internationally comparable benchmark for prosperity. The global prosperity gap indicates the factor by which incomes must increase to reach this level. Although this gap has decreased from 6.55 in 2000 to 3.3 in 2023, and

it is below the regional average of 3.6 in 2022, the challenge remains daunting. If El Salvador’s income growth rate continues indefinitely at the forecasted rate of 2.5 percent annually for 2024 to 2026¹¹, and assuming no other economic change, it would still take 51 years to reach the prosperity level income. This illustrates the critical need to promote higher economic growth in El Salvador, not only to reduce poverty but also to achieve sustained high living standards.

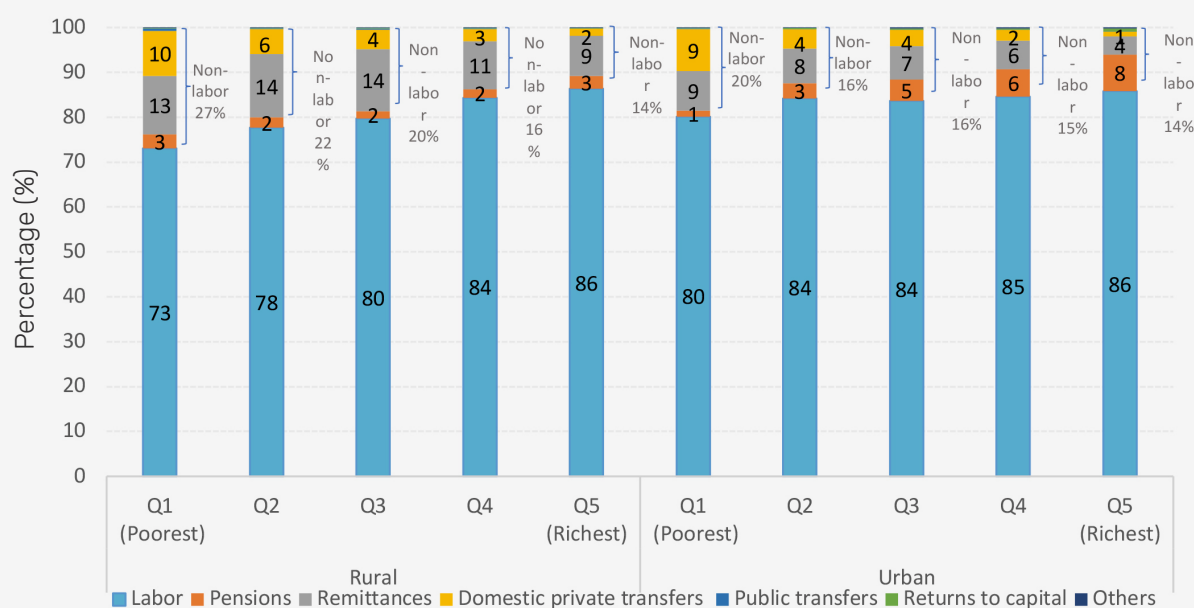
¹¹ World Bank (2024)

While labor is the principal income source, non-labor income remains critical, particularly for those with lower income.

This latter category primarily includes remittances and private domestic transfers for the bottom quintiles. Specifically, private domestic transfers account for nearly 10 percent of total income for the poorest households, compared to less than 1.7 percent for the most affluent. Remittances are more important in rural areas compared to urban areas and for the bottom quintiles, and they account for 13.2 percent of all income for

the bottom quintile in rural areas. However, their reliance on private transfers is insufficient to lift them above the poverty line. Public transfers are almost nonexistent, indicating a lack of substantial public social support for poverty alleviation. Pensions, in turn, play an important role for affluent urban households, contributing 8 percent to their total income, in contrast to less than 3 percent for other households. Enhancing employment security and increasing public support would provide substantial benefits to the poorest groups.

FIGURE 1.9 HOUSEHOLDS' INCOME SOURCES BY INCOME QUINTILES (2023)



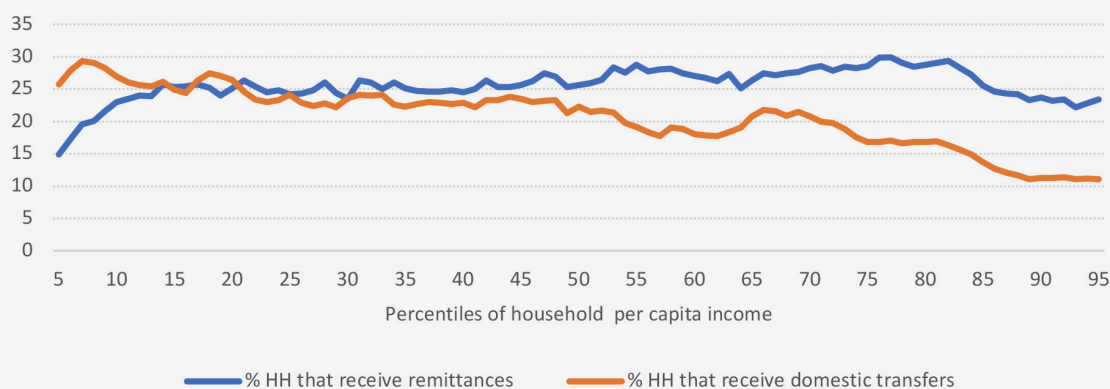
Source: EHPM 2023 (ONEC).

Note: The combined contributions of public transfers, returns to capital, and other sources represent less than 1 percent of household income.

Domestic transfers are for the poorest households, while remittances are for the least poor. A higher percentage of households in the lower percentiles receives domestic transfers. However, around the 25th percentile and above, the percentage of households receiving remittances is higher. Similarly, as the percentiles increase, the percentage of households receiving domestic transfers falls, while the percentage receiving remittances remains at a similar level (Figure 1.10). Among poor households, 26% received domestic transfers and 20% received

remittances, while non-poor households received 18% and 27%, respectively. A higher proportion of poor and non-poor households headed by women receive remittances and domestic transfers. The presence of heads of household over 65 years of age shows higher percentages of receipt, especially in non-poor households. In rural areas, remittances are more prevalent in non-poor households, while transfers are more common in urban settings for poor households (Table 1.2).

FIGURE 1.10 HOUSEHOLDS' THAT RECEIVE REMITTANCES AND DOMESTIC TRANSFERS BY PERCENTILES OF HOUSEHOLD PER CAPITA INCOME (2023)



Source: EHPM 2023 (ONEC).

TABLE 1.2. CHARACTERISTICS OF HOUSEHOLDS THAT RECEIVE REMITTANCES AND DOMESTIC TRANSFERS BY POVERTY STATUS (2023)

		Households that receive domestic transfers		Households that receive remittances	
		Poor (%)	Non-poor (%)	Poor (%)	Non-poor (%)
Total		26	18	20	27
Area	Urban	27	17	19	23
	Rural	23	19	22	33
Head of household - Gender	Hombres	17	12	16	21
	Mujeres	36	26	25	35
Head of Household - Age	0-24	20	21	16	23
	25-49	20	14	15	19
	50-64	23	17	22	29
	65+	41	26	30	42
Household with older adults (>65)		39	25	29	40
Household with children	6<	22	18	18	24
	18<	22	19	20	24

Source: EHPM 2023 (ONEC).

Labor and non-labor incomes have fallen for households in the lowest percentiles of per capita income between 2019 and 2023.

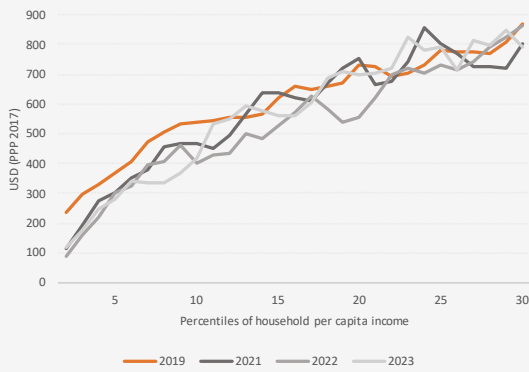
In urban areas, a fall in labor income for the lowest 12 percentiles of about USD 90 and in non-labor income for the lowest 5 percentiles of USD 40 is observed between 2019 and 2023. Meanwhile, for the other percentiles, up to the 30th percentile, the income level remains relatively close (average labor income of USD 700 and

average non-labor income of USD 110 for both years). In rural areas, a larger drop is observed: labor income decreased by USD 100 for the 15 lowest percentiles and then remained at a similar level up to the 30th percentile (around USD 400). Non-labor income dropped USD 45 for the 8 lowest percentiles between 2019 and 2023. While for higher percentiles slight drops are observed, it also decreased by USD 60 between the 22nd and 30th percentile.

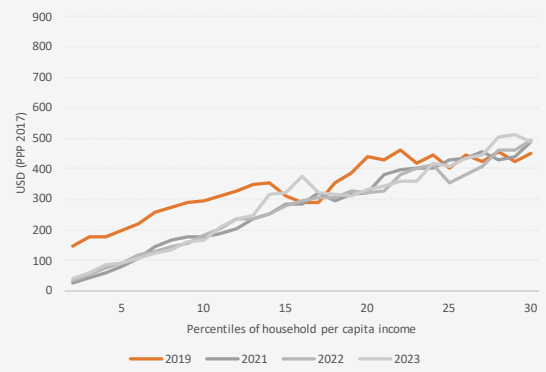
FIGURE 1.11 AVERAGE MONTHLY LABOR AND NON-LABOR INCOME BY PERCENTILES OF HOUSEHOLD PER CAPITA INCOME (PPP 2017), 2019–2023

(A) Labor income

Urban

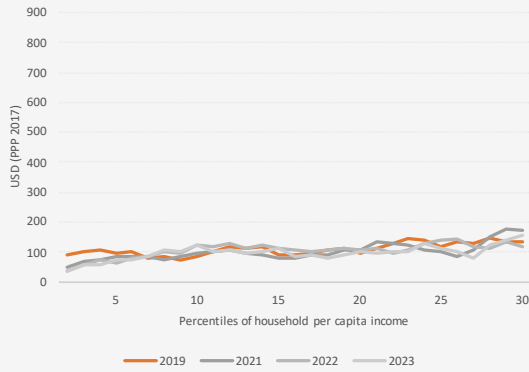


Rural

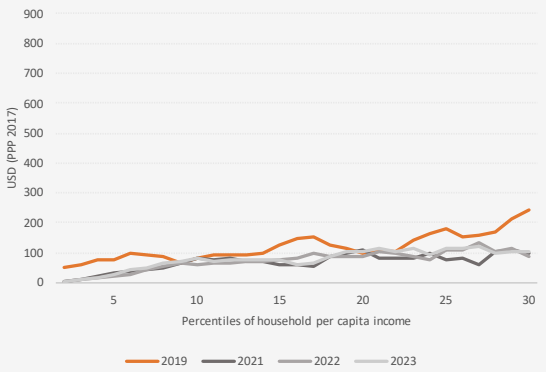


(A) Non labor income

Urban



Rural



Source: EHPM 2023 (ONEC).

The decline in real income among the poorest is due to changes in the sectoral structure of employment.

There has been a notable shift in the distribution of occupations where individuals in households from the poorest quintile of per capita household income are employed. In 2019, 40.2 percent of workers in this quintile were employed in the agricultural sector, followed by the services sector (31.7 percent) and domestic work (12.7 percent). By 2023, the share of workers in the agricultural sector dropped by nearly 10 percentage points, while the domestic work

sector gained 7 percentage points. This shift toward domestic work explains the decline in average income from domestic labor, which fell by 43 percent in real terms between 2019 and 2023, whereas agricultural labor registered a real increase of 5 percent over the same period. In the other quintiles, not only do agricultural and domestic work account for a smaller share of the employment structure (8 percent and 9 percent, respectively), but this sectoral allocation has remained unchanged since the pandemic.

TABLE 1.3 SECTORAL EMPLOYMENT SHARE AND AVERAGE REAL EARNINGS IN EL SALVADOR (2019 AND 2023), BY PER CAPITA HOUSEHOLD INCOME QUINTILES

Quintile 1				
	2019		2023	
	Employment share (%)	Average real earnings	Employment share (%)	Average real earnings
Public administration	1.7	502.3	2.3	462.8
Agriculture and fishing	40.2	302.2	30.5	318.5
Manufacturing	10.7	413.8	9.8	363.9
Services	31.6	408.8	35.5	405.7
Finance and rental activities	3.0	584.7	3.4	503.0
Domestic services	12.7	350.8	18.6	201.7
Total	100.0	366.0	100.0	341.7
Quintiles 2 to 5				
	2019		2023	
	Employment share (%)	Average real earnings	Employment share (%)	Average real earnings
Public administration	14.0	1,364.9	15.1	1,277.3
Agriculture and fishing	8.9	437.8	8.5	484.6
Manufacturing	15.6	698.6	13.9	741.9
Services	44.6	729.7	45.5	750.5
Finance and rental activities	8.5	861.8	8.3	954.4
Domestic services	8.5	527.8	8.8	479.1
Total	100.0	781.9	100.0	799.2

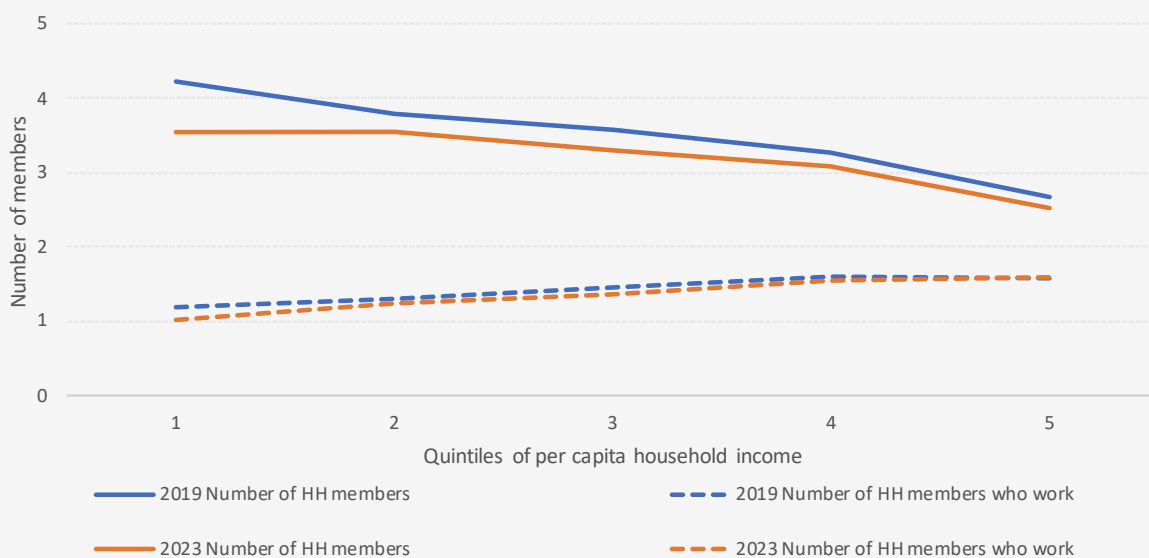
Source: EHPM 2019 and 2023 (ONEC).

Demographic changes are also behind the decline in real income among the poorest.

In El Salvador, poorer households have more members than wealthier households, but wealthier households have more members who work. This pattern has not changed since the pandemic and has been consistent for at least two decades. However, what has changed since 2019 is that Salvadoran households have become smaller. This shift has been more drastic among households in the lower percentiles of the per capita income distribution. In quintile 1,

for example, households have nearly one less member than they did four years ago. Another change recorded after the pandemic is that Salvadoran households have fewer working members. Once again, they are the households in the lower percentiles of the distribution that have lost, on average, more working members. The poorest not only have fewer jobs in 2023 compared to 2019 but also more precarious ones, with more informal jobs and more jobs where monthly earnings are below the minimum wage.

FIGURE 1.12 NUMBER OF HOUSEHOLD MEMBERS AND HOUSEHOLD MEMBERS WHO WORK, BY PER CAPITA HOUSEHOLD INCOME PERCENTILES. (2019 AND 2023)



Source: EHPM 2019 and 2023 (ONEC).

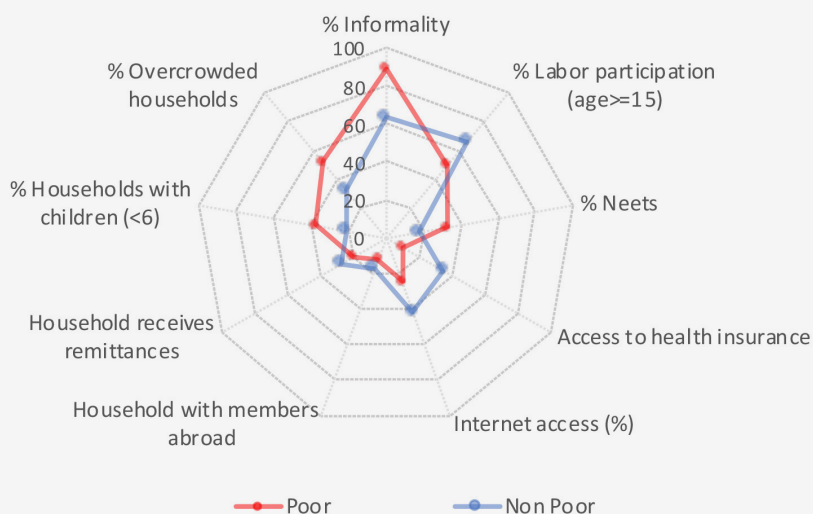
IV.

Where and who are the poor?

In El Salvador, the socioeconomic challenges faced by the poor are deeply influenced by their labor market conditions and access to essential services. The total poor demonstrate lower labor market participation and a higher incidence of informal employment. Furthermore, 32.4 percent of this group is categorized as NEETs—individuals not engaged in education, employment, or training—indicating a detachment from crucial developmental opportunities. Only 10 percent of the poor have access to health

insurance, compared to one-third of the non-poor, and their internet access stands at a mere 25 percent. Over half of the poor live in overcrowded conditions, and a considerable proportion, 35 percent, are households with children, compared to 21 percent among the non-poor. Also, while remittances represent a larger share of total income for the bottom quintile, a lower share of the households in poverty receive remittances compared to the non-poor.

FIGURE 1.13 CHARACTERISTICS OF THE POOR (2023)

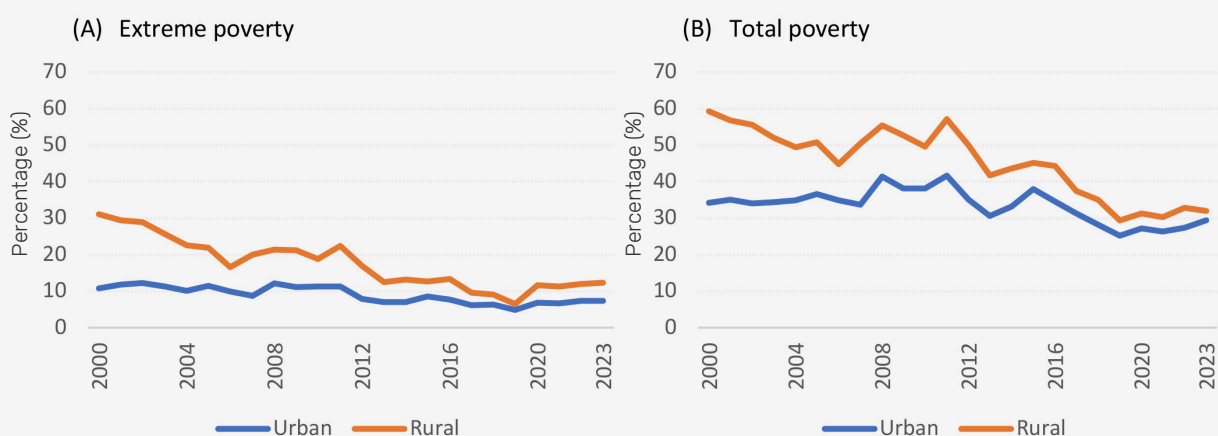


Source: EHPM 2023 (ONEC).

The urban-rural gaps in extreme poverty were narrowing before the pandemic, but this trend reversed after 2019. While extreme poverty increased in both urban and rural settings post-2019, its effects were larger in rural areas, where it nearly doubled. Consequently, the disparity between urban and rural extreme

poverty rates widened, increasing from less than 2 percentage points in 2019 to 5 percentage points in 2023 (Figure 1.14). Conversely, the urban-rural gap in total poverty has narrowed, as decreases in rural poverty and increases in urban poverty have resulted in a smaller gap than was observed in 2019.

FIGURE 1.14 OFFICIAL POVERTY RATES BY AREA (2000–2023)



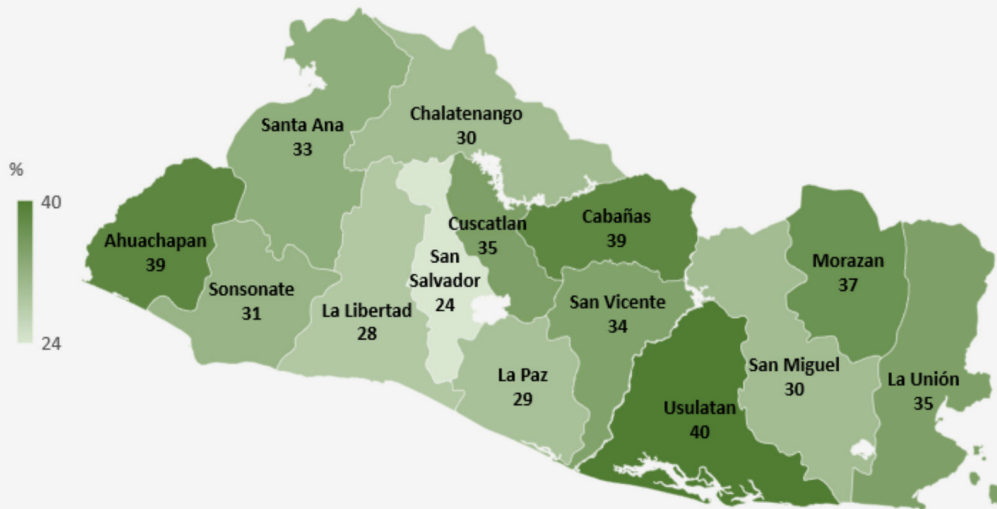
Source: EHPM 2023 (ONEC).

When observing total poverty by departments, the incidence of poverty ranges from 24 percent in San Salvador to 39 percent in Ahuachapán (Figure 1.15). However, these rates potentially mask some higher dispersion in poverty incidence at a more local level. The estimated 2019 national poverty rates at the municipal level show large variations (Figure 1.16), with specific areas exhibiting high concentrations of poverty.¹² The

municipalities with the highest poverty incidence are in the Northeast and West of El Salvador, especially within the departments of Morazán and Ahuachapán. In high-poverty departments like Ahuachapán, municipal poverty rates range from 33 percent to 18 percent. Conversely, in departments with lower poverty rates such as San Salvador, the rates per municipality vary between 7 percent and 24 percent.

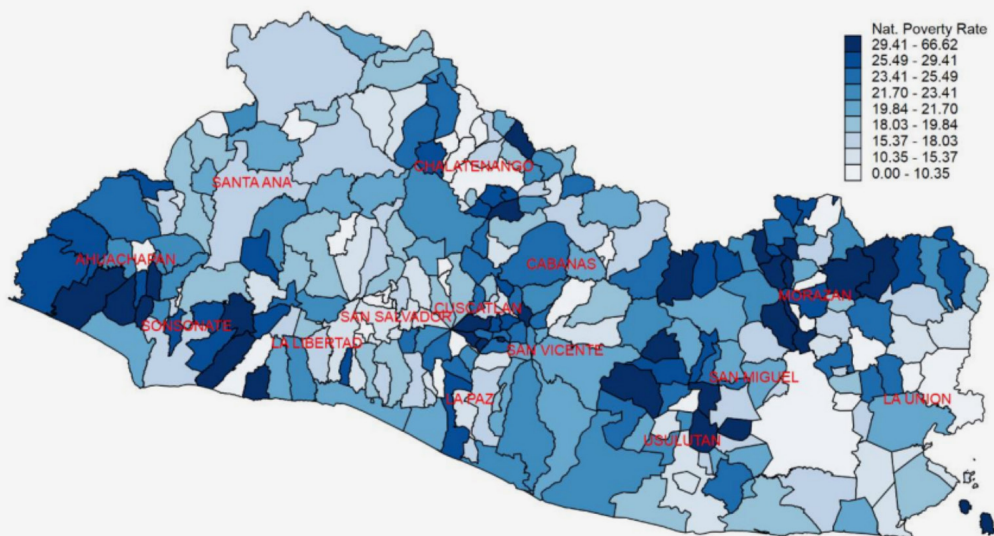
¹² Robayo and Rude (2023)

FIGURE 1.15 GEOGRAPHIC DISTRIBUTION OF POVERTY BY DEPARTMENT, 2023



Source: EHPM 2023 (ONEC).

FIGURE 1.16 GEOGRAPHIC DISTRIBUTION OF POVERTY BY MUNICIPALITY, 2019

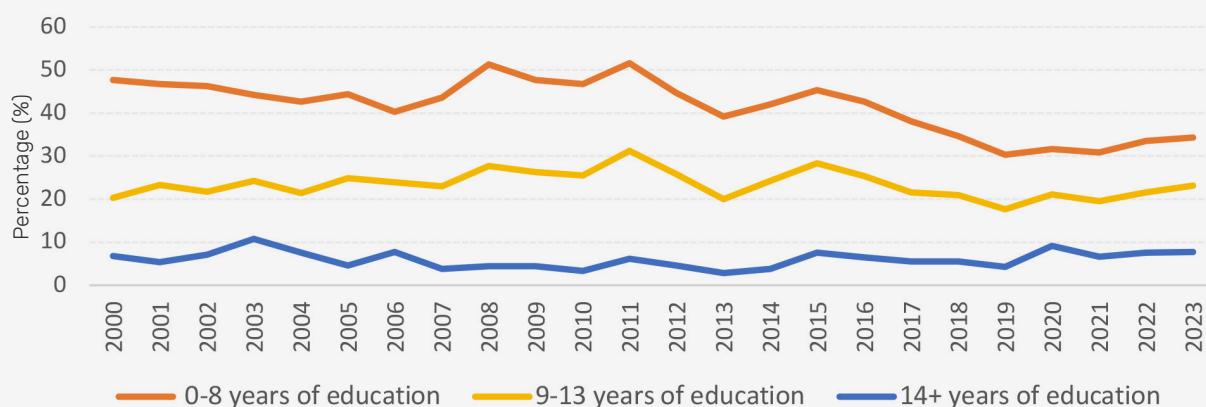


Source: Robayo and Rude 2023.

Poverty rates for the less educated have decreased, and after some fluctuations, have remained stable for the more educated, thereby narrowing the poverty gaps by educational attainment. Individuals with more than 14 years of education, implying complete schooling and further education, consistently show the lowest poverty rates among the groups analyzed (Figure 1.17), but the group with 8 years or less of education has reduced their poverty

rates at a higher pace. Consequently, poverty gaps have reduced, though they remain sizable. Given that individuals with greater resources tend to have access to more and superior educational opportunities, this dynamic also perpetuates and exacerbates inequalities. Access to quality education and the attainment of higher education are vital factors in breaking the cycle of poverty and promoting social and economic advancement.

FIGURE 1.17 TOTAL POVERTY BY EDUCATIONAL ATTAINMENT (2000–2023)



Source: EHPM 2000–23 (ONEC).

Educational attainment is a clear example of poverty being hereditary.

Educational results are highly correlated between parents and their offspring. In an intergenerational educational mobility matrix, the rows indicate the highest educational level attained by the father or the mother, and the columns indicate the highest educational level attained by their adult children living in the same household. The children analyzed must be old enough to have achieved their maximum educational level and must live in the same household as their parents, as this is the only way to determine the parents' educational achievement given the

design of the household survey. On the main diagonal, the matrix reports the percentage of 'static' mobility (achieving the same educational attainment as their parents), above the main diagonal is the percentage of 'upward' mobility (achieving a higher educational attainment than their parents), and below the main diagonal is the 'downward' mobility (falling short of their parents' educational attainment). Here is a clear sign of intergenerational educational immobility: the likelihood of graduating from university is 35 times higher if the parents' finished university compared to if they never went to school (1.9 percent versus 66.4 percent).

TABLE 1.4 INTERGENERATIONAL EDUCATIONAL MOBILITY MATRIX: PROBABILITY THAT ADULTS AGES 34 TO 43 HAVE ACHIEVED A SPECIFIC EDUCATIONAL LEVEL, GIVEN THEIR PARENTS' EDUCATIONAL LEVEL, 2023 (%)

		Children's education						
		Never attended	Incomplete primary education	Complete primary education	Incomplete secondary education	Complete secondary education	Incomplete tertiary education	Complete tertiary education
Parents' education	Never attended	18.6	42.4	15.7	7.7	10.6	3.1	1.9
	Incomplete primary education	5.4	30.4	13	15.1	23.1	4.3	8.8
	Complete primary education	0.6	11.3	27.8	11.7	20.5	7.7	20.5
	Incomplete secondary education	1.3	8.5	10.6	42	15.7	7.4	14.5
	Complete secondary education	0.4	6.6	0.8	11.2	36.4	14	30.7
	Incomplete tertiary education	0	0	0	5	10.4	26.8	57.8
	Complete tertiary education	2.9	7.3	0	4	6.8	12.7	66.4

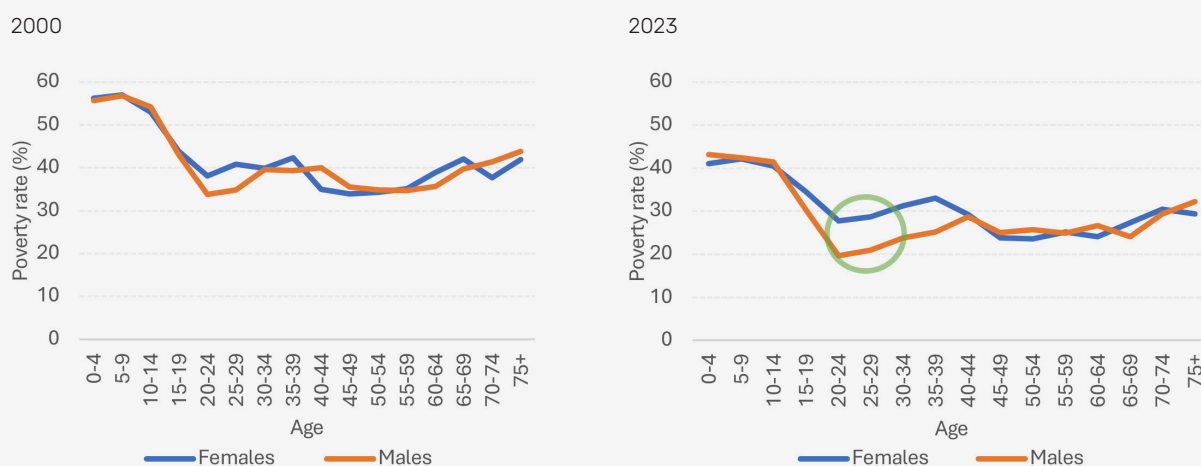
Source: EHPM 2023 (ONEC).

Gender disparities in poverty rates, as observed across various stages of the life cycle, have widened over the last 20 years.

In 2000, the poverty rates for men and women were mostly similar across all age groups (Figure 1.18), with the largest gaps, around 4 percentage points, observed in the 20–29 age range. However, by 2023 these disparities in poverty

gaps have widened across different age groups. The largest gender gap in poverty still occurs for the 25–29 age group but has increased to 9 percentage points, affecting females. Conversely, for the 45–49 age group, the gap shifts, placing males at a higher poverty level than females by 4.5 percentage points.

FIGURE 1.18 GENDER GAP IN TOTAL POVERTY, BY AGE (2000 AND 2023)



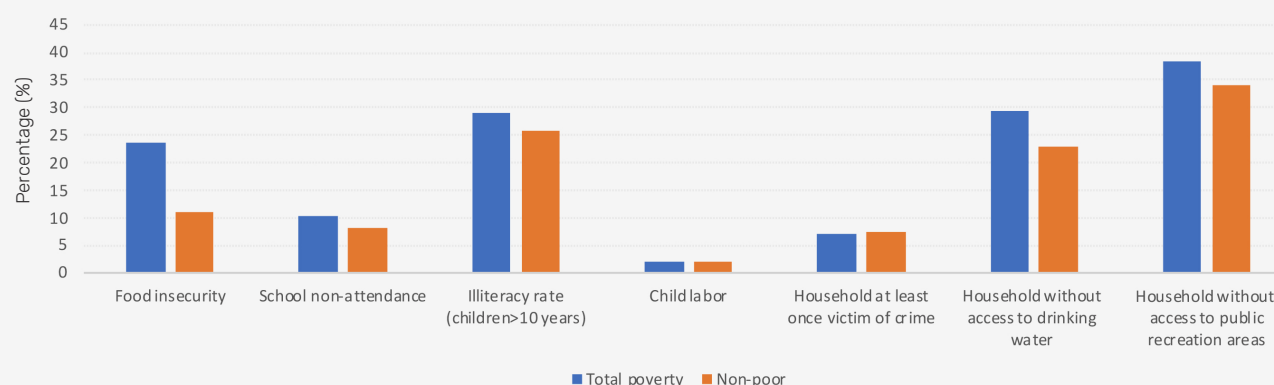
Source: EHPM 2000 and 2023 (ONEC).

The poverty rate is higher among children and adolescents, which can have a great influence on their future.

Almost half of children and adolescents between the ages of 0 and 14 (41.7 percent) are in poverty. Meanwhile, for youth (ages 15 to 24), adults (ages 25 to 64), and seniors (65 and older), less than one-third are in poverty (27.9 percent of youth and seniors and 26.5 percent of adults). This situation implies that

children and adolescents living in poverty are at a high risk that their future development will not be optimal. They live in conditions that will not allow them to be productive in the future. Compared to non-poor children and adolescents, they have a higher incidence of indicators such as food insecurity, illiteracy, lack of school attendance, and less access to recreational areas, among others.

FIGURE 1.19 CHARACTERISTICS OF CHILDREN AND ADOLESCENTS IN POVERTY AND NON-POOR (0 TO 14 YEARS OF AGE) (2023)

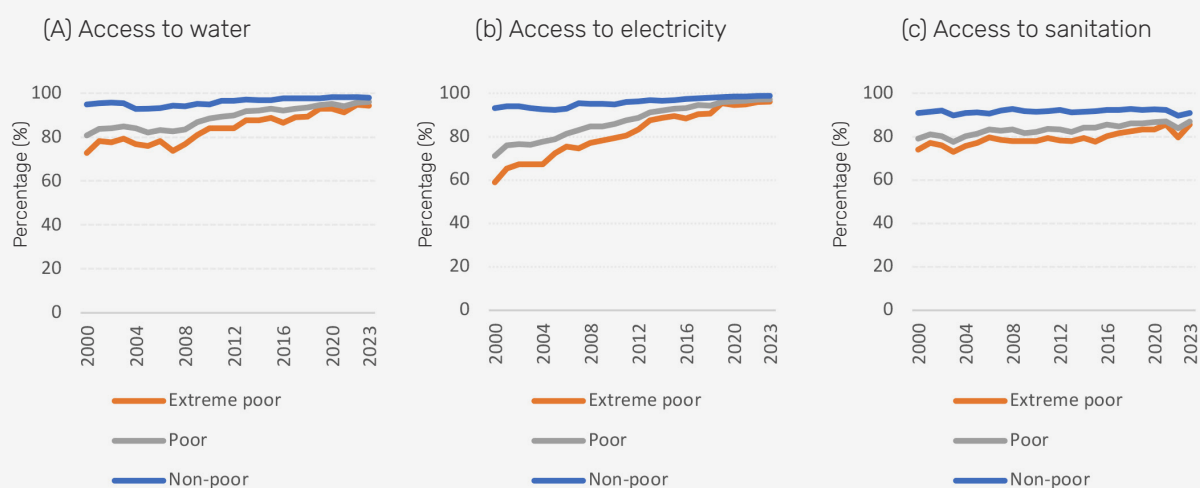


Source: EHPM 2023 (ONEC).

Access to utilities has increased, especially for the poor, leading to narrower poverty gaps in access to those services. Both electricity and water access have improved across all income groups, particularly for the extremely poor and poor, with access rates now exceeding 95 percent for both poor and non-

poor populations (Figure 1.20). Consequently, the initial poverty gap has been greatly reduced. Access to sanitation has improved for the poor and remained stable for the non-poor; however, gaps, though narrower, persist and access remains below 91 percent across all groups.

FIGURE 1.20 POOR POPULATION WITH ACCESS TO PUBLIC SERVICES (2000–2023)



Source: EHPM 2000–23 (ONEC).

Is the State of Exception causing the new extra poverty? Beyond the pandemic that hit the globe in 2020, in El Salvador an important event affected the country in early 2022. The government enacted a State of Exception (emergency) across the country to combat criminal gangs. This involved a set of actions that achieved the goal of a substantial reduction in criminality rates. As of January 2023, the government reported the detention of nearly 63,000 gang members¹³, while as of May 2024 more than 80,000 individuals were incarcerated under those actions¹⁴, a sizable number for a country with 6.5 million inhabitants. It is reasonable to question if this incarceration of more than 1 percent of the nation's population

had any impact on family compositions and poverty. With the EHPM data, we tested for changes in the prevalence and poverty incidence of different groups that could have been affected by the State of Exception: single-female-headed households, households with children (6 years old or younger), and households with older adults. In all of them, we do not see changes, from 2022 onward, in either the prevalence of these groups or their poverty incidence. It is worth highlighting that the global tendency of increasing prevalence in single-female-headed households is also present in El Salvador. Their poverty incidence, nonetheless, is also increasing since the pandemic, but no sizable change in its tendency is detected after 2022.

V.

Conclusions

From 2009 to 2019, poverty and income inequality in El Salvador decreased substantially, driven by a convergence of factors. These included a stable GDP growth rate, increased labor income benefiting the bottom 40 percent, and rising remittance flows.

However, this progress stalled after the pandemic, with increases in both poverty and income inequality from 2019 to 2023. Despite improvements in access to utilities and essential services, these enhancements were insufficient to counteract the rise in poverty. The lingering effects of COVID-19, low economic growth rates, high rates of informality, low labor participation, low access to health, and almost null public social protection support for the poor have collectively

contributed to this deteriorating trend in poverty and inequality.

Extreme poverty explains the overall increase in total poverty rates. Rural areas have experienced a more pronounced rise in extreme poverty. Additionally, income inequality has also increased more sharply in rural areas.

Effective policies must focus on stimulating economic growth that benefits the poor, improving education and labor conditions, and creating social safety nets. Addressing these issues comprehensively is crucial to reversing the current trends and promoting sustainable improvements in the living standards of Salvadorans.

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14. Bernal (2024)

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Appendix 1:

Relational deprivations

Relational deprivations		Source	Indicator	Description
Social participation	Lack of civil connections	LAPOP	Percentage of population that never participates in spaces for social interaction	Answer "Never attends" in all the following categories: Do you attend religious meetings, do you attend parent association meetings, do you attend community improvement committee or board meetings, and do you attend party or movement meetings?
	Lack of political action	Latinobarometro	Percentage of population that has never participated in any kind of political action	Answer "Never" in all the following categories: How often do you talk about politics with friends, how often do you work on an issue that affects you or your community, how often do you try to politically persuade, and how often do you work for a political party or candidate.
Social trust	Lack of trust toward other people	Latinobarometro	Percentage of population who are never careful enough in their dealings with others	Generally, would you say that most people can be trusted or that one is never careful enough to deal with others? Answer: One is never careful enough in dealing with others.
	Lack of trust toward political institutions	Latinobarometro	Percentage of population with low levels of trust in all political institutions	Answer "Little" or "None" in all: Trust in the Armed Forces, Trust in the Police, Trust in the Congress, Trust in the Government, Trust in the Justice System, Trust in the Electoral Institution, and Trust in the President.
	Lack of trust toward social institutions	Latinobarometro	Percentage of population with low levels of trust in all social institutions	Answers "Little" or "None" in all: Trust in Political Parties, Trust in the Church, Trust in Firefighters Trust in National Companies, Trust in International Companies, Trust in Banks, Trust in Unions, Trust in Television, Trust in Radio, Trust in Print Media, and Trust in Social Networks.
Social distance tensions	Low satisfaction with life	Latinobarometro	Percentage of population for not very or not at all satisfied with life	Answer "Not very satisfied" or "Not at all satisfied" in: Degree of satisfaction with life.
	Low hope in the future	LAPOP	Percentage of population with little or no hope for the future	Answer "Little" or "Not at all satisfied" in: Hope for the future.
	Low justice in income distribution	Latinobarometro	Percentage of population for whom income distribution is unfair or very unfair	Answer "Unfair" or "Very unfair" in: How fair is the distribution of income in El Salvador?
	Intolerance toward inequality	Latinobarometro	Percentage of population for whom the level of inequality is somewhat or totally unacceptable	Answer on a scale from 1 (completely unacceptable) to 10 (completely acceptable), from 1 to 5: The level of inequality in your country is acceptable or unacceptable.
Erosion of social contract	Lack of respect to institutions	LAPOP	Percentage of population with little or no respect for institutions	Answer on a scale of 1 (not at all) to 7 (very much), from 1 to 3 on: Respect for political institutions.
	Deprotection of basic rights	LAPOP	Percentage of population for whom basic rights are not or not at all protected	Answer on a scale of 1 (not at all) to 7 (very much), 1 to 3 on: Basic rights are protected.
	No social guarantees for equity	LAPOP	Percentage of population for whom social guarantees related to equity are little or not at all guaranteed	Answer "3, Not guaranteed" or "4, Not guaranteed at all" in the three categories: To what extent are the following freedoms, rights, opportunities, and securities guaranteed in (COUNTRY)? Fair distribution of wealth, to what extent are the following freedoms, rights, opportunities, and securities guaranteed in (COUNTRY)? Equality of opportunity regardless of origin, to what extent are the following freedoms, rights, opportunities, and securities guaranteed in (COUNTRY)? Solidarity with the poor and the needy.

1/ LAPOP: Latin American Public Opinion Project (LAPOP)