

Global poverty and inequality: recent trends and interlinkages

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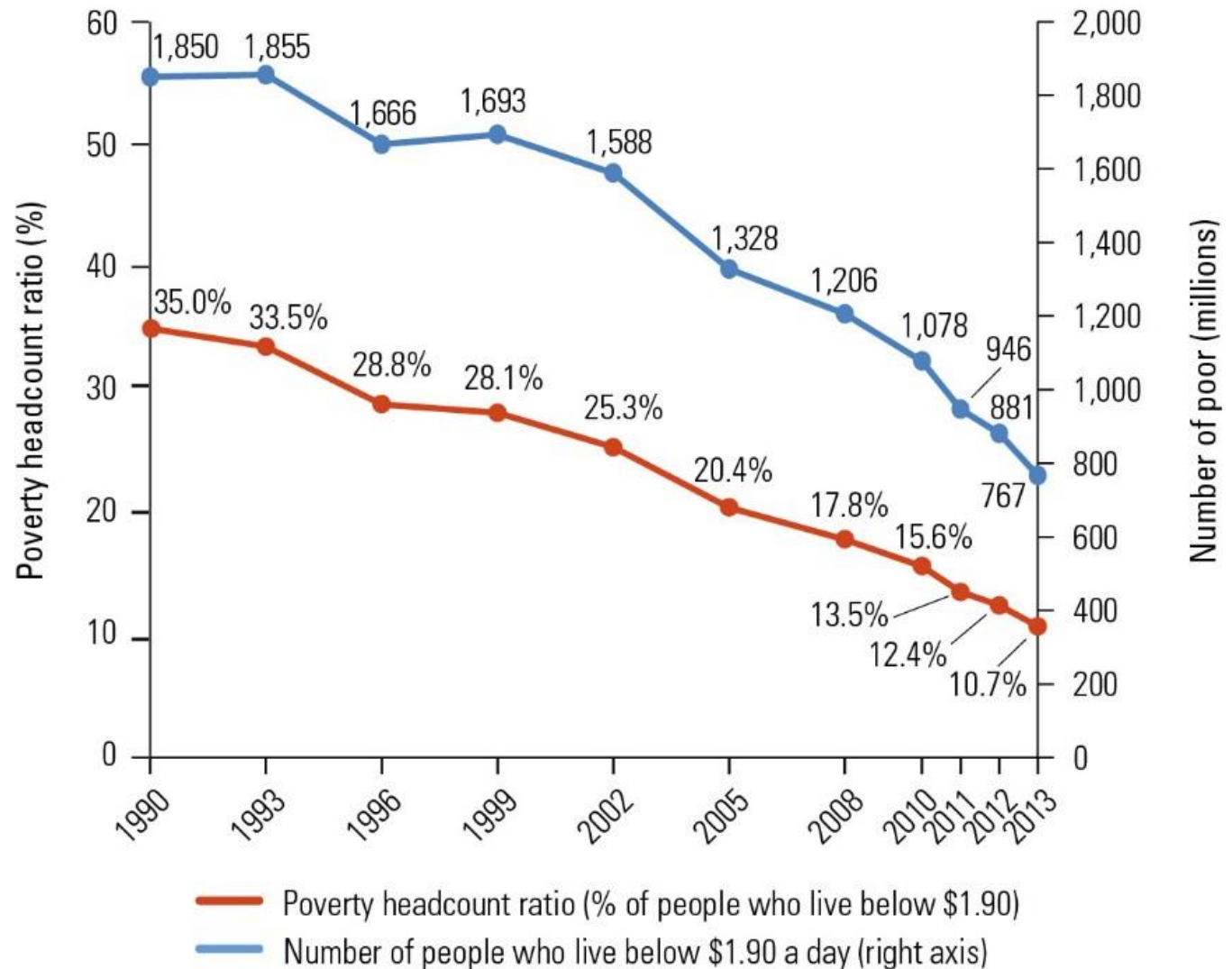
Outline

1. Recent progress against global (income) poverty
2. A tougher road ahead?
3. Inequality holds the key
4. The bottom line

This presentation draws largely on World Bank (2016): *Poverty and Shared Prosperity Report: Taking on Inequality* (Washington, DC: World Bank Group). I am grateful to the team that prepared that report.

1. The recent progress against global poverty...

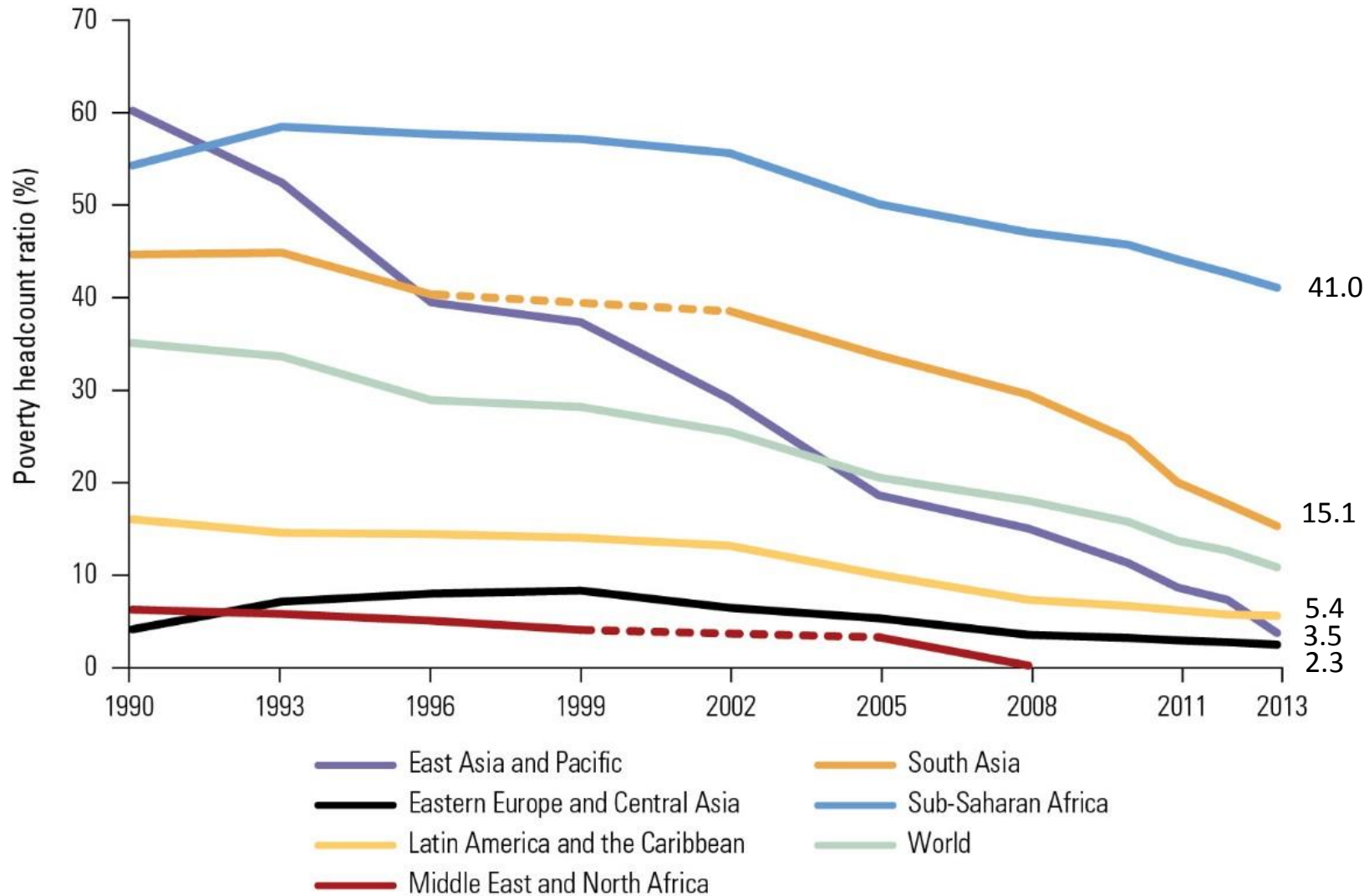
FIGURE 2.1 The Global Poverty Headcount Ratio and the Number of the Extreme Poor, 1990–2013



Sources: Annex 2A; most recent estimates, based on 2013 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: Poverty is measured using the 2011 US\$1.90-a-day PPP poverty line.

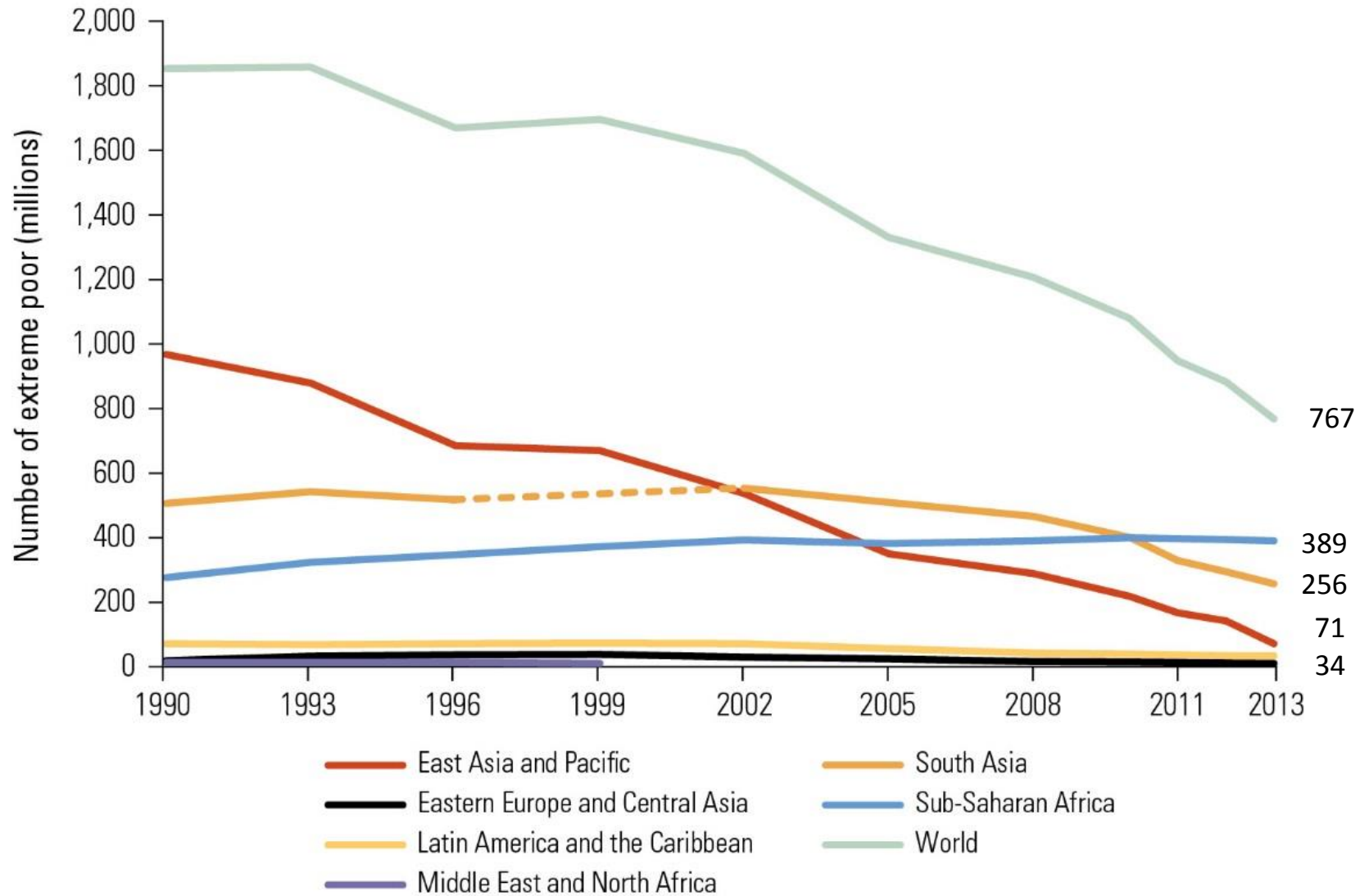
FIGURE 2.4 Regional and World Trends, Extreme Poverty Headcount Ratio, 1990–2013



Sources: Annex 2A; most recent estimates, based on 2013 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: Poverty is measured using the 2011 US\$1.90-a-day PPP poverty line. Breaks in the trends shown in the figure arise because of the lack of good-quality data.

FIGURE 2.3 Regional and World Trends, Number of the Extreme Poor, 1990–2013



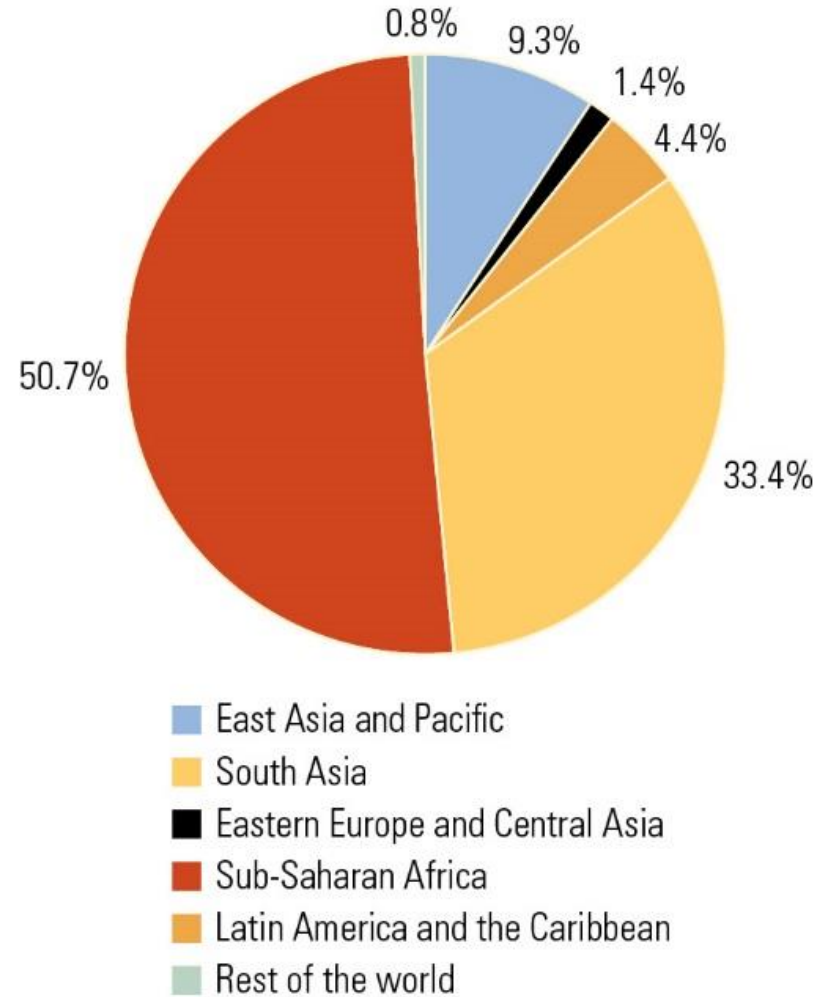
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Sources: Annex 2A; most recent estimates, based on 2013 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: Poverty is measured using the 2011 US\$1.90-a-day PPP poverty line. The breaks in the trends shown in the figure arise because of the lack of good-quality data.

FIGURE 2.2 Where Are the Global Poor Living? The Global Poor, by Region, 2013

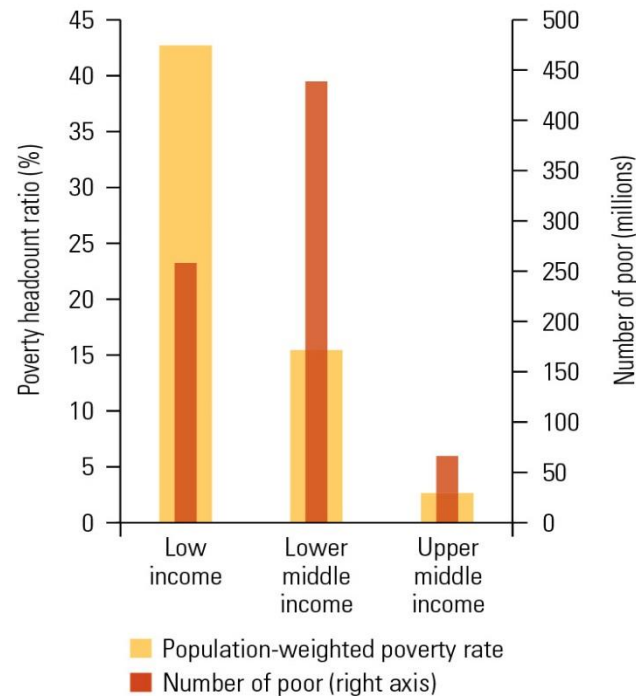
Share of global poor by region (%)



Source: Most recent estimates, based on 2013 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

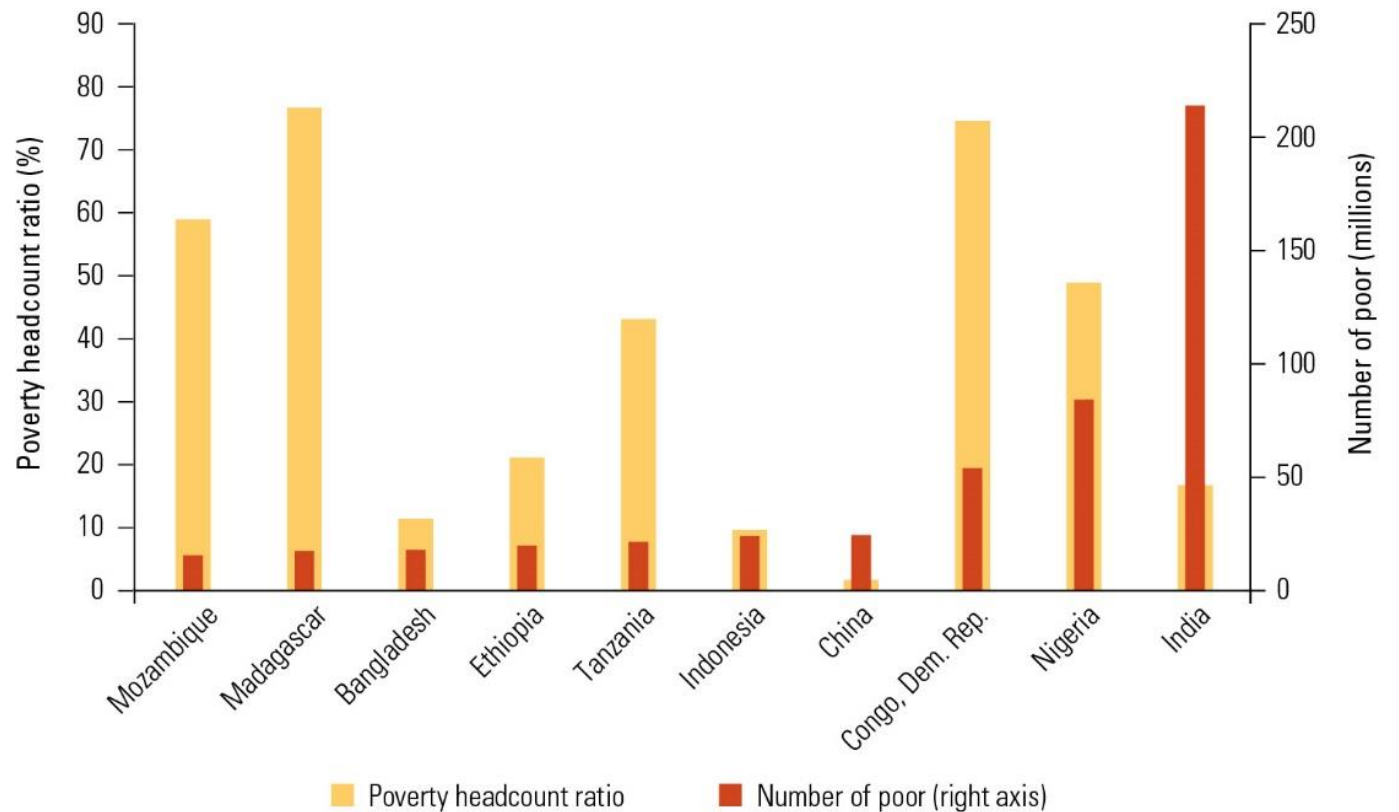
2. A tougher road ahead?

FIGURE 2.5 Poverty Headcount Ratios and Number of the Poor, by Country Income, 2013



Source: Most recent estimates, based on 2013 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.
 Note: Poverty is measured using the 2011 US\$1.90-a-day PPP poverty line. Countries are grouped into income categories following the 2016 classification of lower-, lower-middle, and upper-middle-income countries in PovcalNet.

FIGURE 2.7 Number of the Poor, Top 10 Countries, 2013

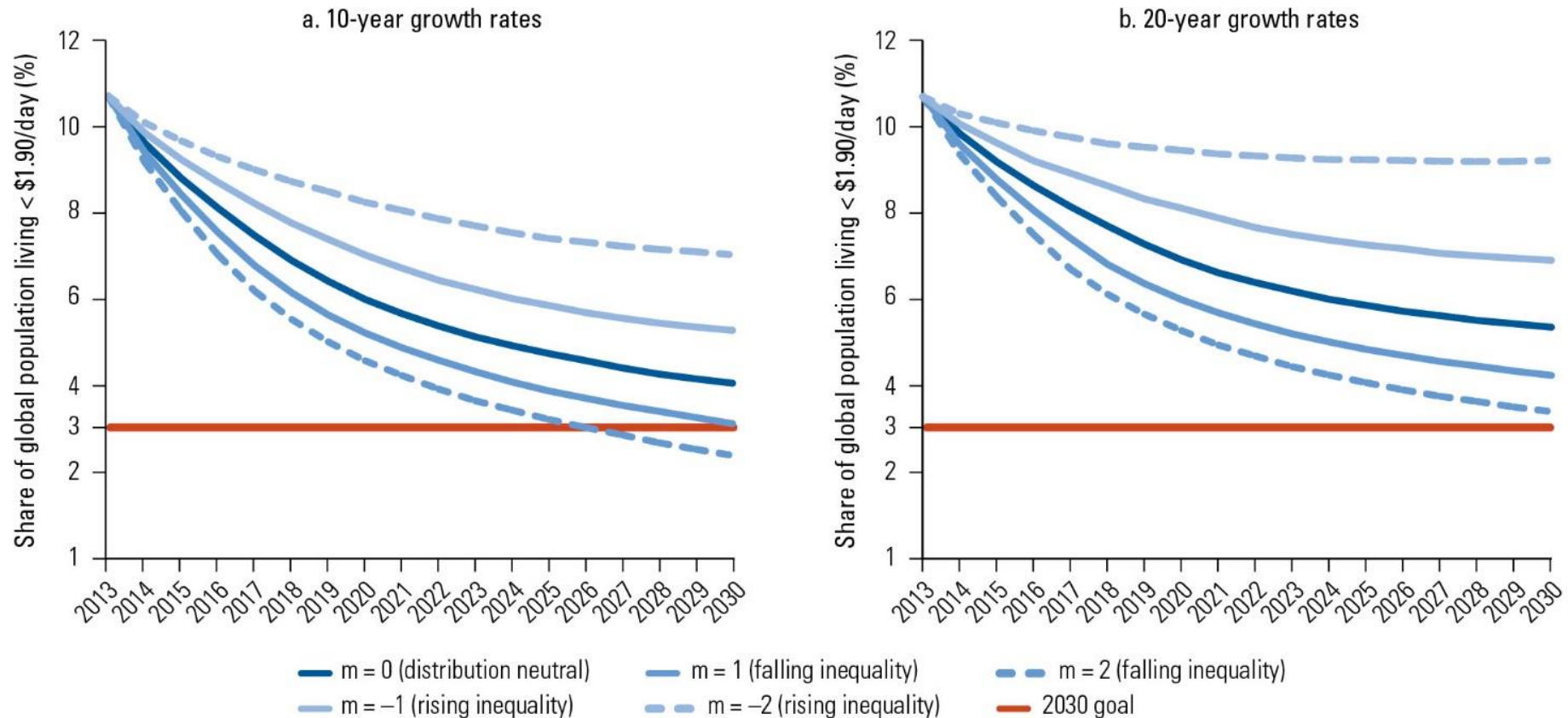


Source: Most recent estimates, based on 2013 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: Poverty is measured using the 2011 US\$1.90-a-day PPP poverty line.

2. A tougher road ahead?

FIGURE 3.4 Boosting Shared Prosperity and Ending Poverty, 2013–30

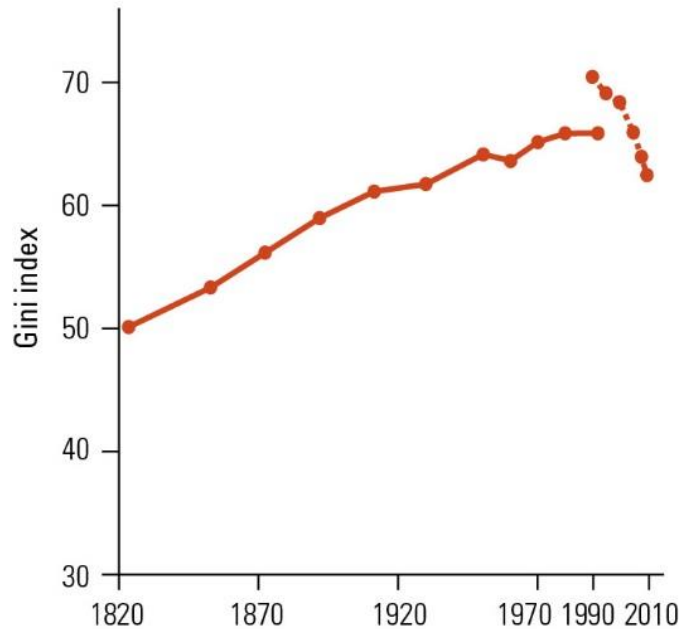


Source: Updated results based on Lakner, Negre, and Prydz 2014.

Note: m = the assumed shared prosperity premium, that is, the growth in income or consumption among the bottom 40, minus the growth in income or consumption at the mean. For example, $m = 2$ indicates that the growth in income among the bottom 40 exceeds the growth in income at the mean in each country by 2 percentage points.

3. Inequality holds the key

FIGURE 4.3 Global Income Inequality, 1820–2010

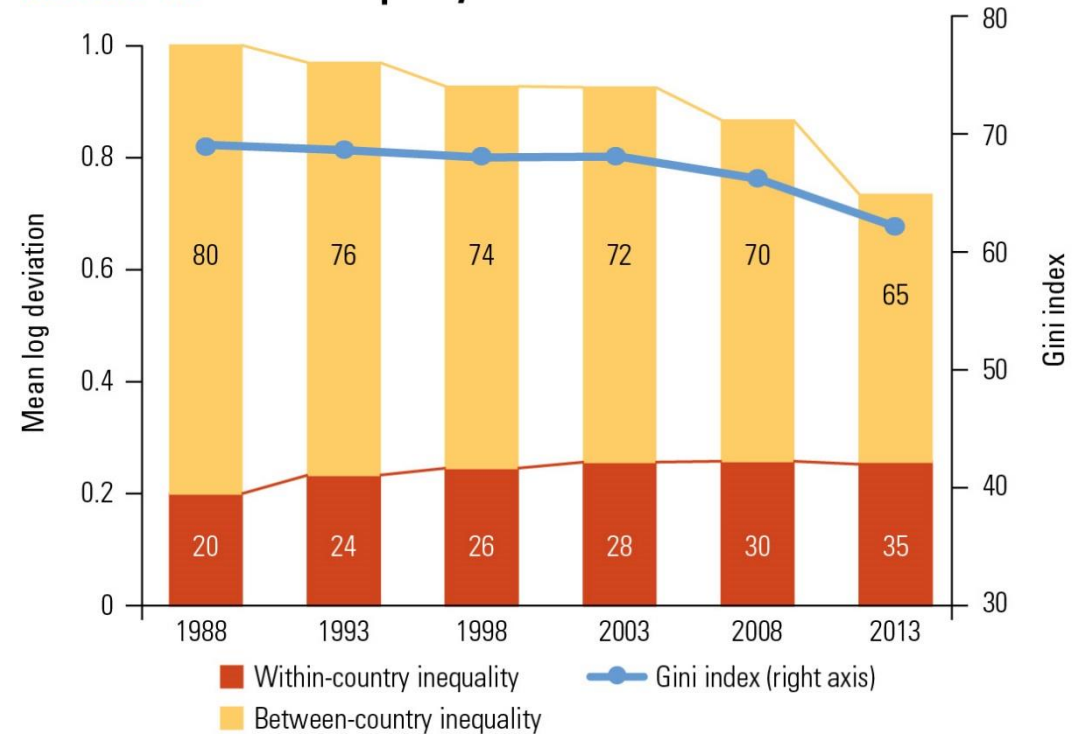


Some good news here too: After 150 years on the rise, global income inequality began to fall in the 1990s

Source: Based on figure 1 (p. 27) of *The Globalization of Inequality* by Francois Bourguignon (Princeton University Press 2015). Used with permission.

Note: The discontinuity in the series represents the change in the base year of the purchasing power parity (PPP) exchange rates from 1990 to 2005. The figure uses GDP per capita in combination with distributional statistics from household surveys. Figure 4.5 uses income (or consumption) per capita directly from household surveys, expressed in 2011 PPP exchange rates.

FIGURE 4.5 Global Inequality, 1988–2013

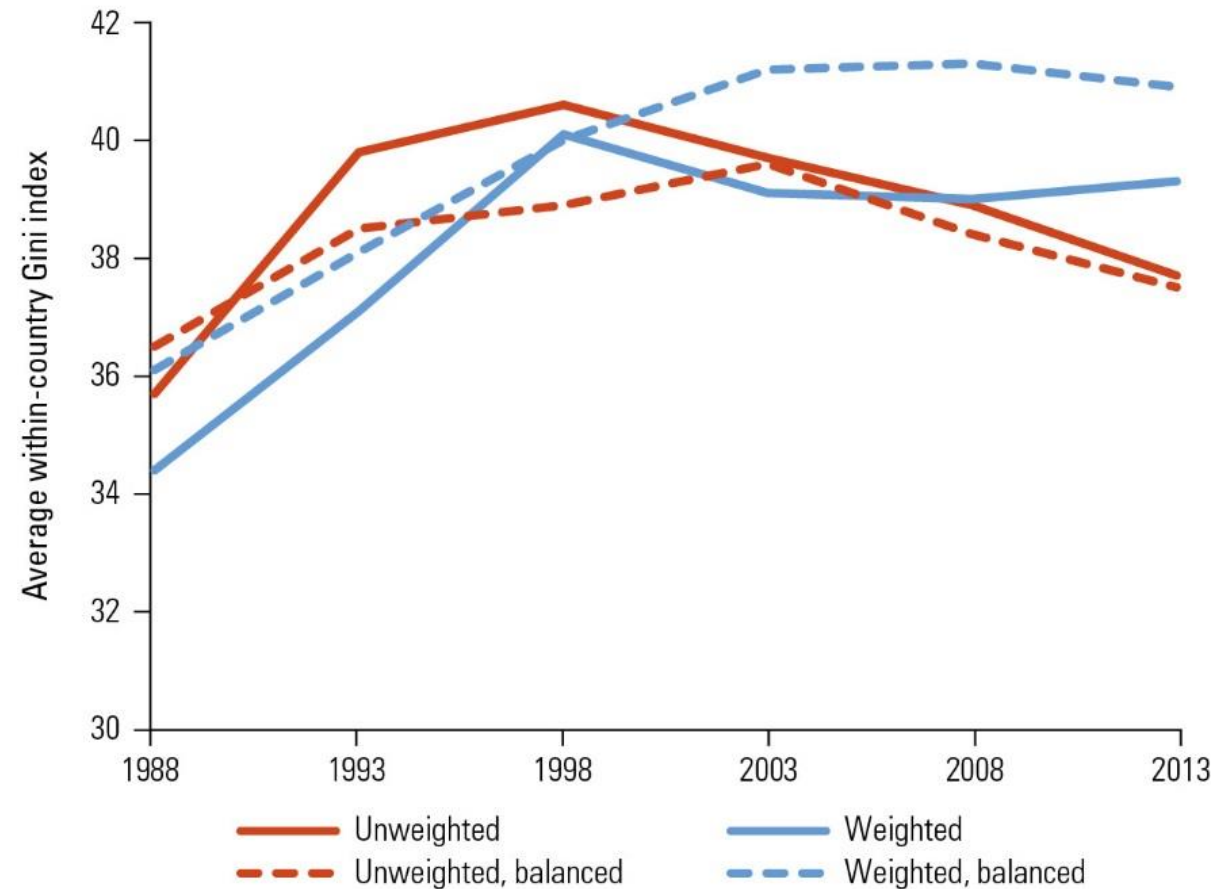


Sources: Lakner and Milanović 2016a; Milanović 2016; calculations based on PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: For each country, household income or consumption per capita is obtained from household surveys and expressed in 2011 PPP exchange rates. Each country distribution is represented by 10 decile groups. The line (measured on the right axis) shows the level of the global Gini index. The height of the bars indicates the level of global inequality as measured by GE(0) (the mean log deviation). The red bars show the corresponding level of population-weighted inequality within countries. The level of between-country inequality, which captures differences in average income across countries, is shown by the yellow bars. The numbers in the bars refer to the relative contributions (in percent) of these two sources to total global inequality.

Even inequality levels within countries have recently been falling at least as often as they are rising

FIGURE 4.6 Average Within-Country Inequality, 1988–2013



Source: World Bank calculations based on data in Milanović 2014; PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>; WDI (World Development Indicators) (database), World Bank, Washington, DC, <http://data.worldbank.org/data-catalog/world-development-indicators> (see annex 4A).

Note: The solid lines show the trend in the average within-country Gini index with and without population weights in the full sample (an average 109 countries per benchmark year). The dashed lines refer to the balanced sample, that is, using only the set of 41 countries on which data are available in every benchmark year.

TABLE 4.1 Countries with an Increasing or Decreasing Gini Index and the Average Gini Number

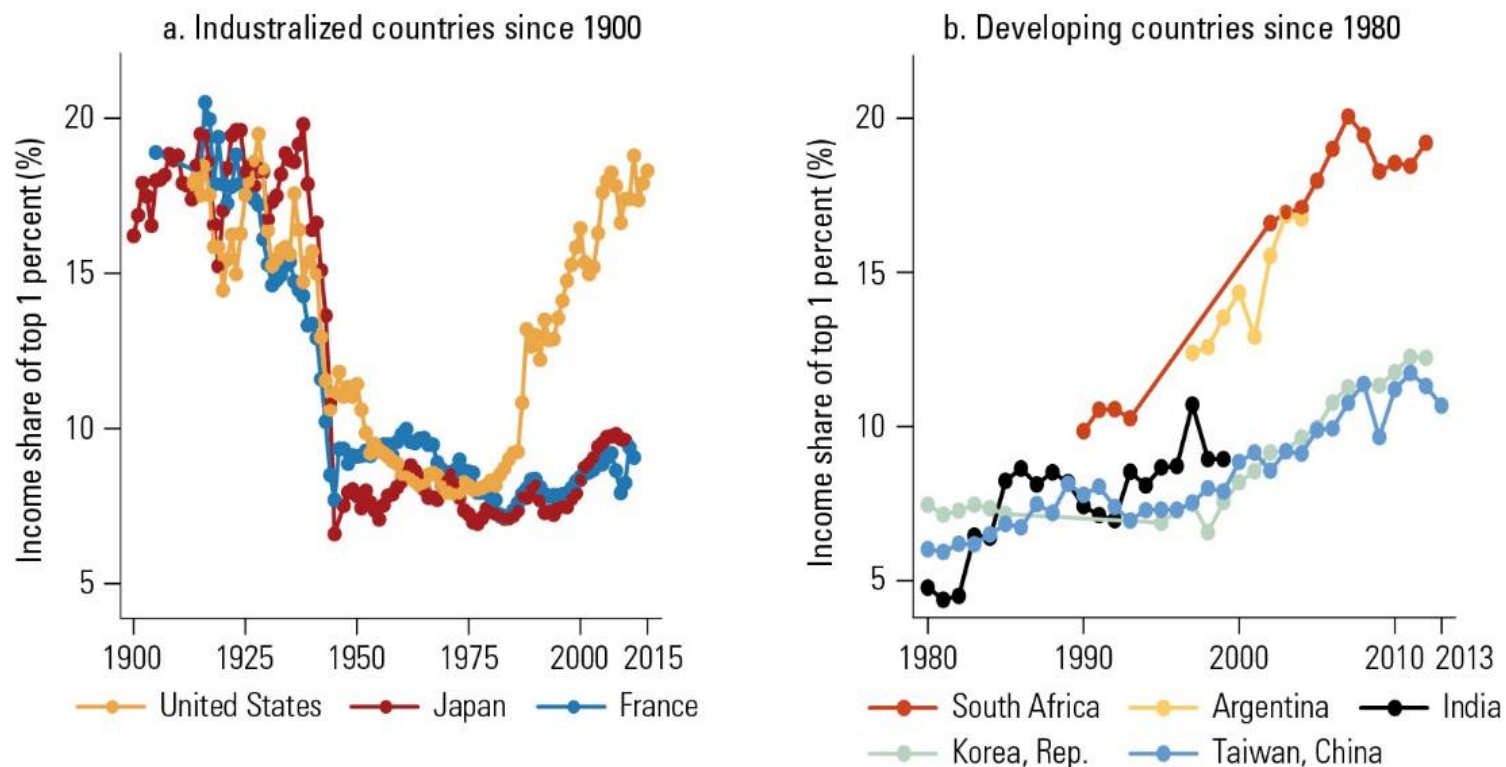
	Long-run trend (1993–2008)						Short-run trend (2008–13)					
	Number of countries:				Mean Gini		Number of countries:				Mean Gini	
	↑	+/- pp	↓	Total	1993	2008	↑	+/- pp	↓	Total	2008	2013
East Asia and Pacific	5	1	3	9	37.8	39.1	1	1	5	7	39.2	37.3
Eastern Europe and Central Asia	5	2	6	13	33.9	32.5	6	8	9	23	31.9	31.4
Latin America and the Caribbean	8	0	11	19	49.0	47.0	3	2	12	17	49.7	48.0
Middle East and North Africa	1	1	3	5	39.8	36.4	0	1	1	2	35.3	33.4
South Asia	3	0	1	4	31.0	34.5	0	1	2	3	36.7	36.2
Sub-Saharan Africa	8	2	10	20	47.6	45.1	3	2	4	9	44.1	43.8
Industrialized countries	12	4	5	21	31.4	32.6	6	6	8	20	32.0	31.8
World	42	10	39	91	40.1	39.3	19	21	41	81	37.9	37.1

Source: World Bank calculations based on data in Milanović 2014; PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/> (see annex 4A).

Note: Increases and decreases refer to changes that are greater than 1 Gini point in absolute value. The unweighted average Gini index is estimated over the sample of 91 countries (left panel) and 81 countries (right panel).

Important caveats: top incomes are not well captured in household surveys

FIGURE 4.2 The Top 1 Percent Income Share, Selected Countries

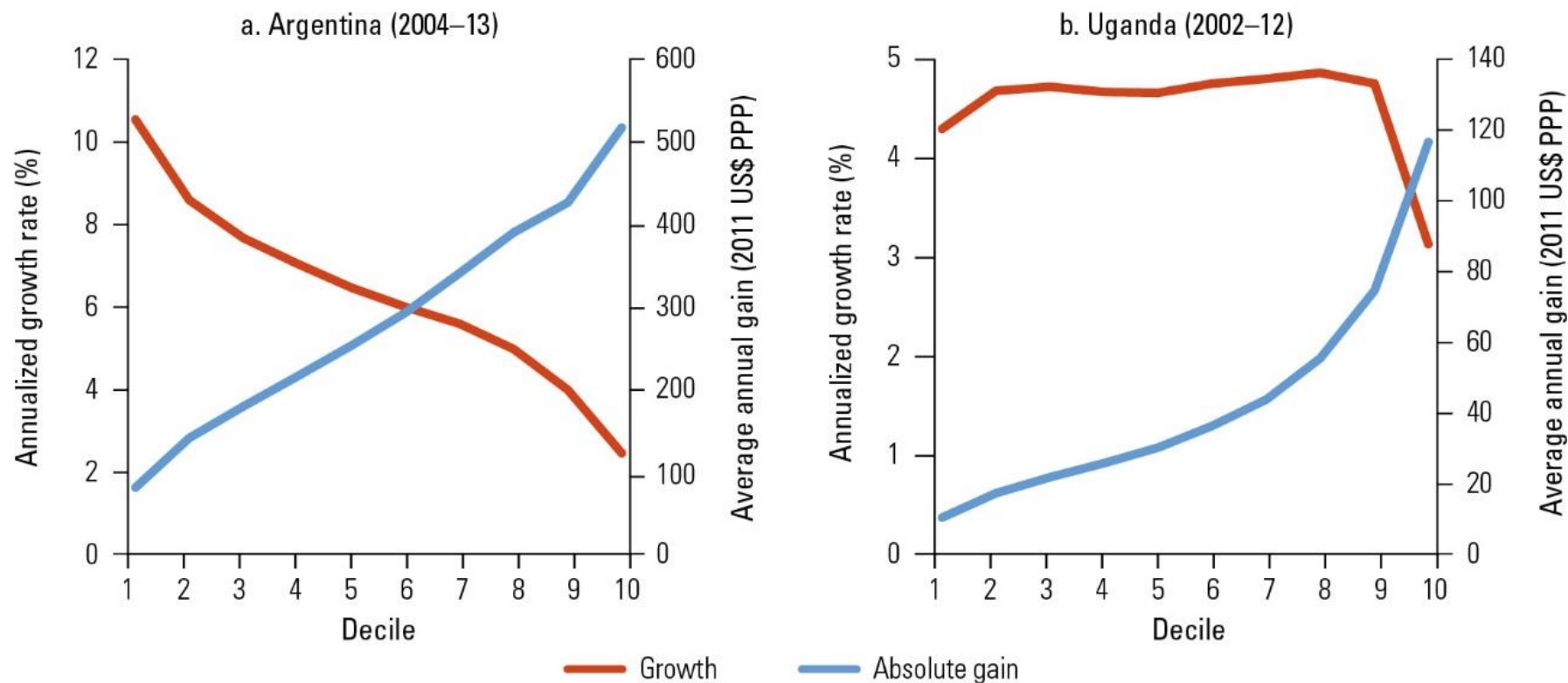


Source: Calculations based on data of WID (World Wealth and Income Database), Paris School of Economics, Paris, <http://www.parisschoolofeconomics.eu/en/research/the-world-wealth-income-database/>.

Note: The figure shows the share of national income (excluding capital gains) going to the richest 1 percent of national populations. These measures are typically derived from tax record data. For South Africa, the figure shows the top 1 percent income share among adults.

Important caveats: absolute inequality typically still rises, even as relative inequality declines!

FIGURE B4.3.1 Comparing Absolute and Relative Gains across the Distribution



Source: PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: The welfare aggregate in Argentina is income, while consumption expenditure is used in Uganda. According to Beegle et al. (2016), the spell used for Uganda is based on two comparable surveys. The red line is a variant of the growth incidence curve showing annualized growth rates of average income or consumption by decile group. The blue line shows absolute gains per year in 2011 PPP U.S. dollars.

4. The bottom line

- A quarter century of remarkable progress under ‘high globalization’
 - A billion people lifted out of extreme poverty
 - The explosion in global inequality arrested
- No room for complacency:
 - No guarantee that SDG 1.1 will be met by 2030
 - Remaining poverty is harder to reach / less responsive
 - Recent progress against inequality indicates that it can be reduced...
 - Both globally, when integrated markets allow the movement of people and goods
 - And nationally, when countries pursue equitable policies

4. The bottom line

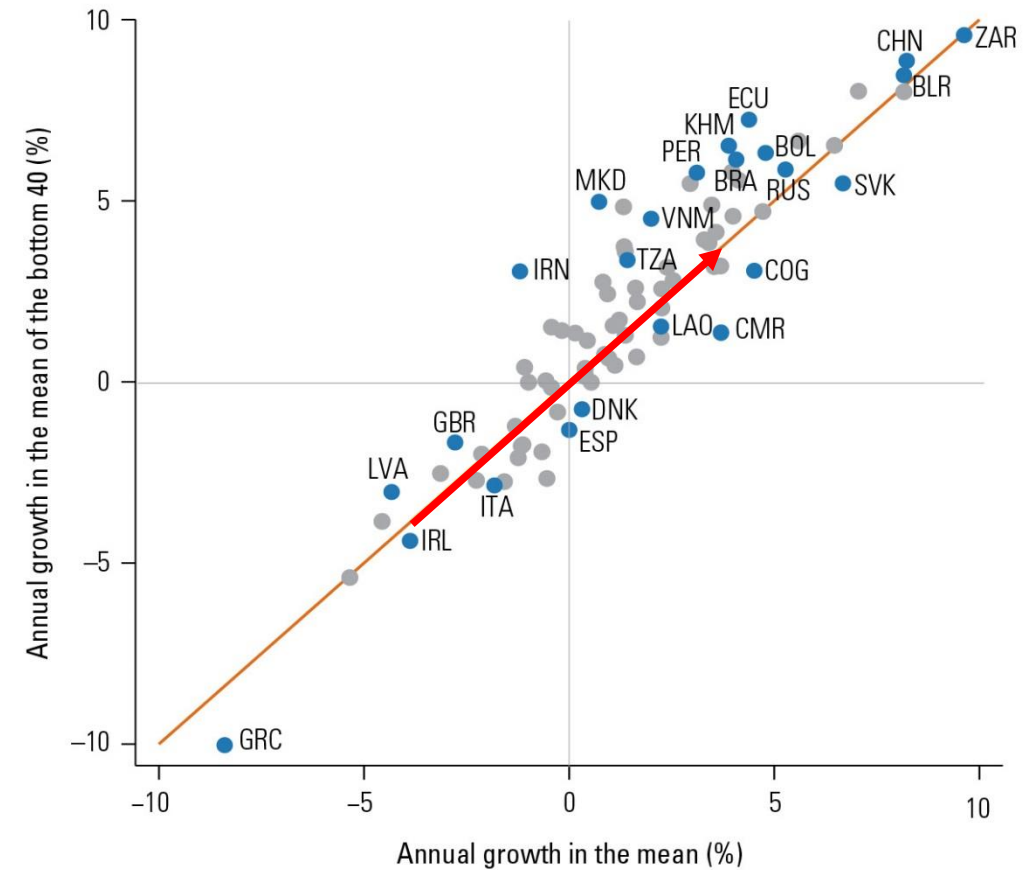
- Income growth among the poor is highly correlated with mean growth

1. Get the basics right:

- Good institutions*
- Macroeconomic stability
- Openness*
- Savings and investment
- Good “business climate” – regulate the right things, not the wrong ones*.

* No single, or easy, recipe. Context matters!

FIGURE 4.1 Growth of the Bottom 40 versus Growth at the Mean, 2008–13



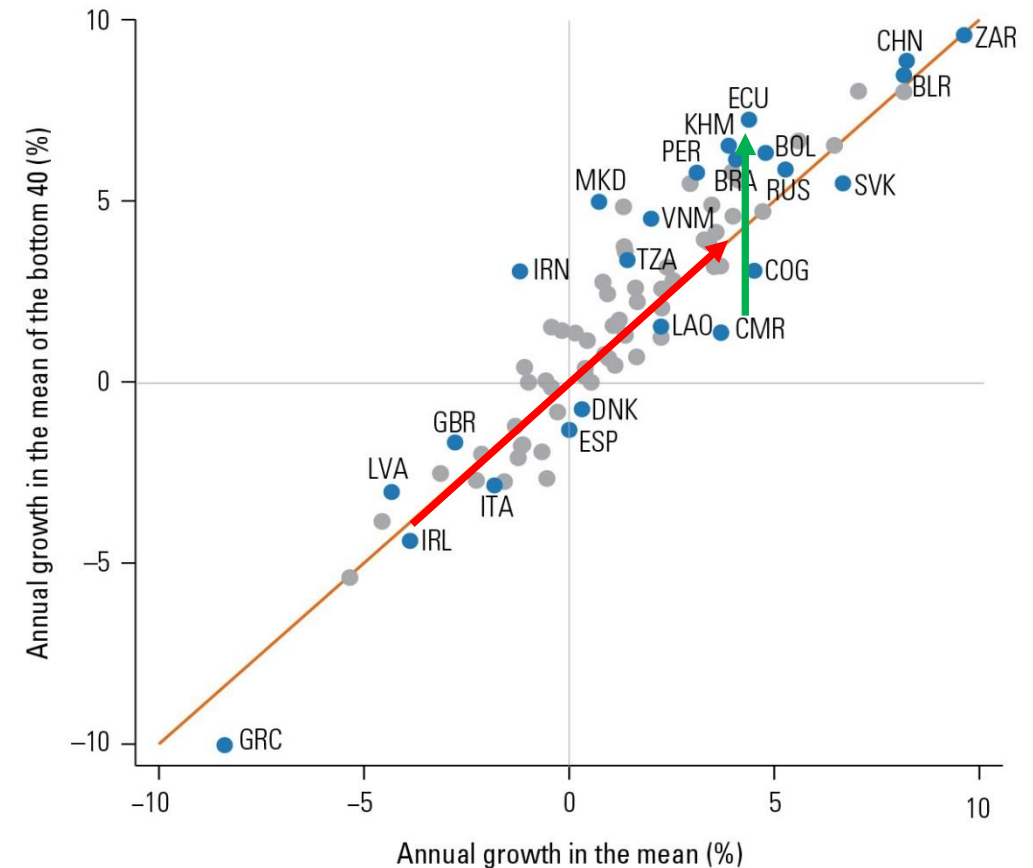
Source: Calculations based on household survey data in GDSP (Global Database of Shared Prosperity), World Bank, Washington, DC, <http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity>.

Note: The figure shows annualized growth rates in per capita household income or consumption expenditures over circa 2008–13. The red line is a 45-degree line, that is, in economies along this line, the bottom 40 grew at the same rate as the total population. The bottom 40 in economies below the line experienced slower growth relative to the overall population.

4. The bottom line

- But there is substantial dispersion around the average relationship.
2. “Efficient redistribution” policies can promote faster growth at the bottom at little cost higher up the distribution.
- i. ECD
 - ii. Better teachers
 - iii. Cash transfers
 - iv. Rural infrastructure (e.g. roads, electricity)

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Thank you.