

Strugglers: This Century's New Development Challenge

Keynote

Australasian Aid Society Conference
Canberra, February 13, 2018

(modified for posting March 1, 2018)

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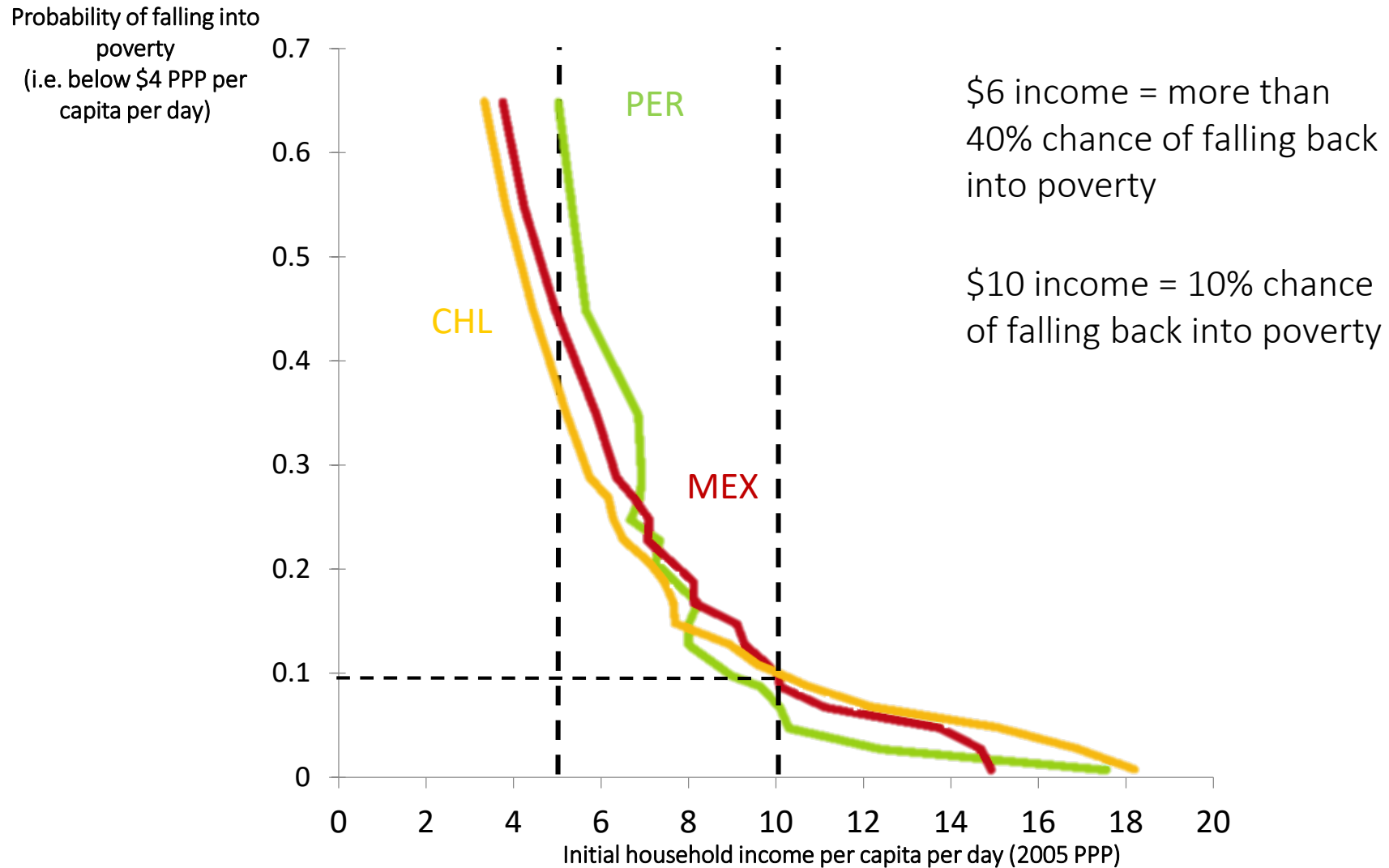
Leïla ALLAGUI

Imp. Poste Tunis 2011

This talk

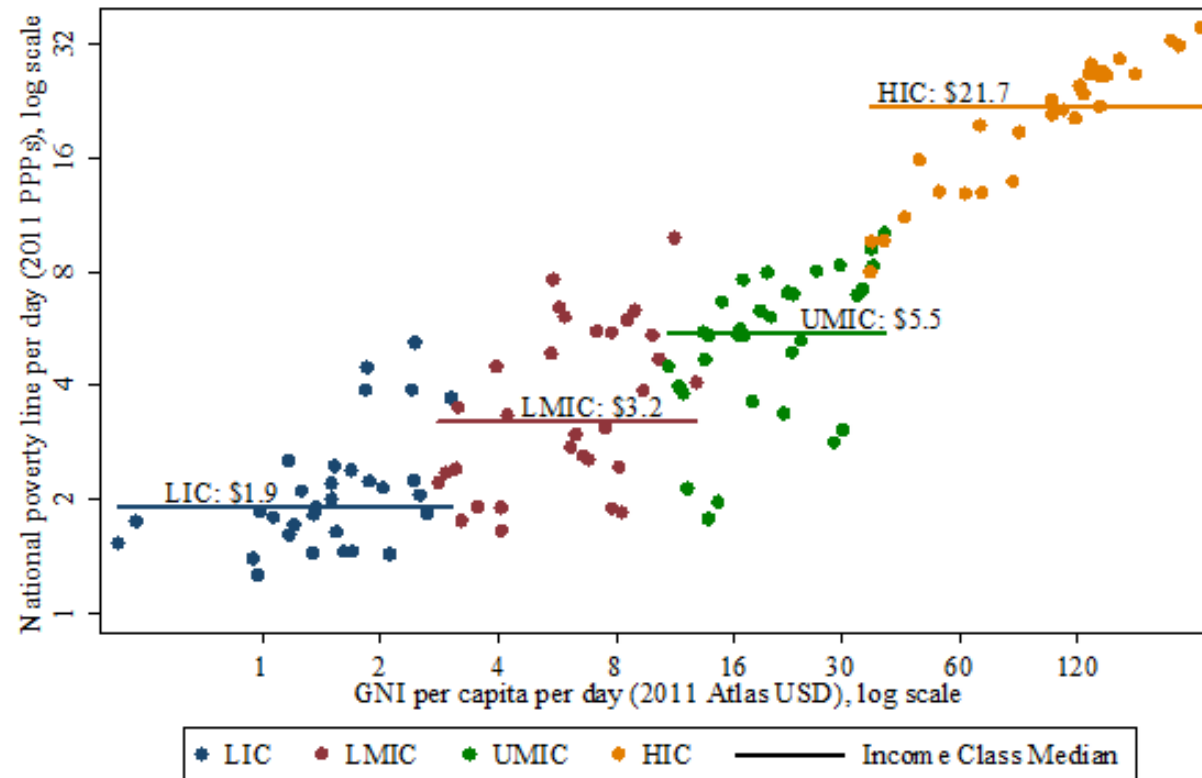
- Strugglers: a (crude) income classification (\$4-\$10 day)
- Some characteristics of strugglers
- Why strugglers matter: governance and the middle class
- What to do: development policy; role of outsiders

Strugglers: high probability of falling back into poverty



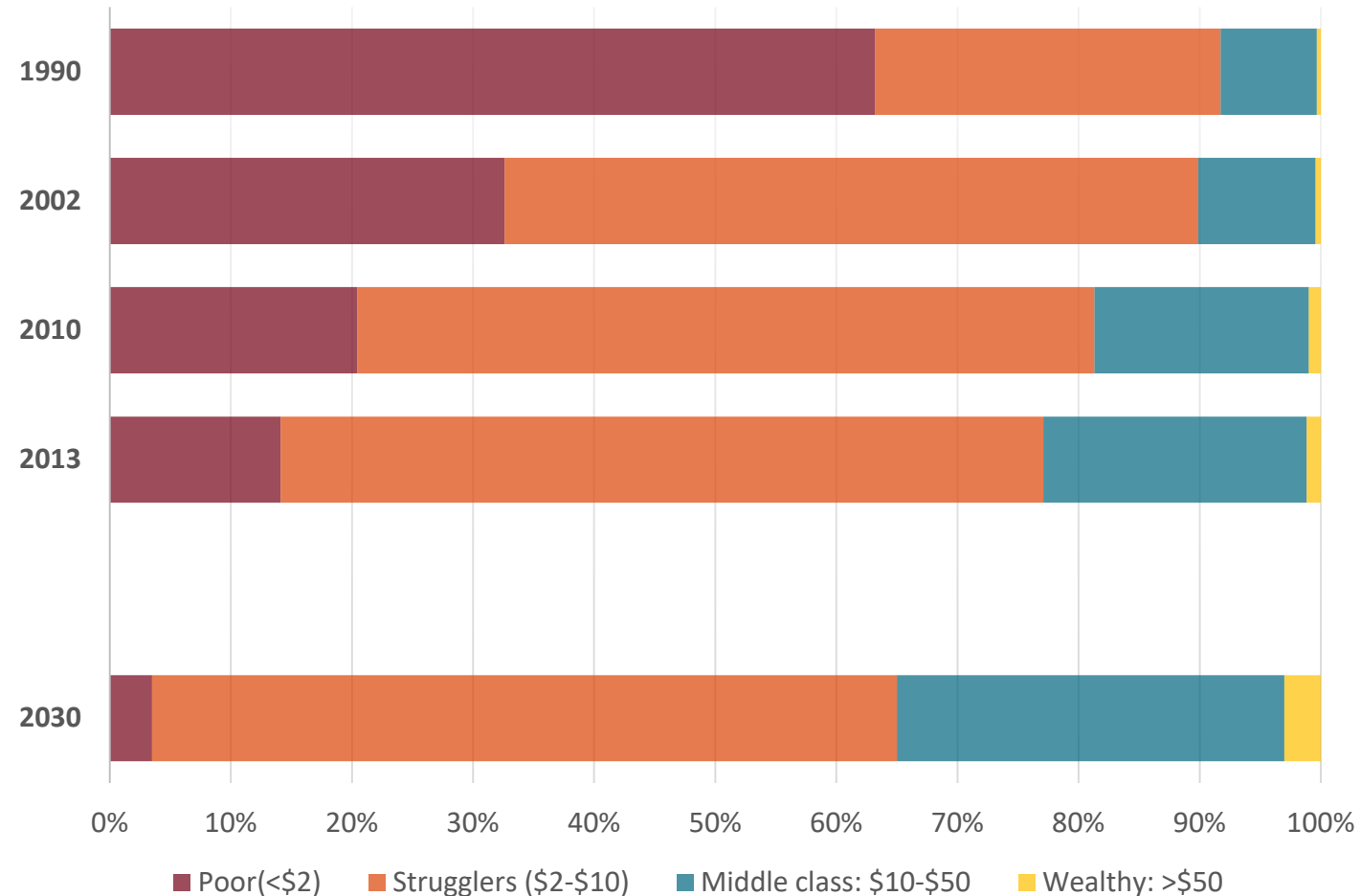
New poverty lines from World Bank now acknowledge most strugglers are indeed “poor”.

Figure 1: National poverty lines increase with national income



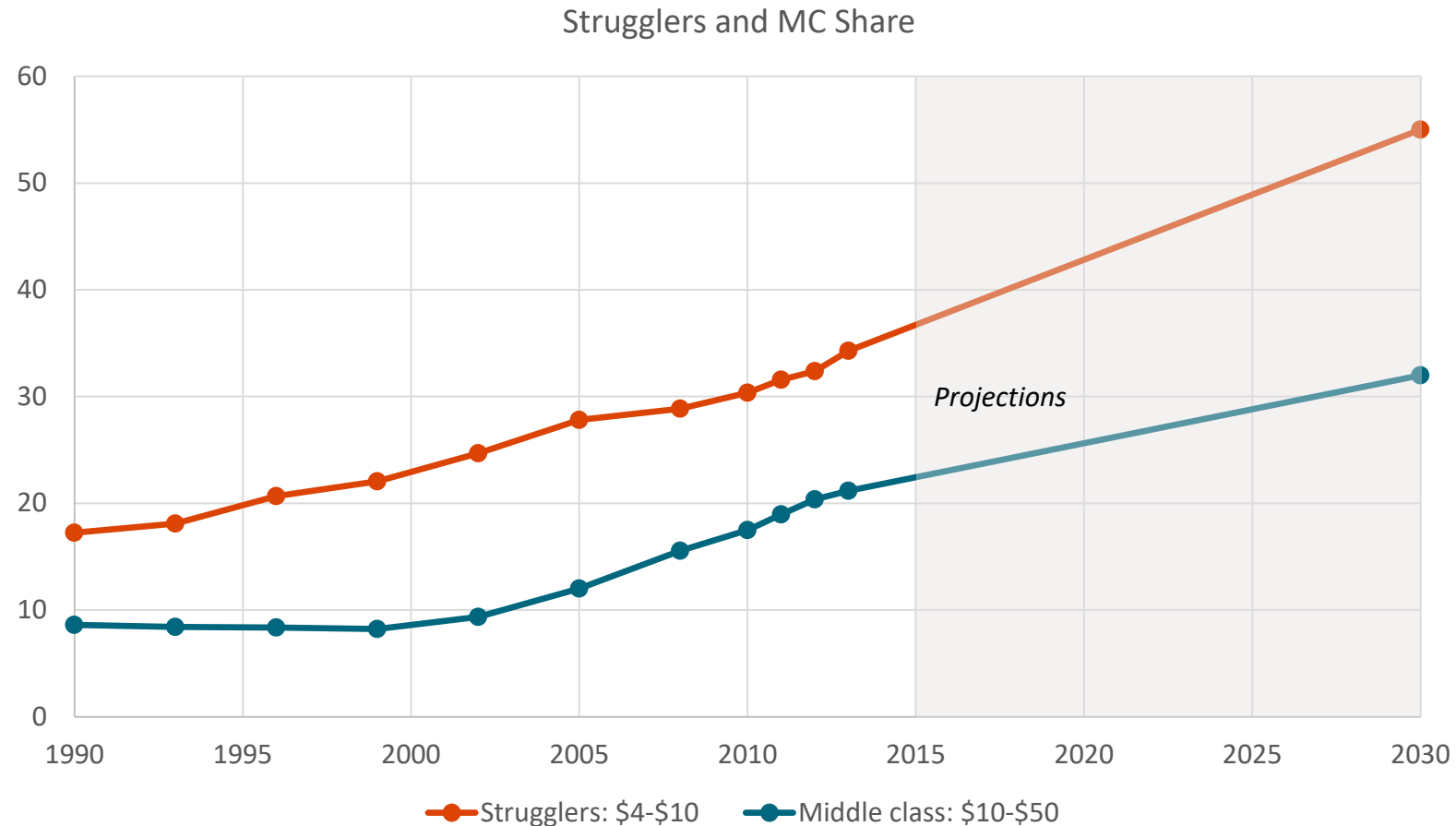
Source: based on data from Jolliffe and Prydz (2016)

The developing world: 60% are strugglers; still 60% in 2030



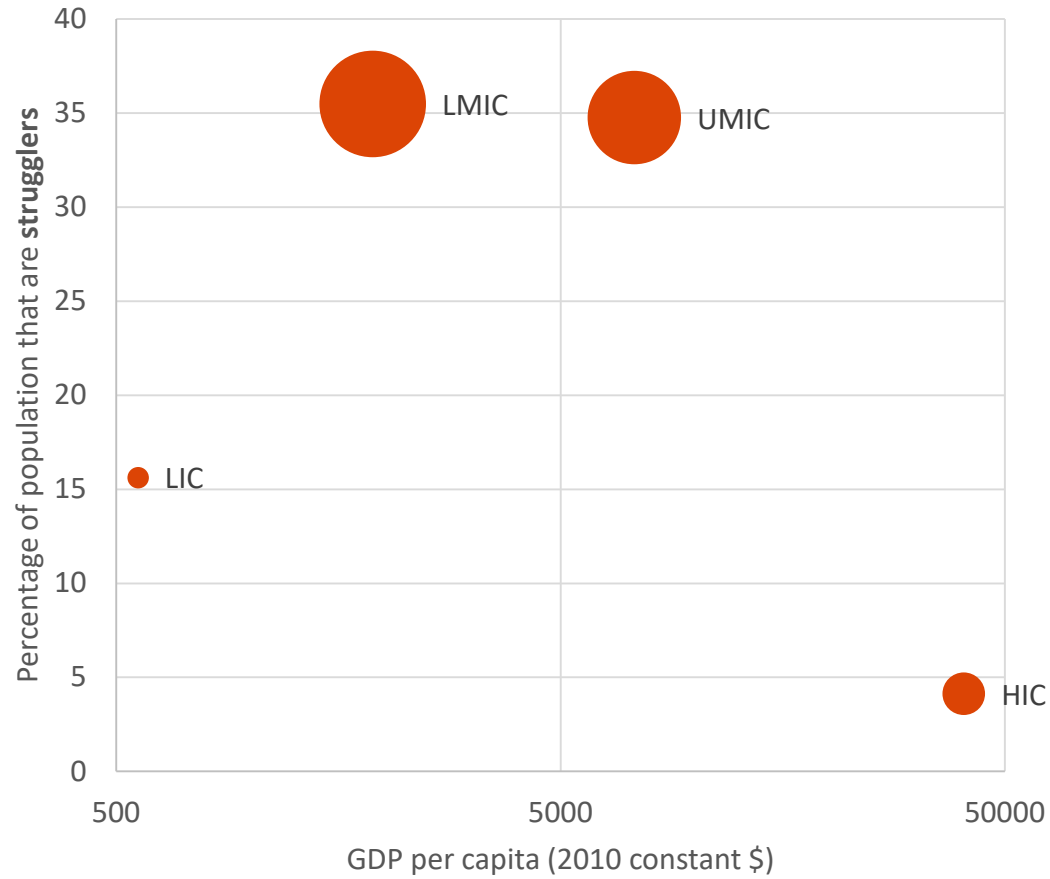
Source: PovcalNet, using 2011 PPPs and UN Population Projections

Why: As poverty fell (since 1990), the struggler group almost doubled (and better known, the middle class doubled).



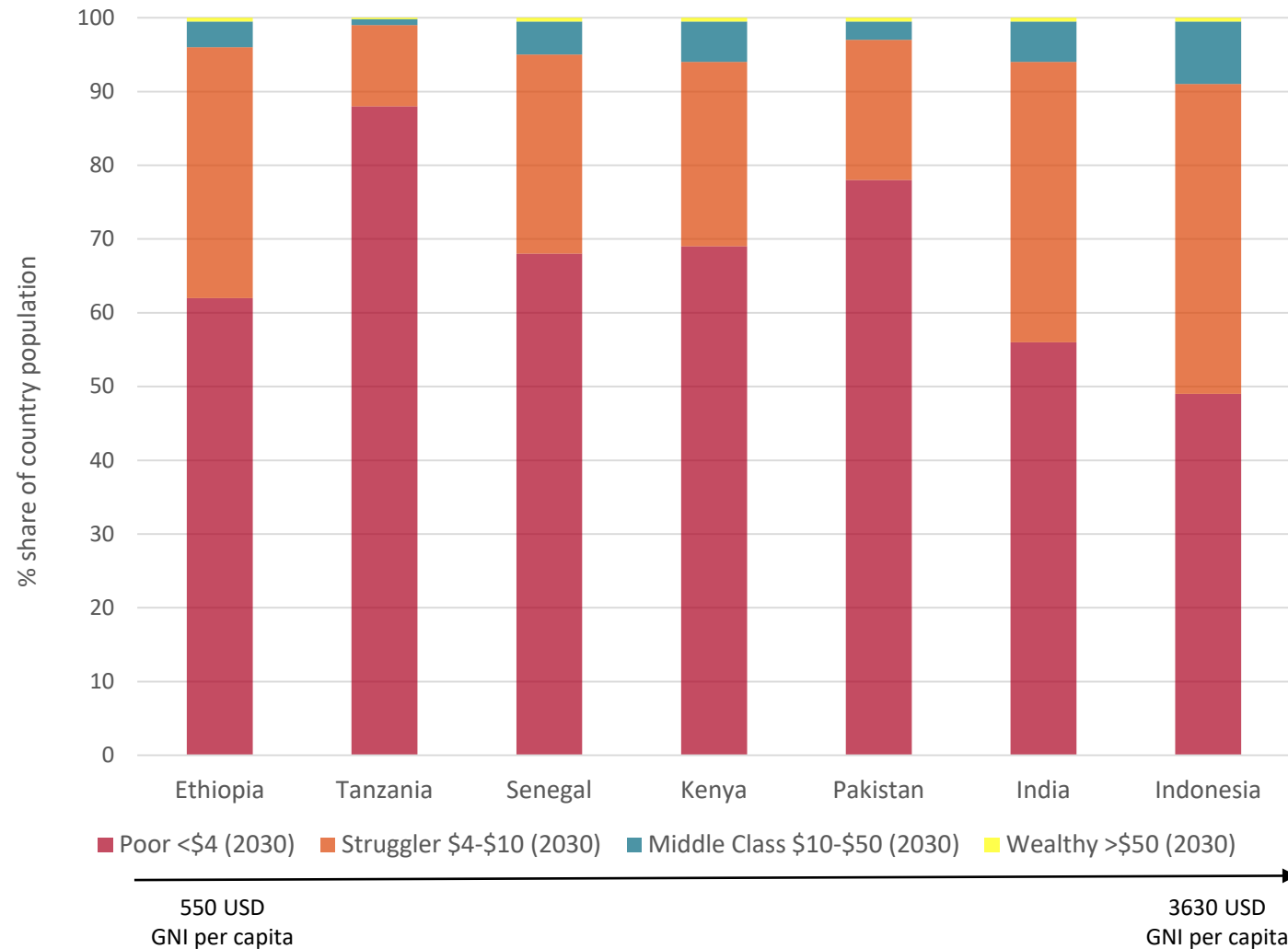
Source: PovcalNet, using 2011 PPPs and UN World Population Projections under "medium variant" assumptions

Most strugglers live in middle-income countries: UMICs too



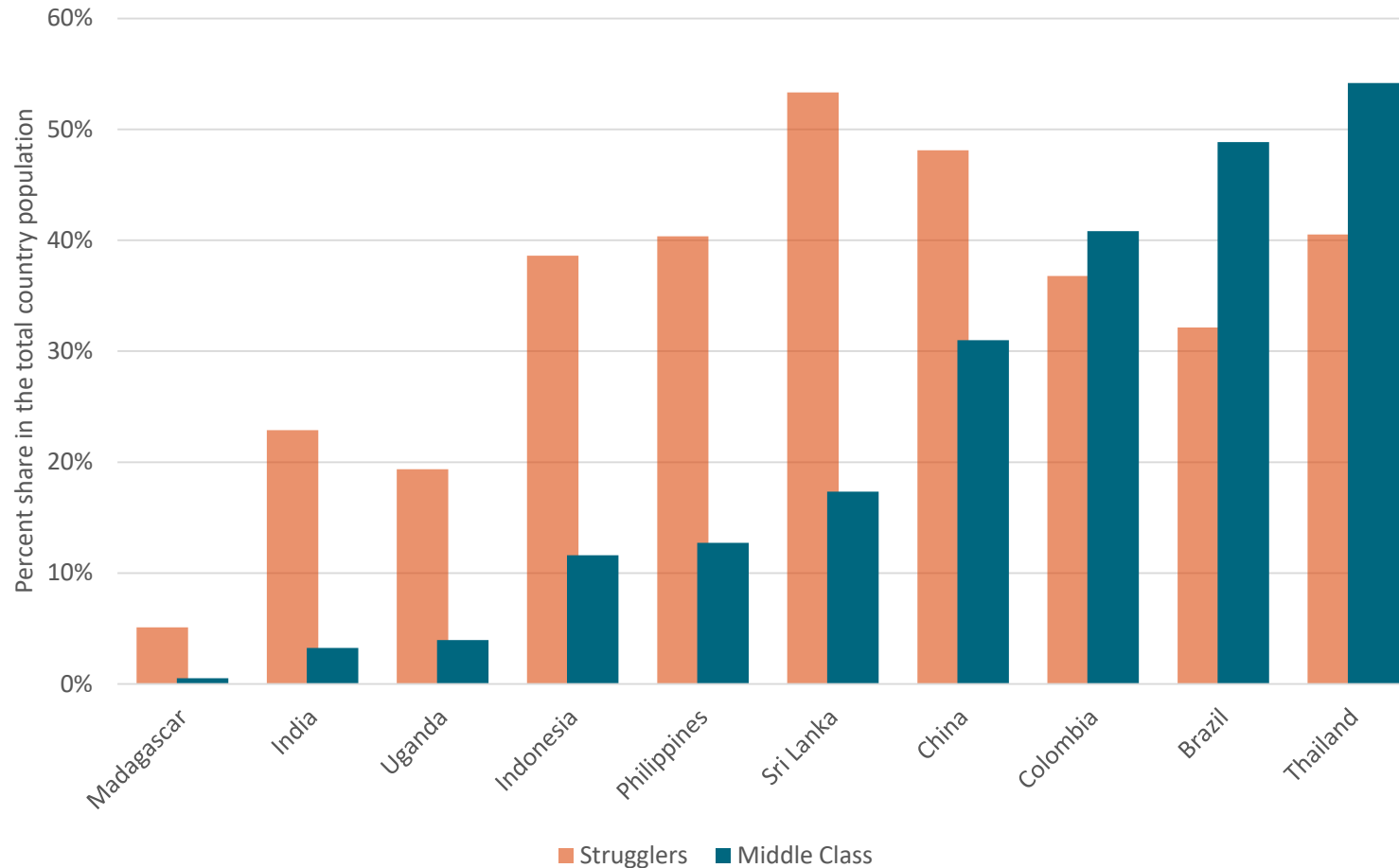
Source: PovcalNet, using 2011 PPPs and World Bank World Development Indicators using 2013 GDP per capita

India and Indonesia (LMICs) in 2030: 90% are still poor or strugglers



Source: Methodology based on Birdsall, Lustig, and Meyer (2014); data used are from Dykstra and Sandefur (2014), based on 2005 PPPs

Strugglers are the dominant group in Asian LMICs; middle class is larger in UMICs Thailand and Brazil.



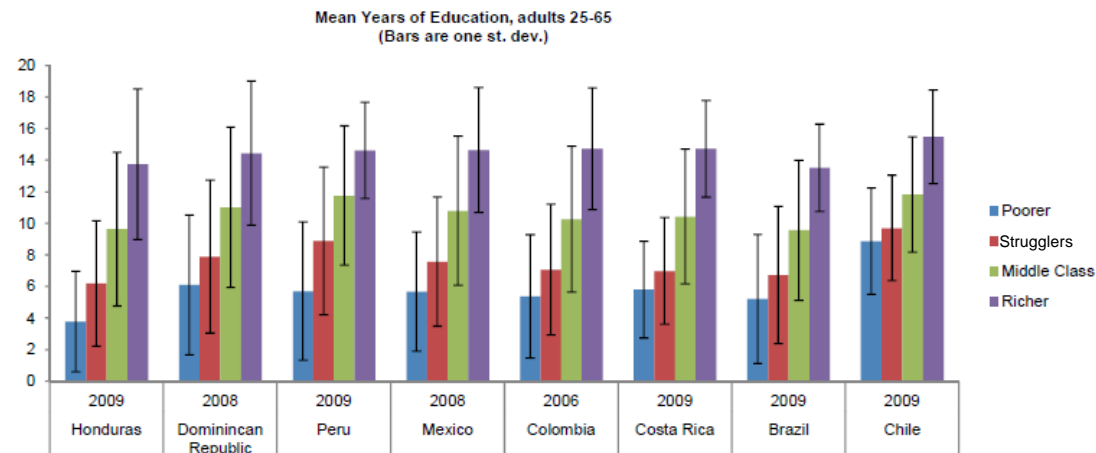
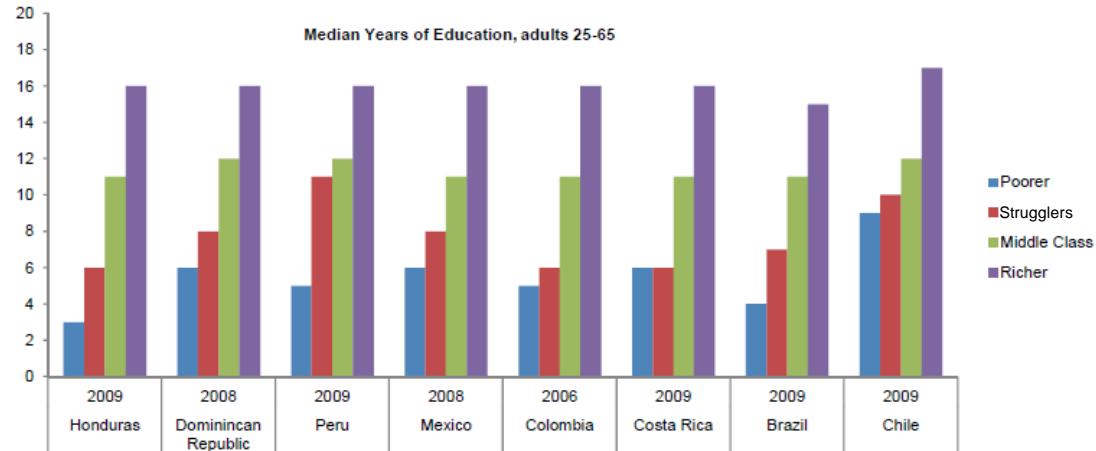
Source: PovcalNet, using 2011 PPPs

II Key characteristics of strugglers

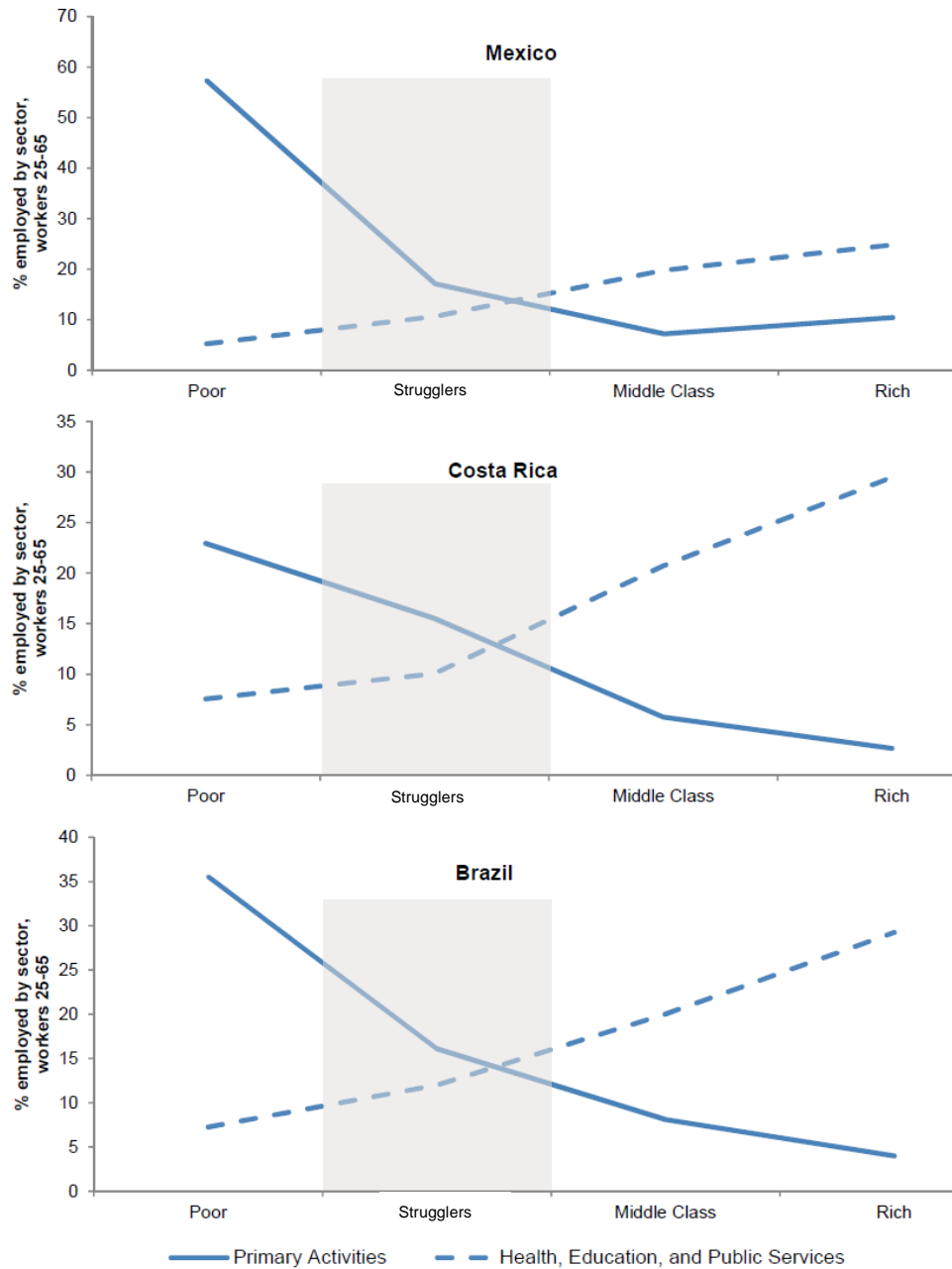
- Urban and peri-urban
- Primary schooling – and sometimes more
- Informal workers: informal the new normal through 2030
- High expectations; high stress

On average strugglers have completed primary education – the middle class secondary

Figure 5: Years of Schooling for Adults Aged 25-65, by Income Category

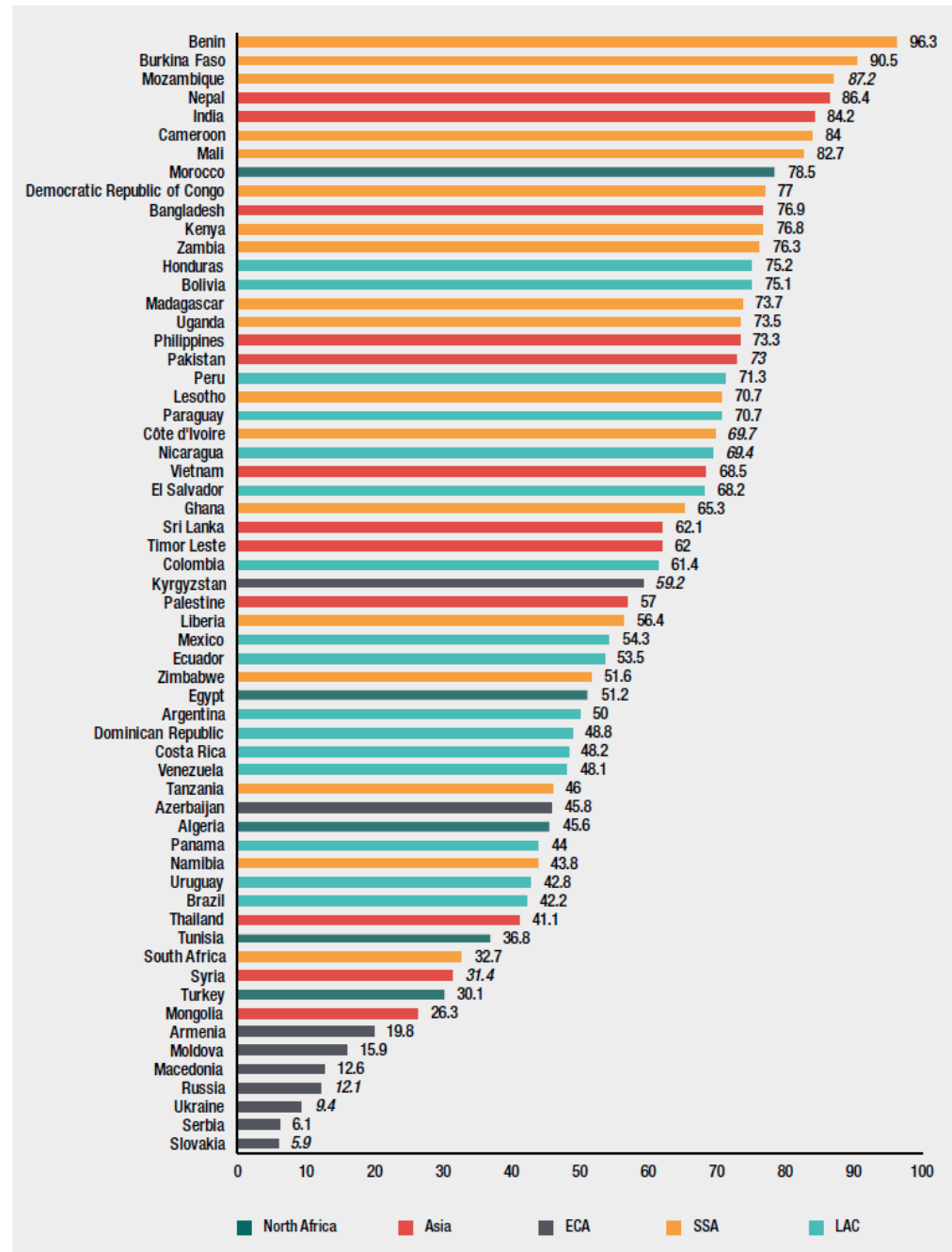


Source: Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).



Strugglers work in sectors “between” agriculture and formal sector jobs

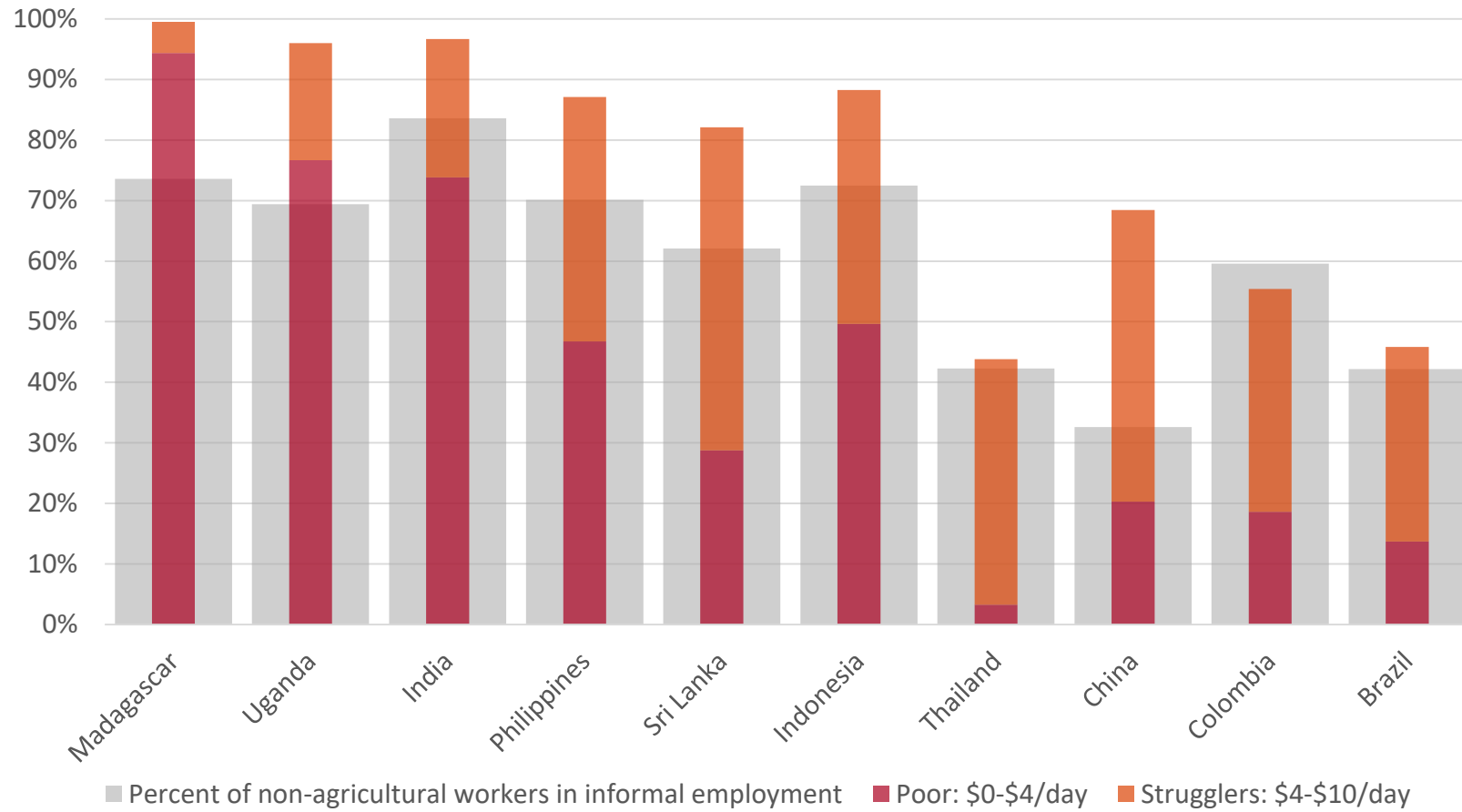
Figure A.1: Employment in the informal economy as a share of total non-agricultural employment in 60 countries (%)



Most strugglers are informal workers – without a regular paystub

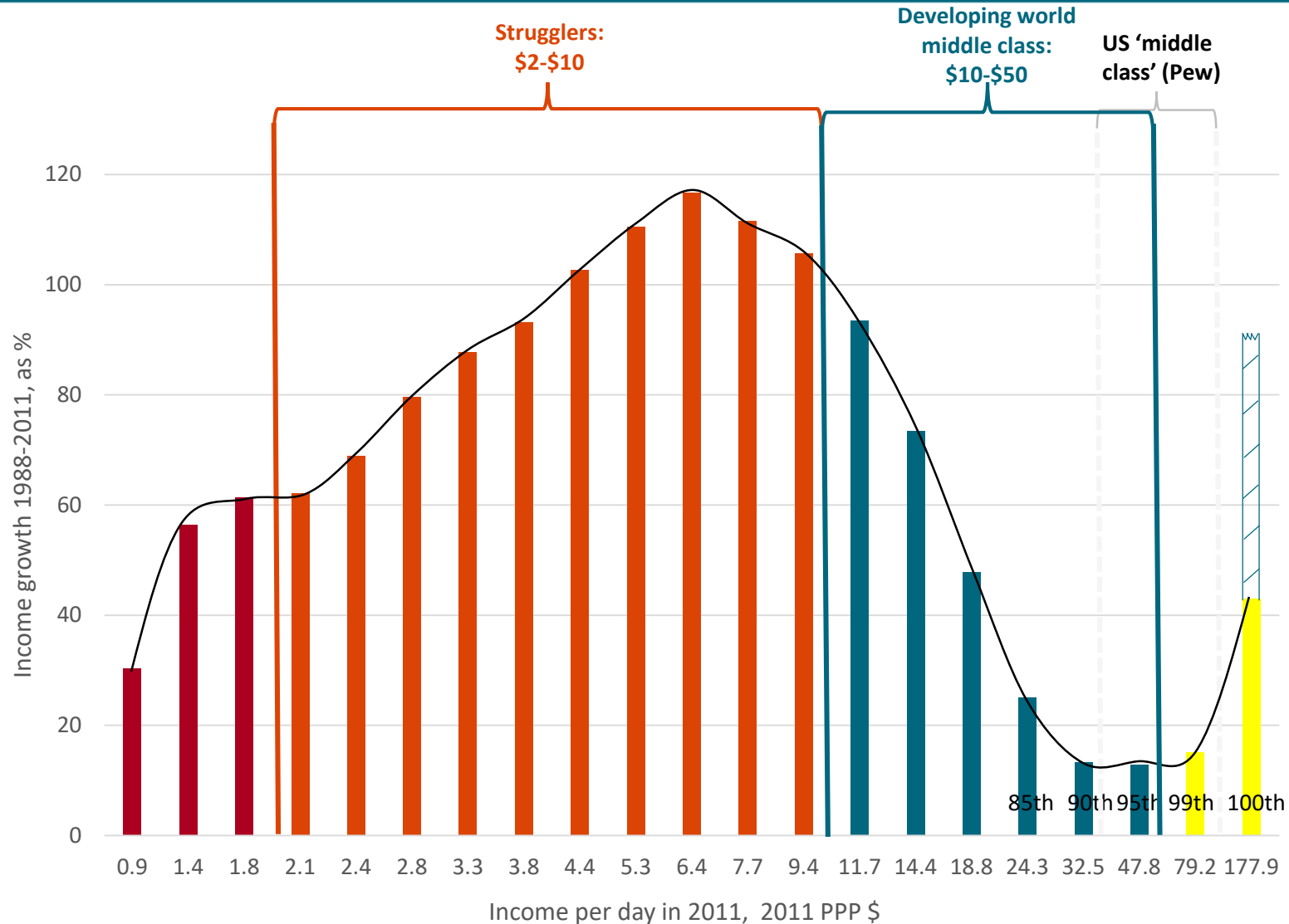
Source: Charmes, J. (2009) 'Concepts,

The poor and strugglers in non-ag work make up 90 percent of informal workers in Indonesia



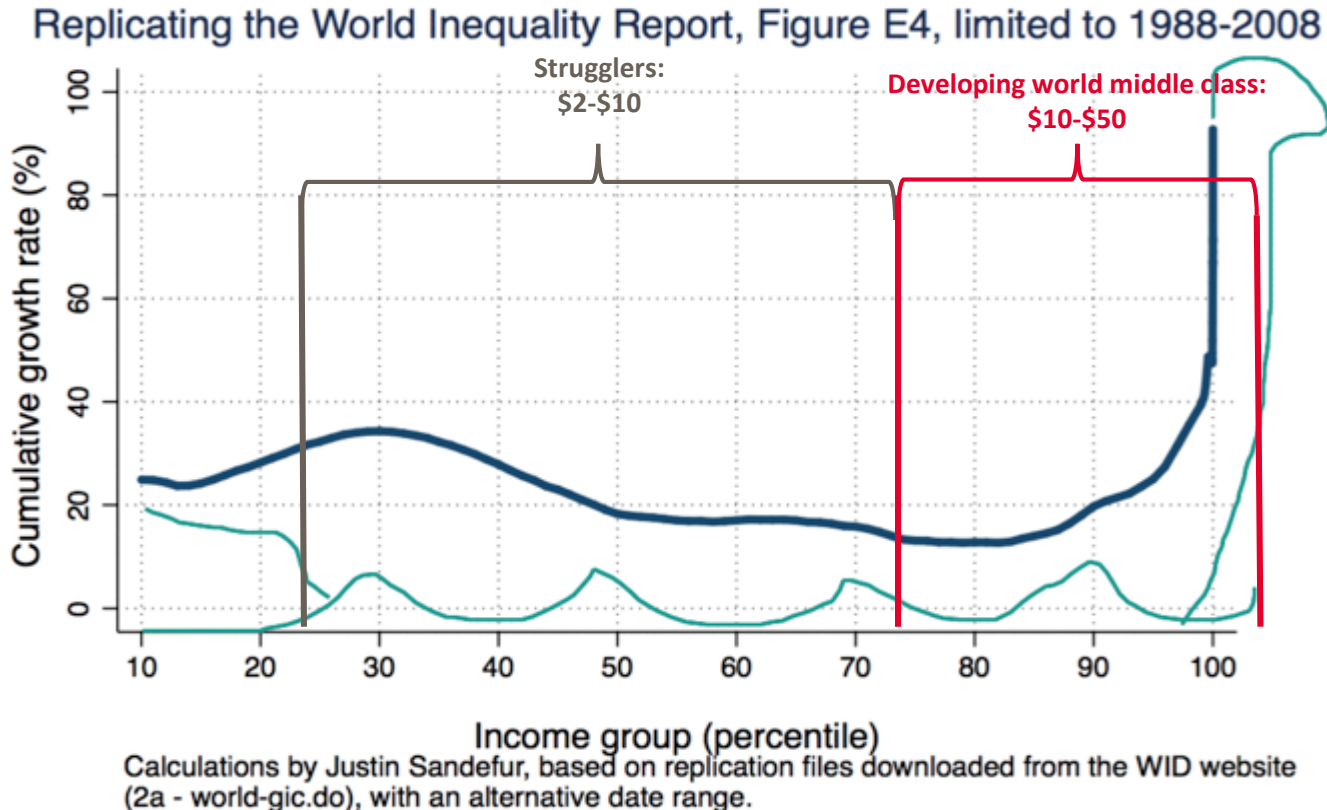
Sources: PovCalNet and ILO Report, "Statistical update on employment in the informal economy," 2012

Strugglers are the group that benefited most from growth 1990-2011; they have high expectations and middle class aspirations



Source: Lakner and Milanovic (2015); Milanovic (2016)

But better data on global inequality suggest struggler gains are relatively smaller, less robust and durable.



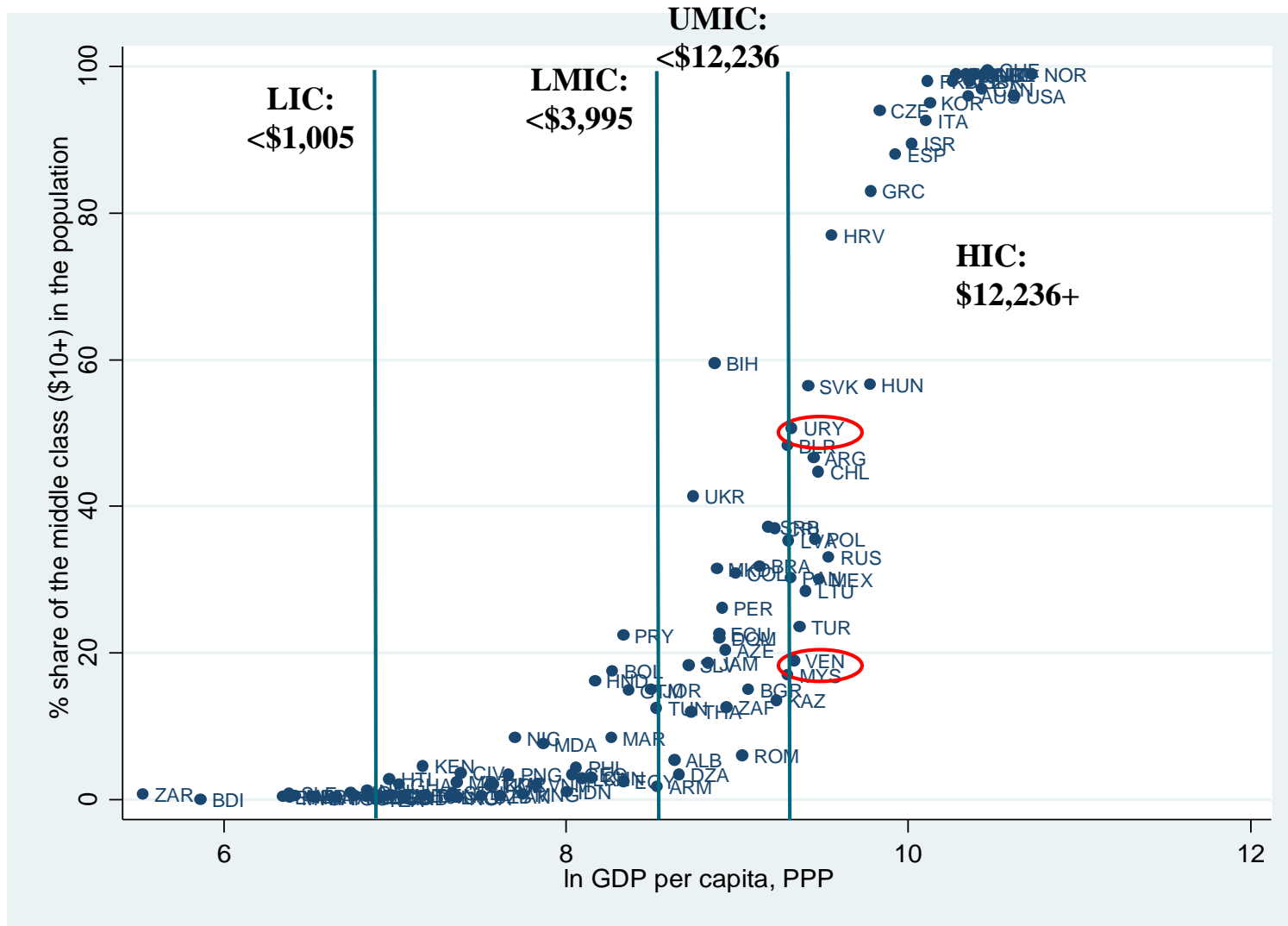
Strugglers are not Aristotle's middle class



It is manifest that the best political community is formed by citizens of the middle class, and that those states are likely to be well-administered in which the middle class is large, and stronger if possible than both the other classes [. . .] ; for the addition of the middle class turns the scale, and prevents either of the extremes from being dominant.

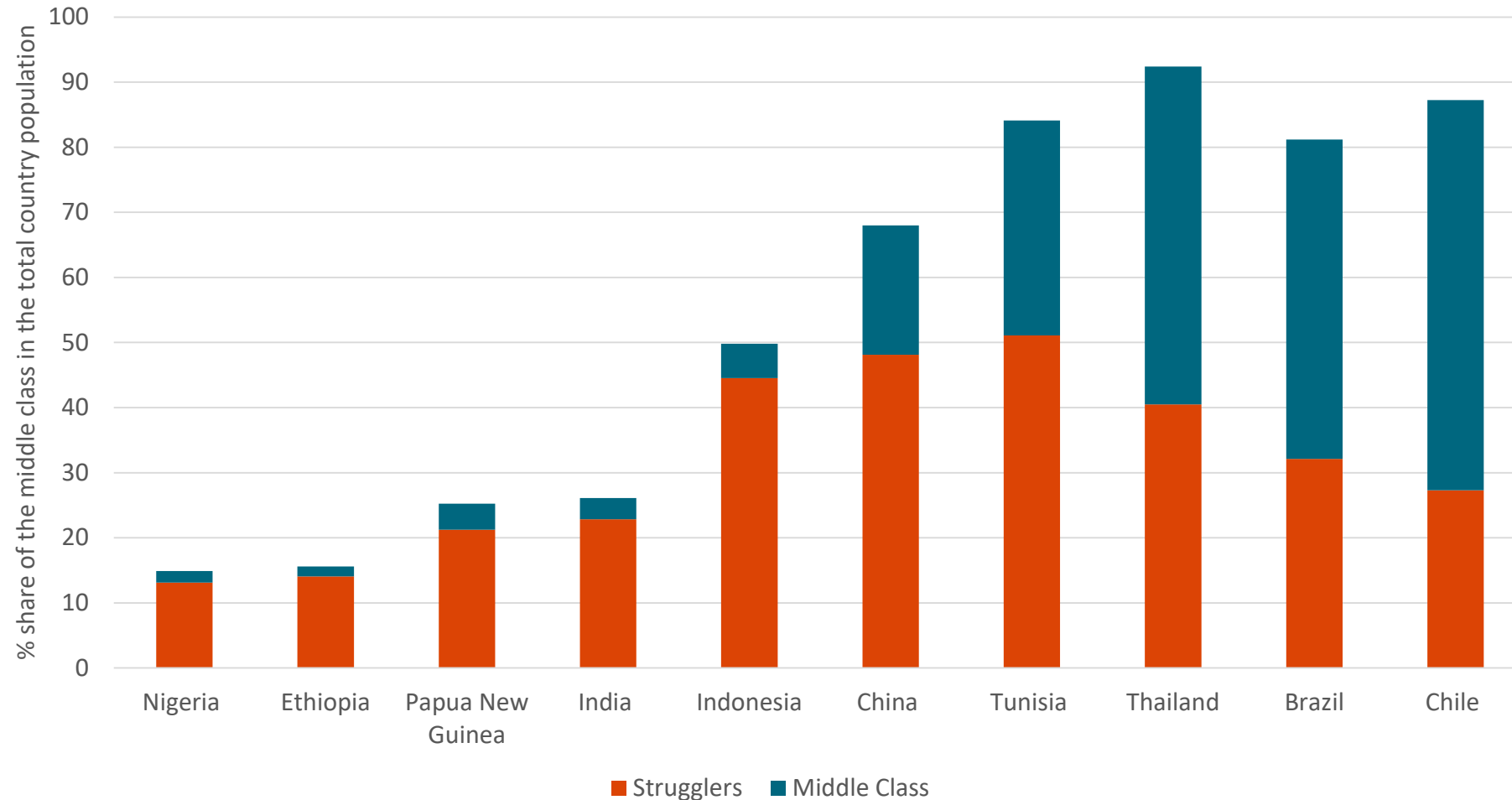
—Aristotle, Politics

Struggler “countries”: those with a small middle class (<25%)



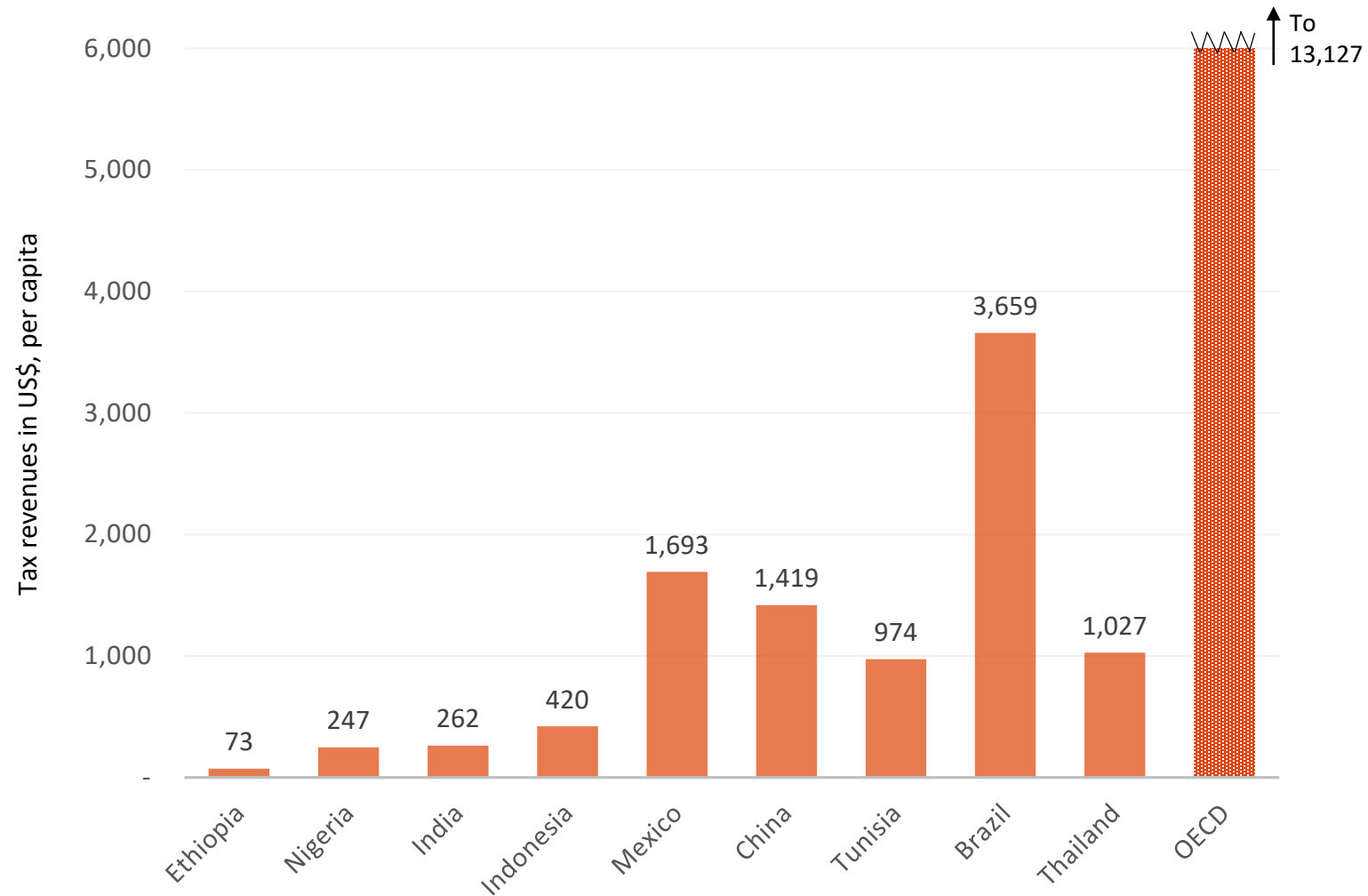
Source: Loayza, Rigolini data (2012 paper; 2010 data) on 128 countries.

Taxes and state accountability: When is the middle class large enough?



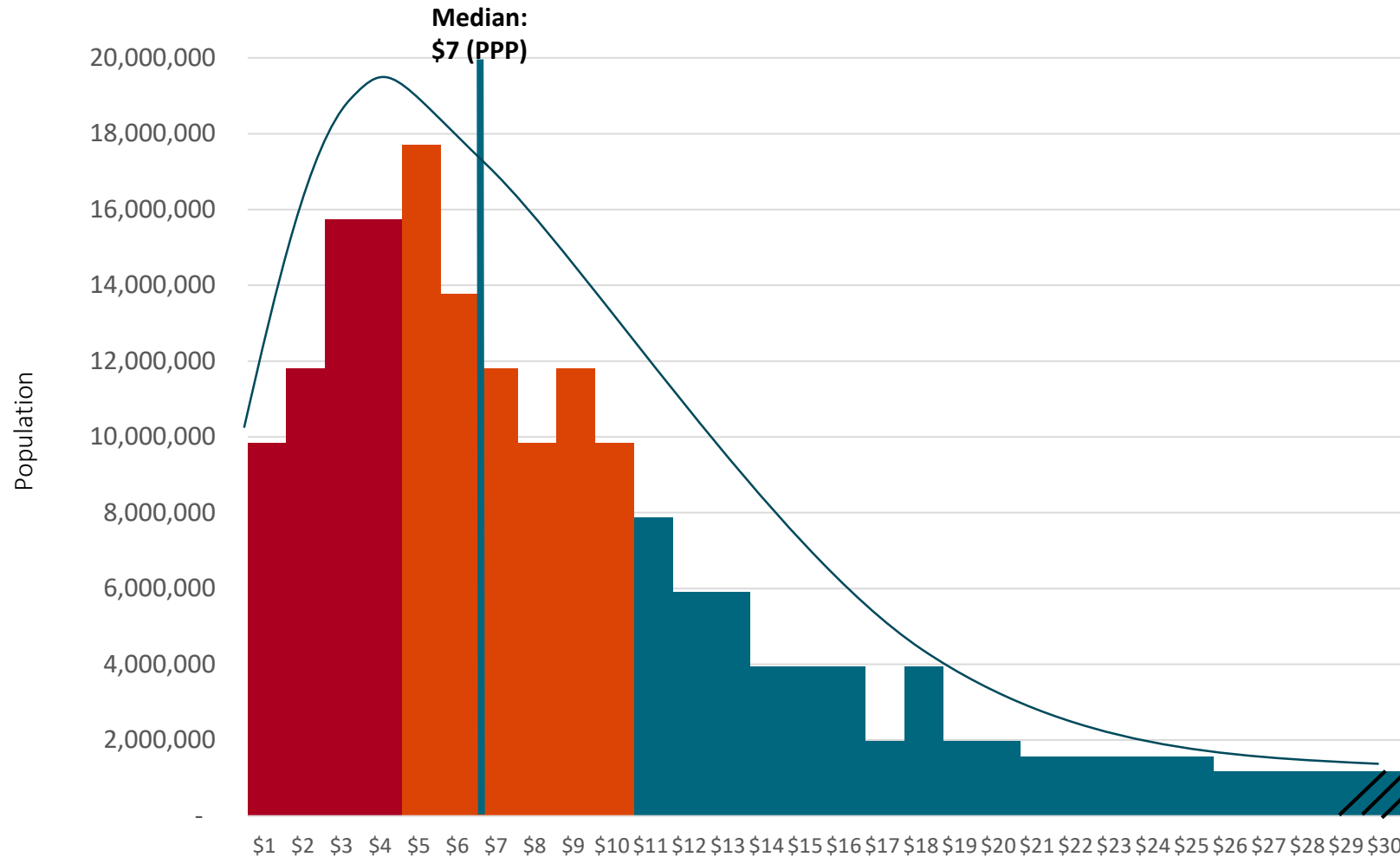
Source: PovcalNet, using 2011 PPPs

Tax revenues per capita: low even in UMICs



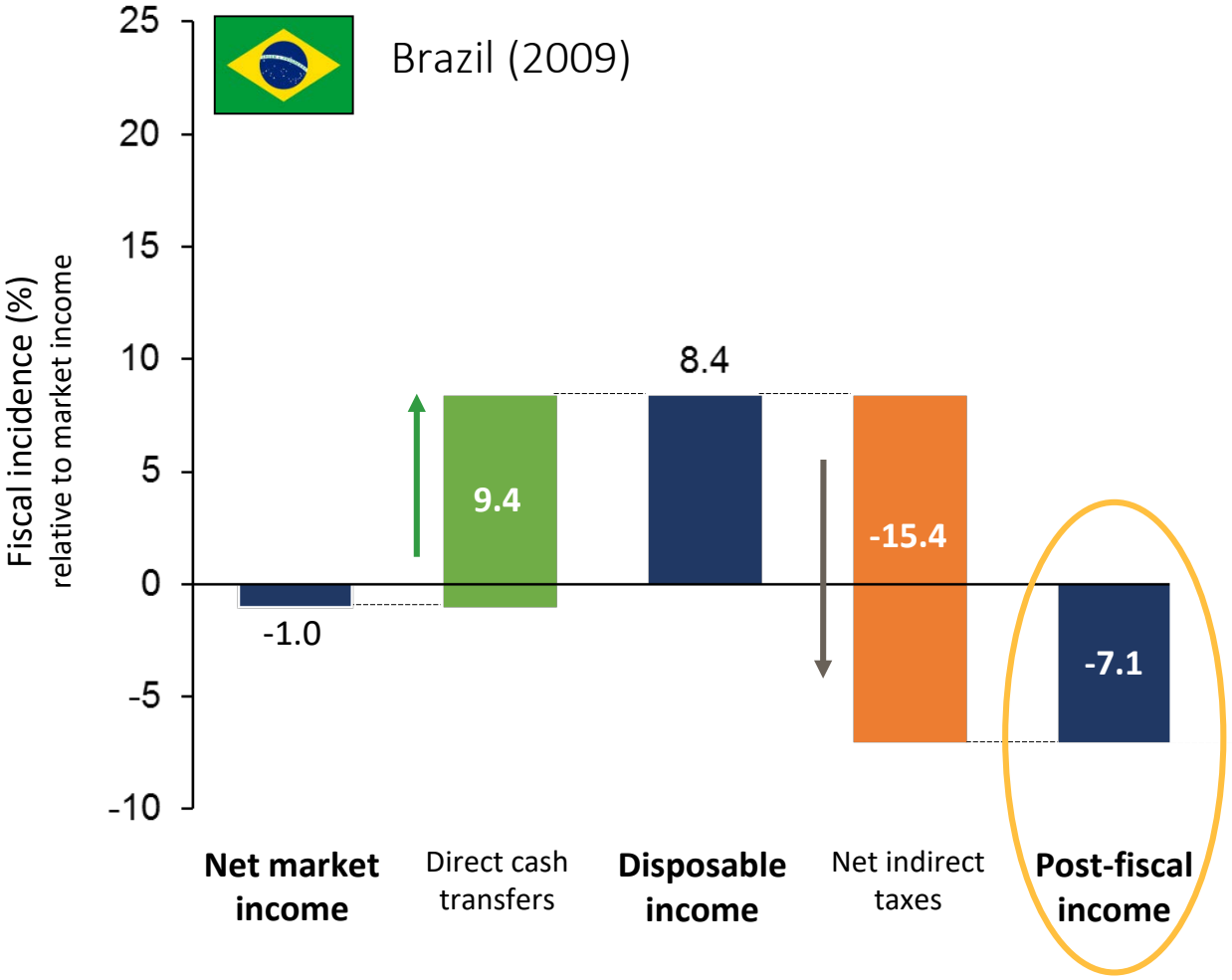
Source: IMF, OECD, WDI

Brazil 2009: The median (voter) is a struggler. (Middle class is in blue.)

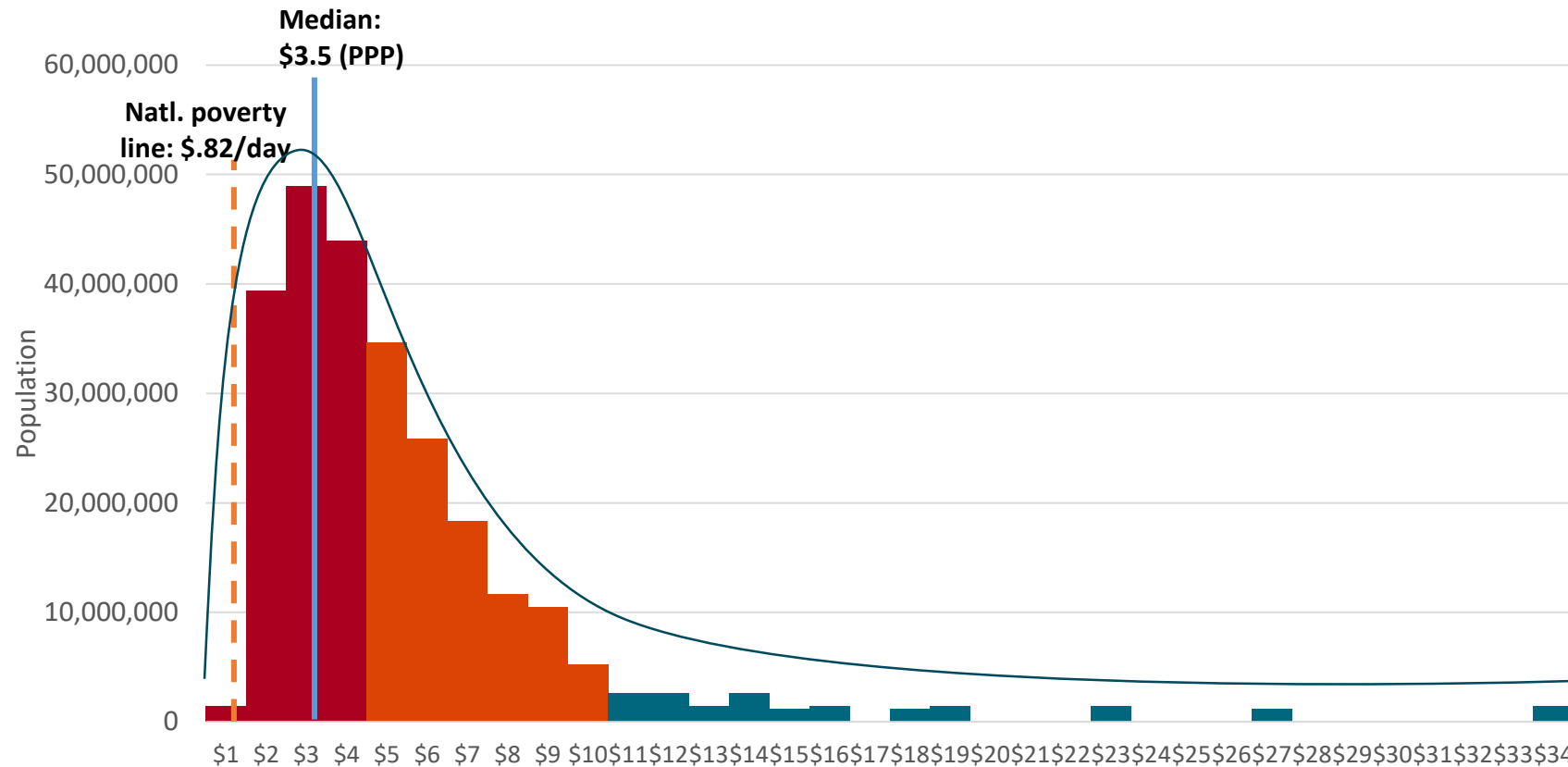


Source: PovcalNet via Dykstra and Sandefur (2014) dataset (2005 PPPs)

Brazil: Strugglers (unlike the poor, under \$4) are net taxpayers; taxes make them poorer in cash terms

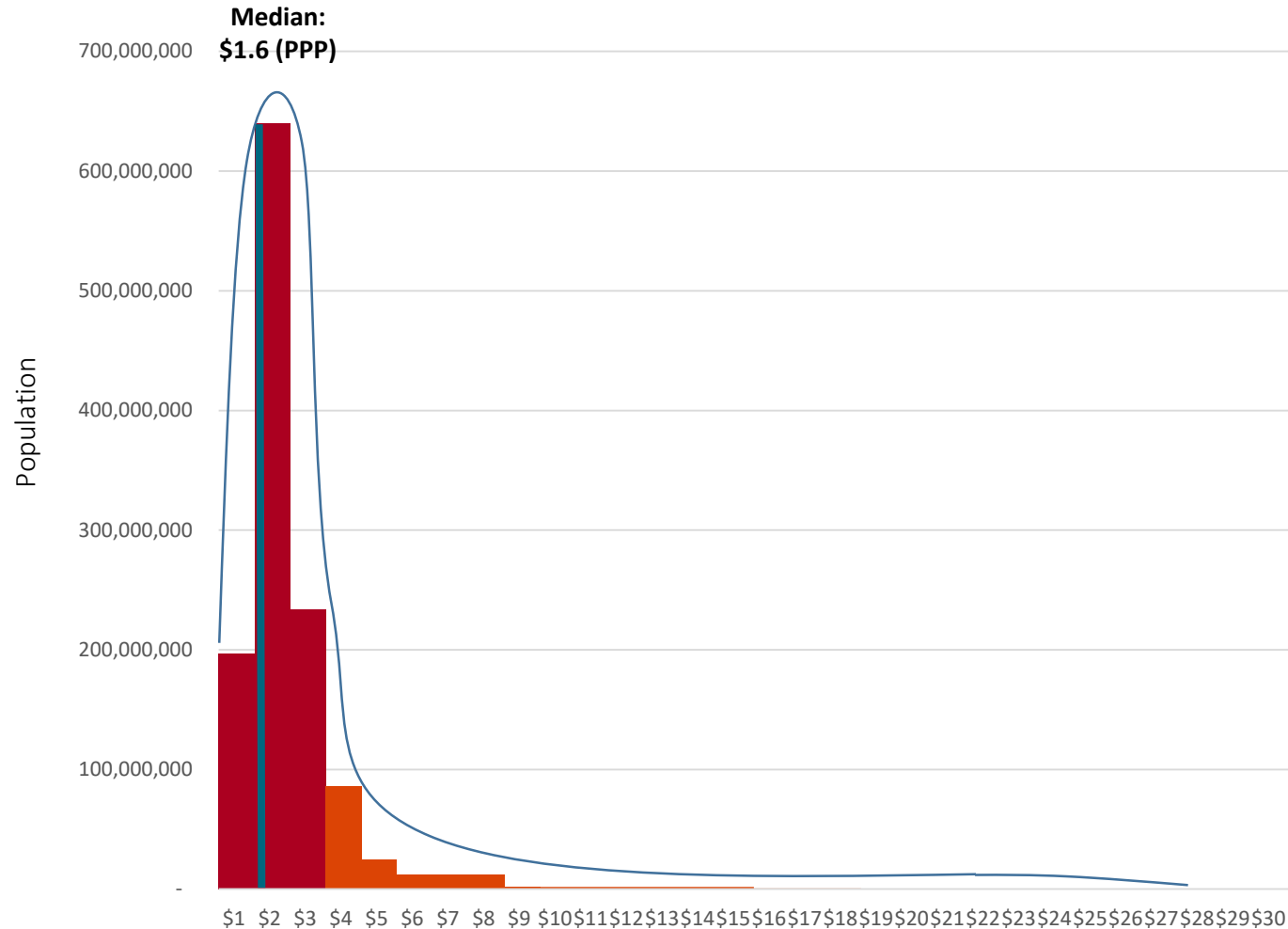


Indonesia 2016: The median (voter) is poor



Source: PovcalNet via Dykstra and Sandefur (2014) dataset (2005 PPPs)

India 2010: A society still of the truly poor



Source: PovcalNet via Dykstra and Sandefur (2014) dataset (2005 PPPs)

IV What to think? What to do?

What to think:

Economic growth matters – so macro fundamentals are necessary (if not sufficient)

Inclusive growth matters – so micro fundamentals matter too

Both require an active, effective state

Policies to ponder in a struggler world

- The future of work when informality is “normal”: how make informal work more productive
- Social insurance for workers without paystubs (ie beyond cash transfers)
- Beyond indirect taxes to more progressive tax policy: taxing property, capital and personal income
- Automatic stabilizers to support strugglers’ own investment in tough times
- Cross-subsidies that ease the pain of higher prices of energy and water for strugglers
- Short term transfers to strugglers when eliminating fuel subsidies
- Focus any “UBI” and distribution of natural resource rents on strugglers too

What to do: The role of outsiders

Australia and other rich countries:

- Aid as a supplement for limited tax revenue in low-income countries

- Beyond aid to support for a just global system:

 - Tax evasion and legal tax dodges

 - Trade, migration, refugees, technology transfer

 - Climate and other global public goods

- Global citizens everywhere: International NGOs

- Support independent think tanks in developing countries

The development agenda is a global agenda: SDGs and the Paris Accord

Thank You
Remember Mohamed
Bouazizi's sister

