Framing elements for the 2019 Rural Development Report

David Tschirley and the IFAD team

Presented at opening session of IFAD RDR 2019 authors' workshop

IFAD Headquarters, Rome

March 15, 2018

Outline

- Research questions
- What will be new in the 2019 RDR?
- Framing the topic:
  - Structural/rural/diet transformations
  - The speed of change
  - New sources of change
- Why focus on youth now?
- Why focus on *rural* youth now?
- A typology of rural youth opportunity

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  - Example from Tanzania

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} Emerge out of the framing

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Research questions

- **How are rural youth and their families currently engaging with the economy?** *(Sectoral and functional distribution of economic activity)*
  - How do patterns of engagement vary across regions, countries, and sub-regions?
  - How do economic outcomes vary by mode of engagement?

Research questions (2)

- **Key dynamics of change affecting the distribution of opportunity for rural youth**
  - Quantitatively or qualitatively different from previous youth cohorts
  - Do the dynamics differ meaningfully across regions, countries, and sub-regions?

Research questions (3)

- **Given 1 and 2 above, how do we expect youth opportunity set (including challenges) to change?**
  - Where, sectorally and functionally, are the opportunities likely to be found in 2030?
  - How will the challenges and opportunities *within* each opportunity area be different?
    - What new skills, attitudes, and assets will be needed?

Research questions (4)

- **Where can policy and programmatic investment make a difference?**
  - To improve opportunities, help rural youth grasp them
  - What are the best ways to help youth develop the new skills that will be needed over the next 1-2 decades?
  - Are there particular policy approaches that are likely to create greater opportunity for rural youth?
  - What role for enhanced youth participation in processes of policy- and program design?

What will be new in this RDR?

- Strong conceptual approach linked to micro data analysis & broader empirical content
- Global focus
- Detailed consideration of key drivers of change and their impact on youth opportunity set
- Combination of cross-cutting issues relevant for understanding the opportunity space for youth
- Tying conceptual approach and empirical analysis to differentiated policy- and programmatic recommendations

Framing the topic

Transformation in era of rapid technological change

- Structural transformation
- Ag/rural transformation
- Diet transformation

- (1) People can only eat so much food
- (2) They may be hard-wired to crave energy dense foods (carbs, fats, sugars) and salt
- (3) Sophisticated capitalist economic systems take advantage of these characteristics

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A common biological basis drives robust and inter-related patterns of change

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Transformation in era of rapid technological change (2)

Can only eat so much food …

- So as productivity rises:
  - Food ➔ more food ➔ "better" food ➔ very little add'l food

    (more non-food ➔ still more non-food ➔ only more non-food)
- Economic activity follows consumer demand off the farm, and progressively out of the agrifood system
- Engel's Law and Bennett's Law
  - With the latter turbo-charged by modern food companies

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Most countries we focus on are well into transition to "better food" phase … huge opportunities & challenges

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Transformation in era of rapid technological change (3)

- The challenges to SHFs and rural SMEs in the "better food" phase
  - Services and attributes embedded in food
    - Making food easier, more reliable, and more desired
  - Timeliness, reliability, "quality", safety, desirability
  - Food science and branding to create new demand and drive loyalty
- These are already being felt, and in increasing pace, in Africa
- Well advanced nearly everywhere else
- SHFs and SMEs have a very hard time competing

New dynamics of change

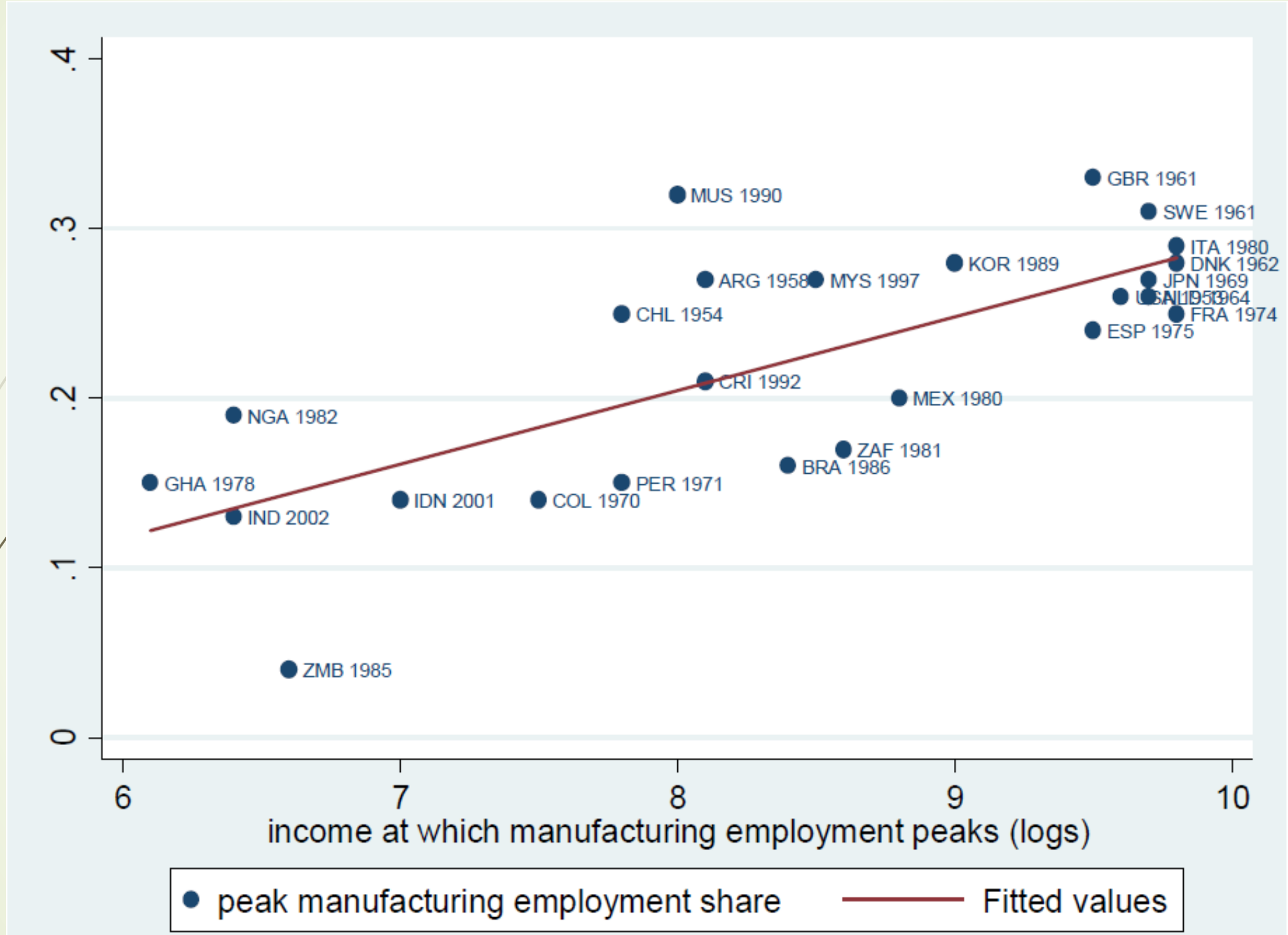
(Purposefully casting the net wide)

#1. Intelligent automation & employment de-industrialization

- Why focus on manufacturing?
  - "Unconditional convergence" of labor productivity to world standards based on technological advance
    - Competitive pressure + unlimited (export) market
  - Not as clear that formal services have this
  - Manufacturing also spurs growth in formal services
- Why focus on formal?
  - Technology ➔ rising labor productivity
  - Stability, social benefits

#1. Intelligent automation & employment de-industrialization (2)

- Value added deindustrialization = decline in share of manufacturing in GDP
  - In part a natural result of income growth, as more consumer expenditure goes into services
- Employment deindustrialization = decline in share of manufacturing in total employment
  - Starts earlier and has proceeded much faster
    - Figure from Rodrik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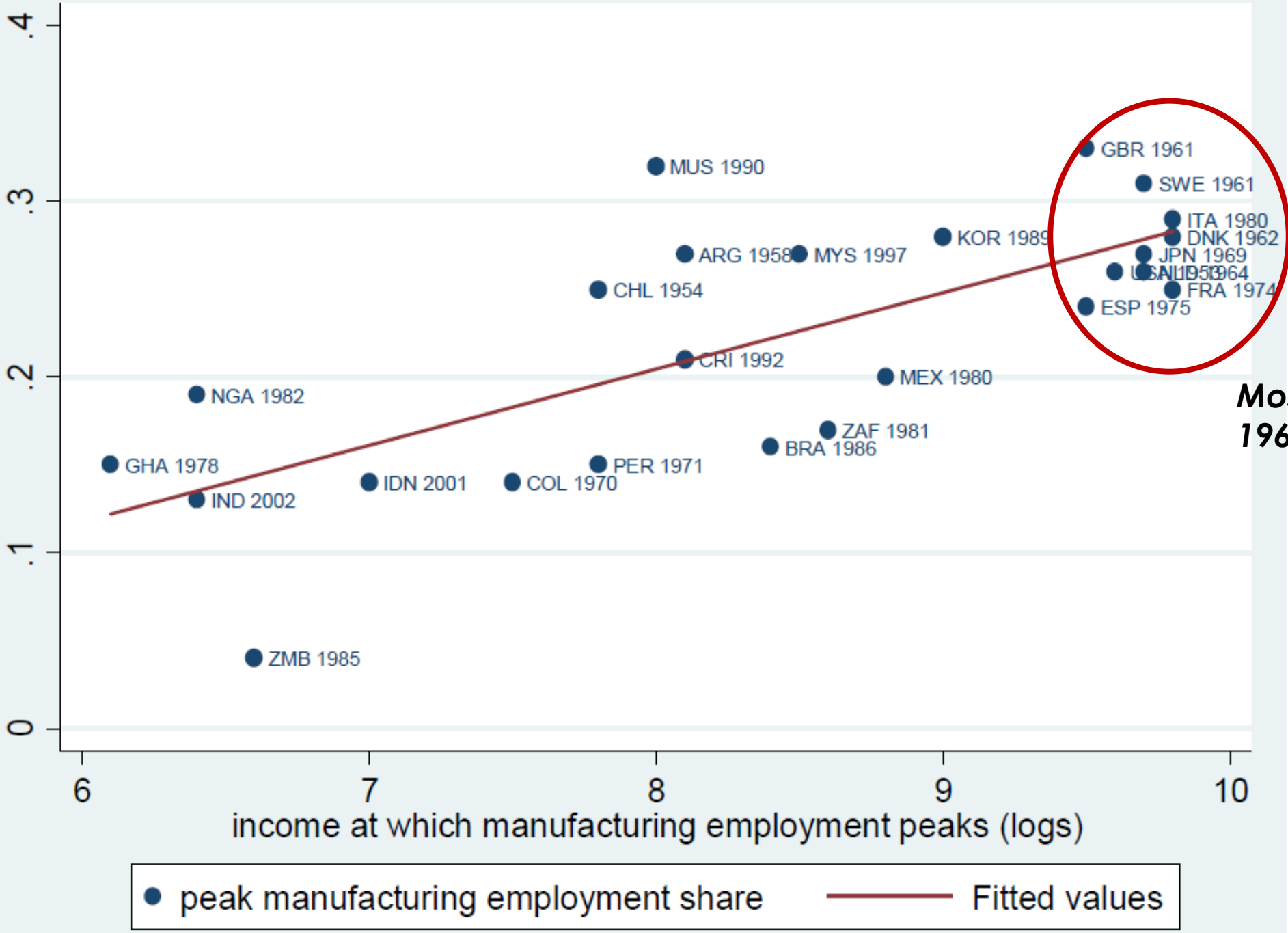
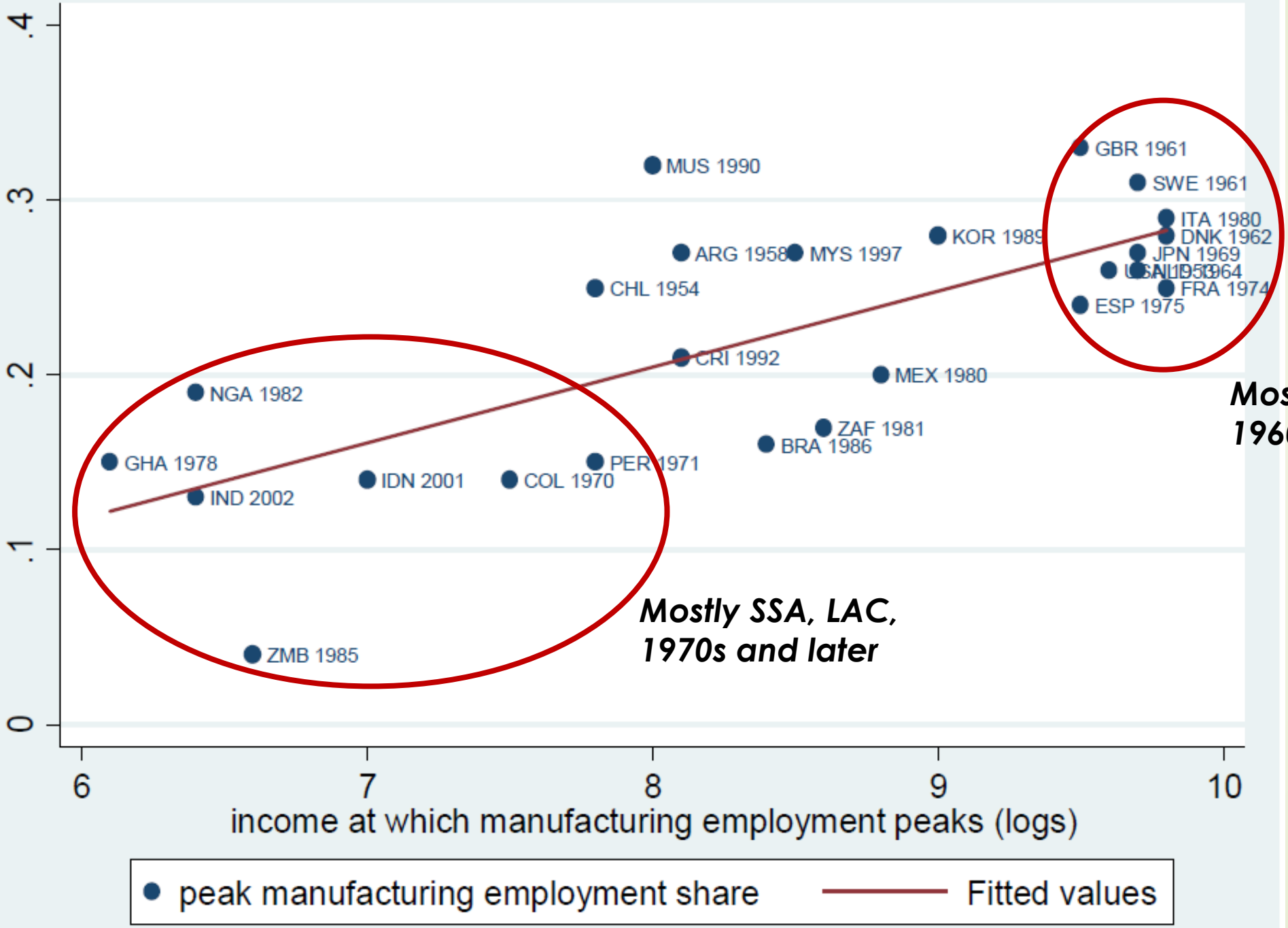
income at which manufacturing employment peaks (logs)
GBR 1961
MUS 1990
SWE 1961
ITA 1980
DNK 1962
KOR 1989
ARG 1958
MYS 1997
JPN 1969
CHL 1954
FRA 1974
ESP 1975
CRI 1992
MEX 1980
NGA 1982
ZAF 1981
BRA 1986
GHA 1978
PER 1971
IDN 2001
COL 1970
IND 2002
ZMB 1985
peak manufacturing employment share
Fitted values



Mostly OECD, 1960s and 70s



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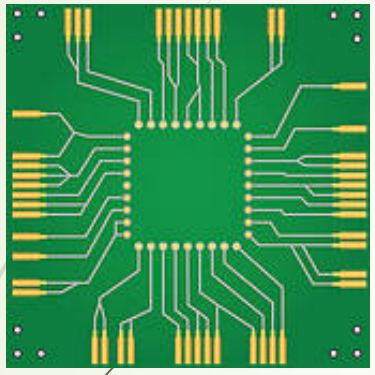
#1. Intelligent automation & employment de-industrialization (3)

Factor of 1,000 every 15 years



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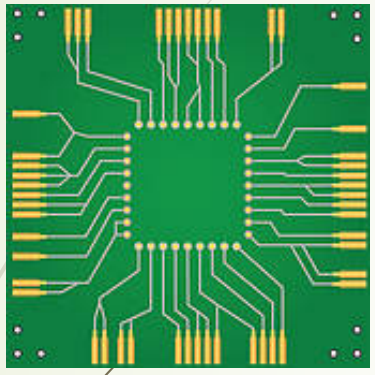

Constantly improving precision

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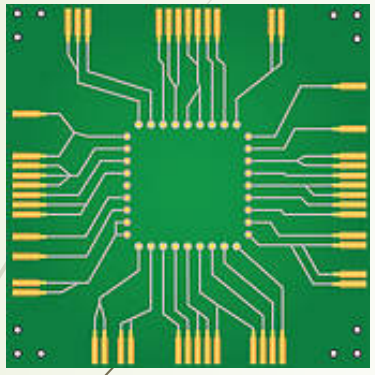

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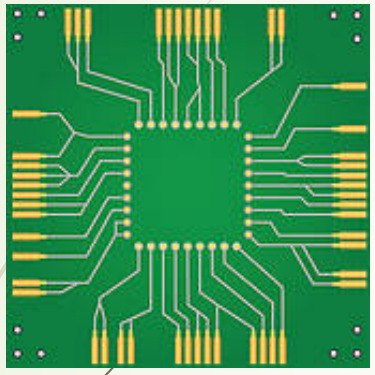

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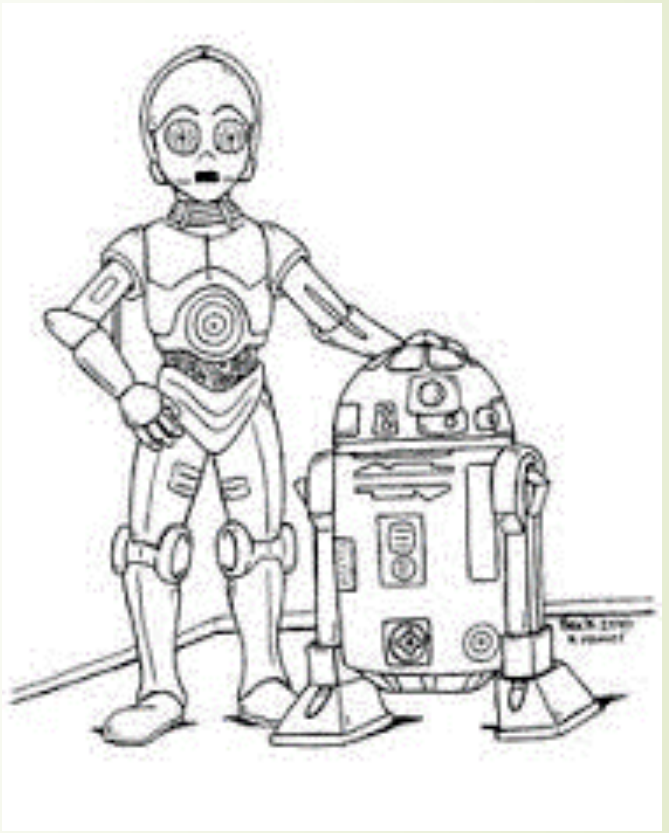

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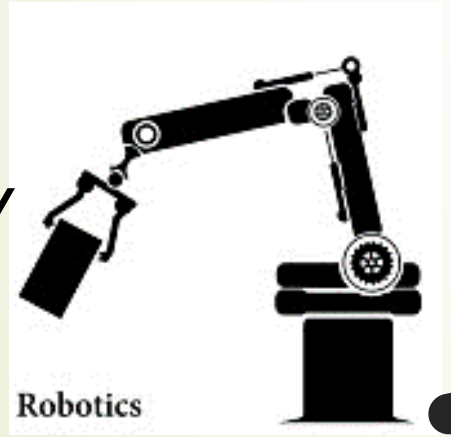

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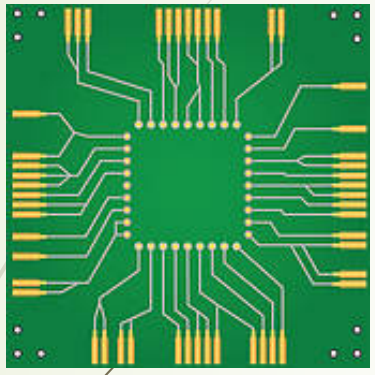

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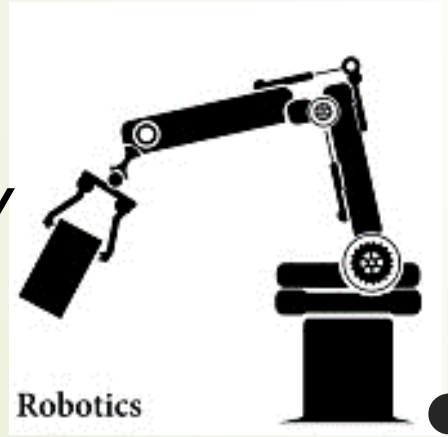
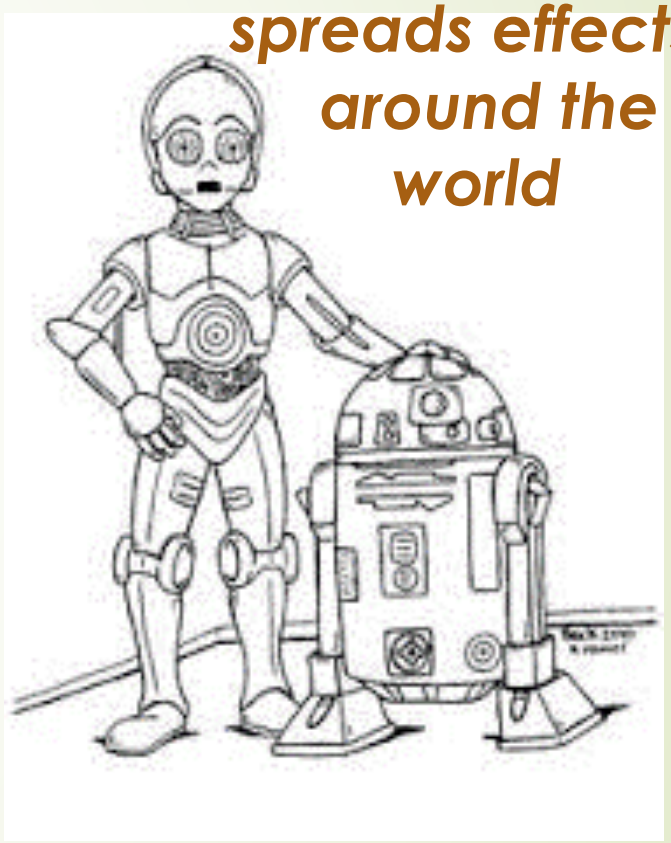


And <u>global trade</u> spreads effects around the world



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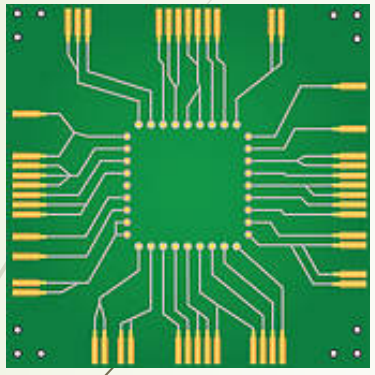

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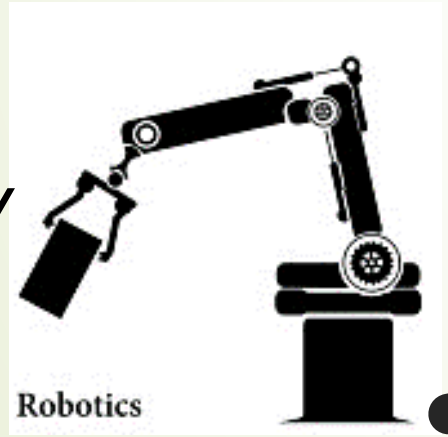

And <u>global trade</u> spreads effects around the world

<u>Progression</u>: routine manual ➔ routine services ➔ more complex manual ➔ more complex services

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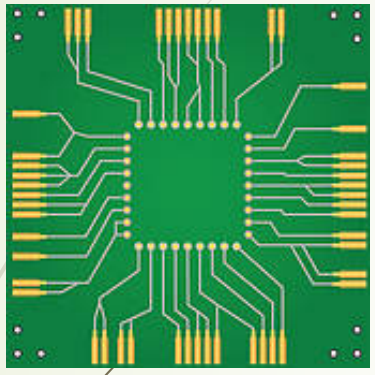

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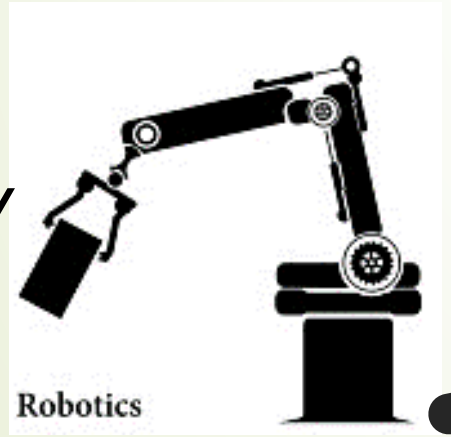

Huge advances over the past <u>two years</u>

#1. Intelligent automation & employment de-industrialization (4)

- Impact on **level of employment** – much debate
  - Will the technology be (for the first time) primarily a substitute?
  - Or (once again) primarily a complement?
  - Substitution can be ***seen***, complements have to be ***imagined***
  - Yet concern in many quarters is ***intense***
    - Even if a complement, is it possible to prepare most human beings for the high-skill jobs that could be created?
      - Rural youth may be at the biggest disadvantage
- Impact on **composition of jobs** – clear evidence
  - Decline in routine manual jobs, now advancing rapidly into service jobs

#1. Intelligent automation & employment de-industrialization (5)

- Impact on **quality of jobs** – clear evidence in developed economies (U.S. and Europe)
  - The ***missing middle*** ➔ labor market polarization, more inequality
  - Increased instability of employment
  - Less full-time employment
  - Declining social benefits

#1. Intelligent automation & employment de-industrialization (6)

- Why does this matter?
  - African labor coming off farm now going largely into self-employed services
    - Even China's mfg employment peaked well below those of OECD
    - Formal wage jobs In Vietnam only 24% of employment
  - Issues
    - How to raise labor productivity?
    - How to enhance the stability and security of employment?
    - How to deliver social benefits?

#2: Globalization of information, aspirations, and values

- Communications revolution + global trade
- Effects on
  - Diet transformation – happening much earlier
  - Rural youths' work- and political aspirations
  - Views of gender roles … and perhaps reaction against this
- Nearly free access to cutting edge technical information
  - For those with web access!
  - May facilitate entrepreneurial response
  - But extent to which rural youth will respond will vary across and within countries

#3: Rise of digital giants

- Google, Amazon, Facebook, Apple, Microsoft, Alibaba, others
- Massive economies of scale and scope
  - Amazon started as an online book seller
  - Google a search engine …
  - Etc
- Perhaps distant from urgent concerns in SSA??
- Already major force for youth in Asia and Latin America

#3: Rise of digital giants (2)

- What impact on local small and medium enterprises, and even independent local large companies?
- What implications for youth employment?
  - Intelligent automation needs a different kind of skilled worker

#4: Blurring lines between rural and urban

- Rising rural population densities
- Rapidly growing secondary cities
- Improved physical & virtual infrastructure

- Changes spatial distribution / gradient of opportunity
- … And thus the nature of mobility
  - Seasonal migration, commuting, virtual connection to urban ideas and markets

#5: Diet change and the nutrition transition

- Persistence (though declining) of undernutrition
- Rise of obesity & NCDs
- Simultaneous persistence of micro-nutrient deficiency
- Driven by diet change & lifestyle change

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Triple burden of malnutrition

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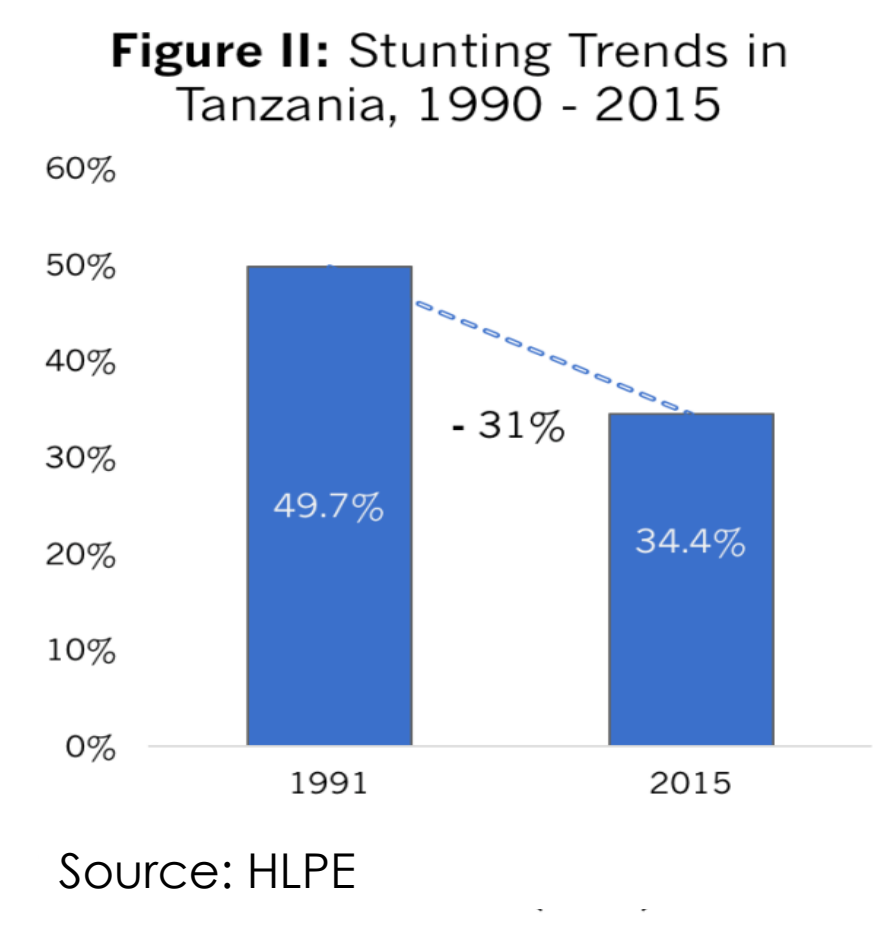
#5: Diet change and the nutrition transition (2)

- Nowhere on the radar in Asia and Africa 20 years ago
  - Now major health issue in LAC
  - Rapidly becoming so in some Asian countries
  - Definitely on the radar now in Africa

Falling stunting and wasting …



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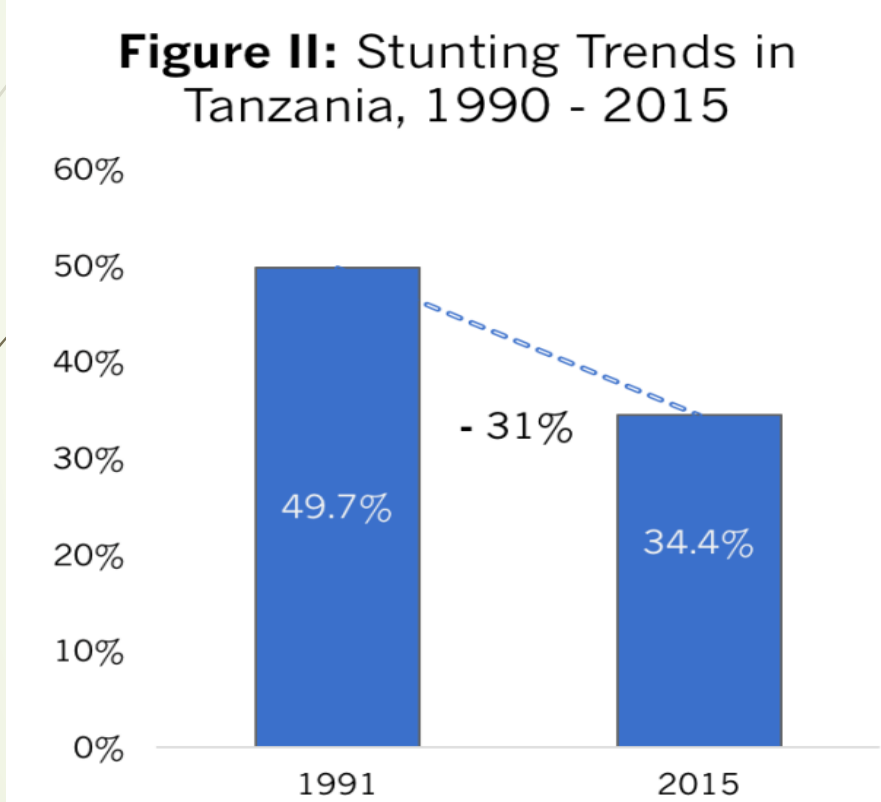

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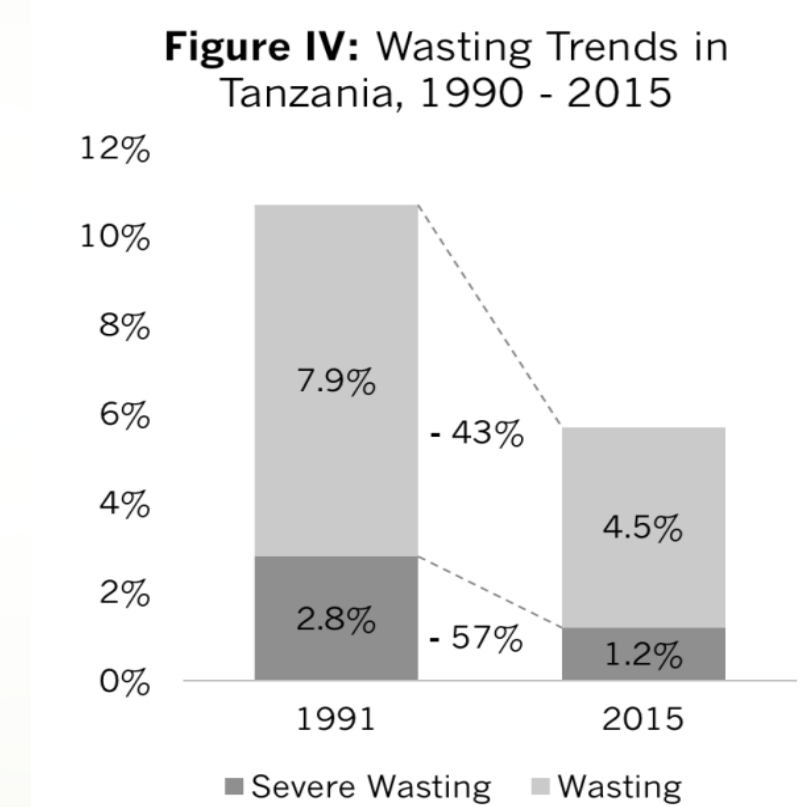

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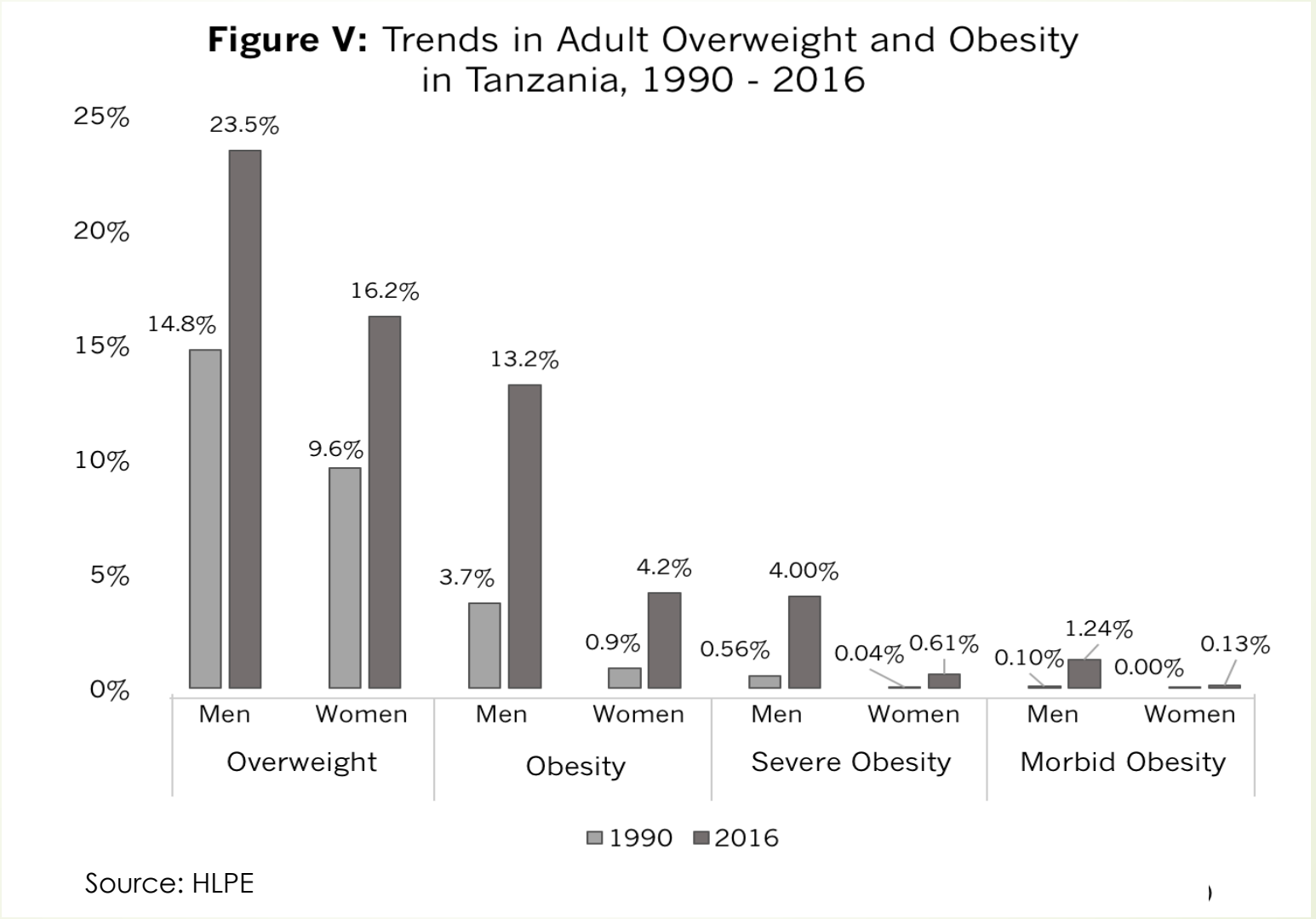
Rising obesity



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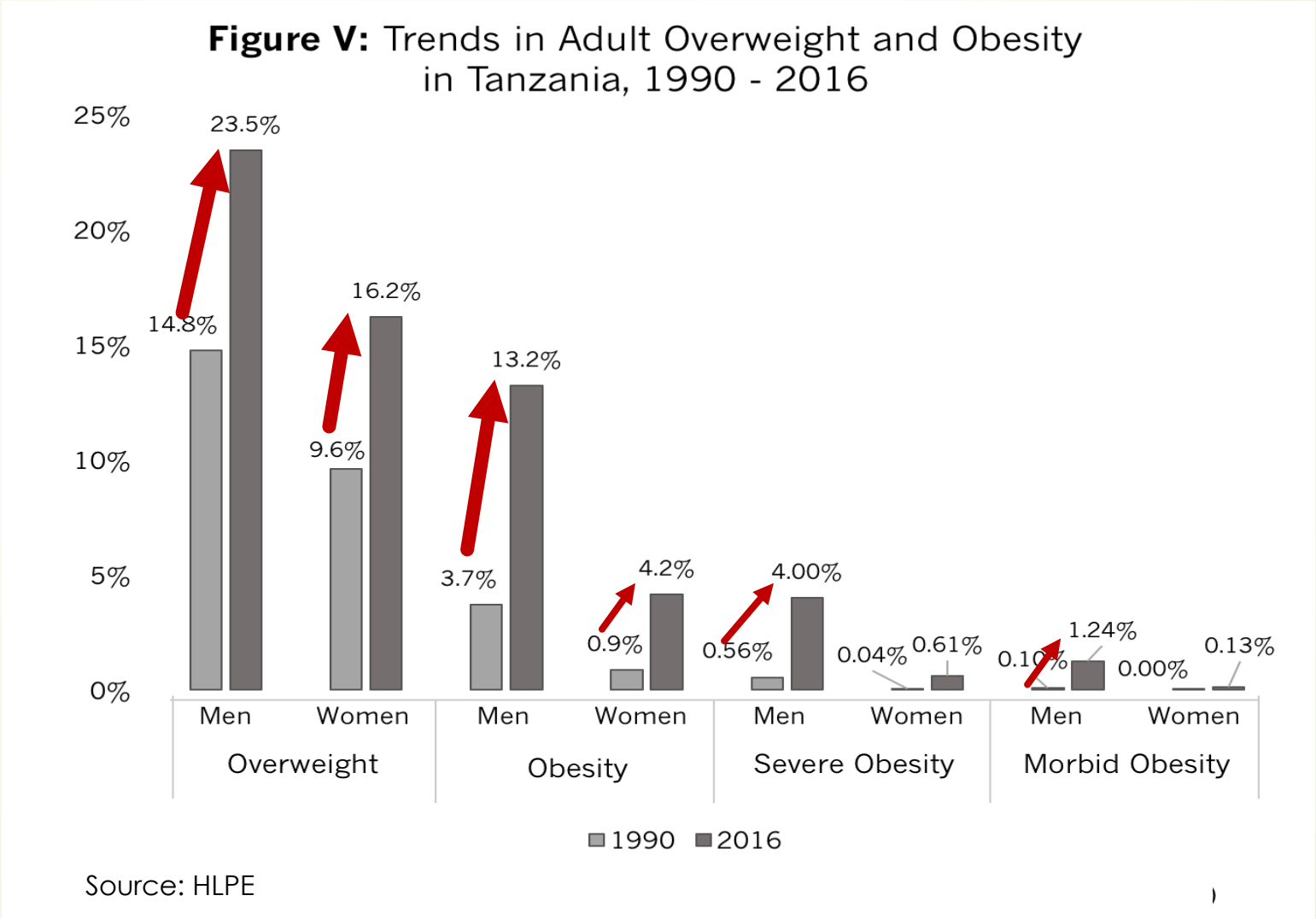

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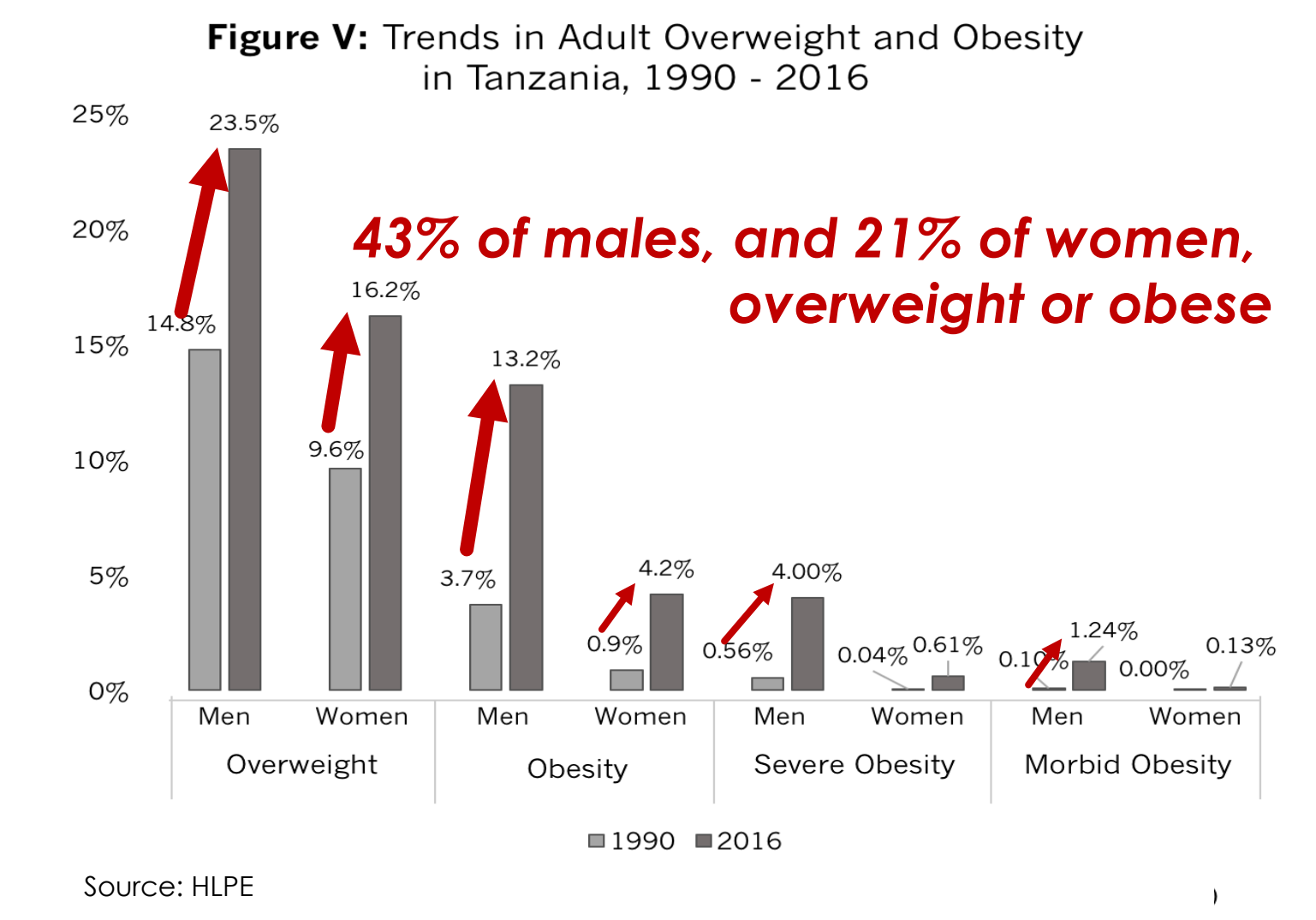

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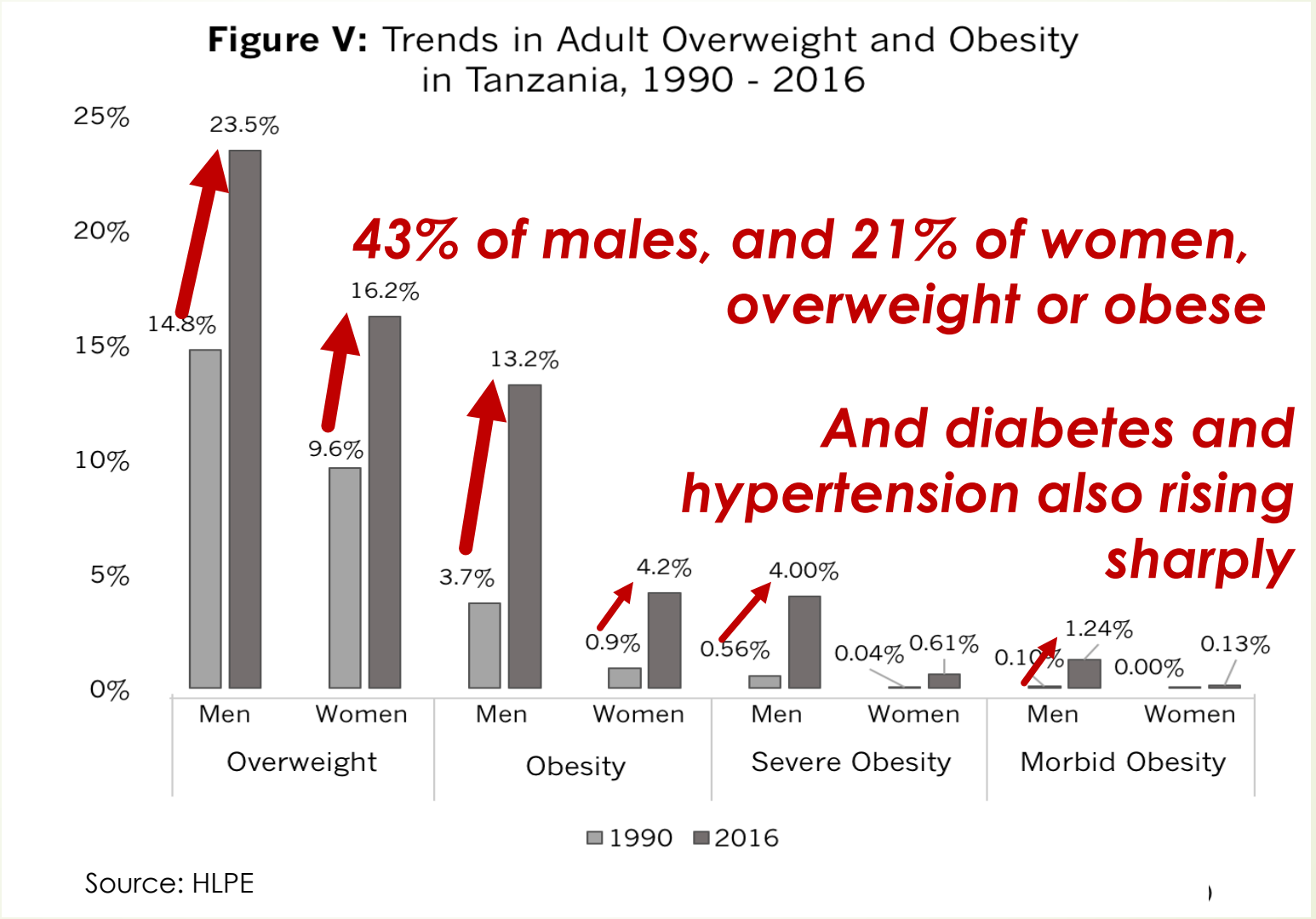

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#6: Medical advances, improved health care, and extension of life

- Avg. life expectancy between 1980 and 2015
  - 48 ➔ 60 years in SSA (minus RSA)
  - 54 ➔ 68 years in South Asia
- Most immediate impact for rural youth
  - Access to land and thus opportunity for a farming future
  - Likely of greatest importance in Africa
    - Farming remains a major (though declining) source of livelihoods
    - Land markets not well developed
  - Parts of South Asia?

#7: Climate change & stress on natural resources

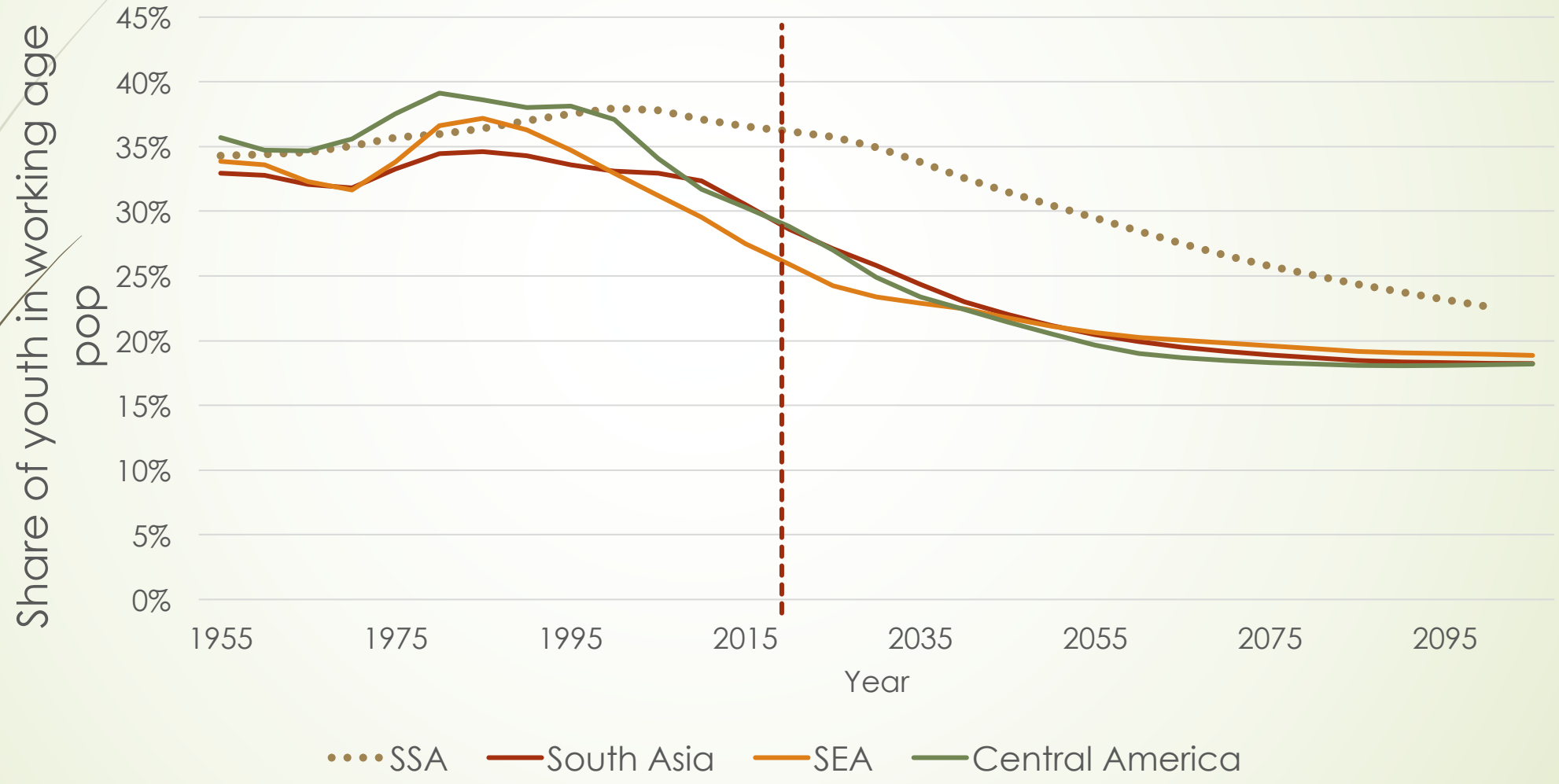
- Increasingly frequent and intense shocks
- Some directly affect farming through impacts on productive potential
- Some indirectly through their impacts on infrastructure
- Others affect livelihoods and food security through changes in prices of staples

#7: Climate change & stress on natural resources (2)

- Effects off the farm also, through infrastructure, prices, water scarcity
  - These effects less well understood and hardly modeled at all
- Impacts likely most significant in Africa and SEA
  - Especially for those in early stages of rural and diet transformations
  - … and least capable of investments needed to avoid or mitigate

Why focus on rural youth now?

The youth bulge: yes, but …



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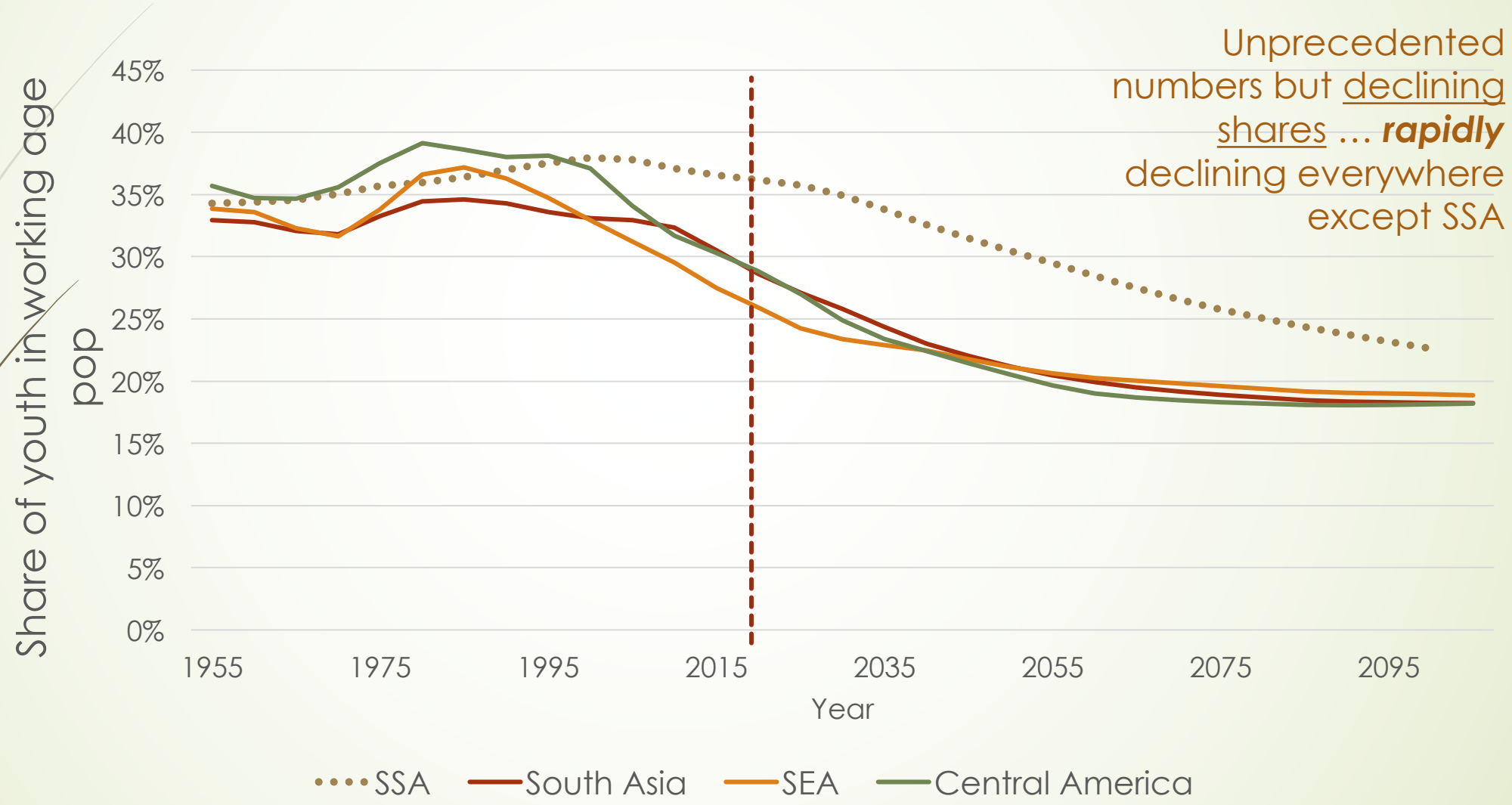


The pace of change

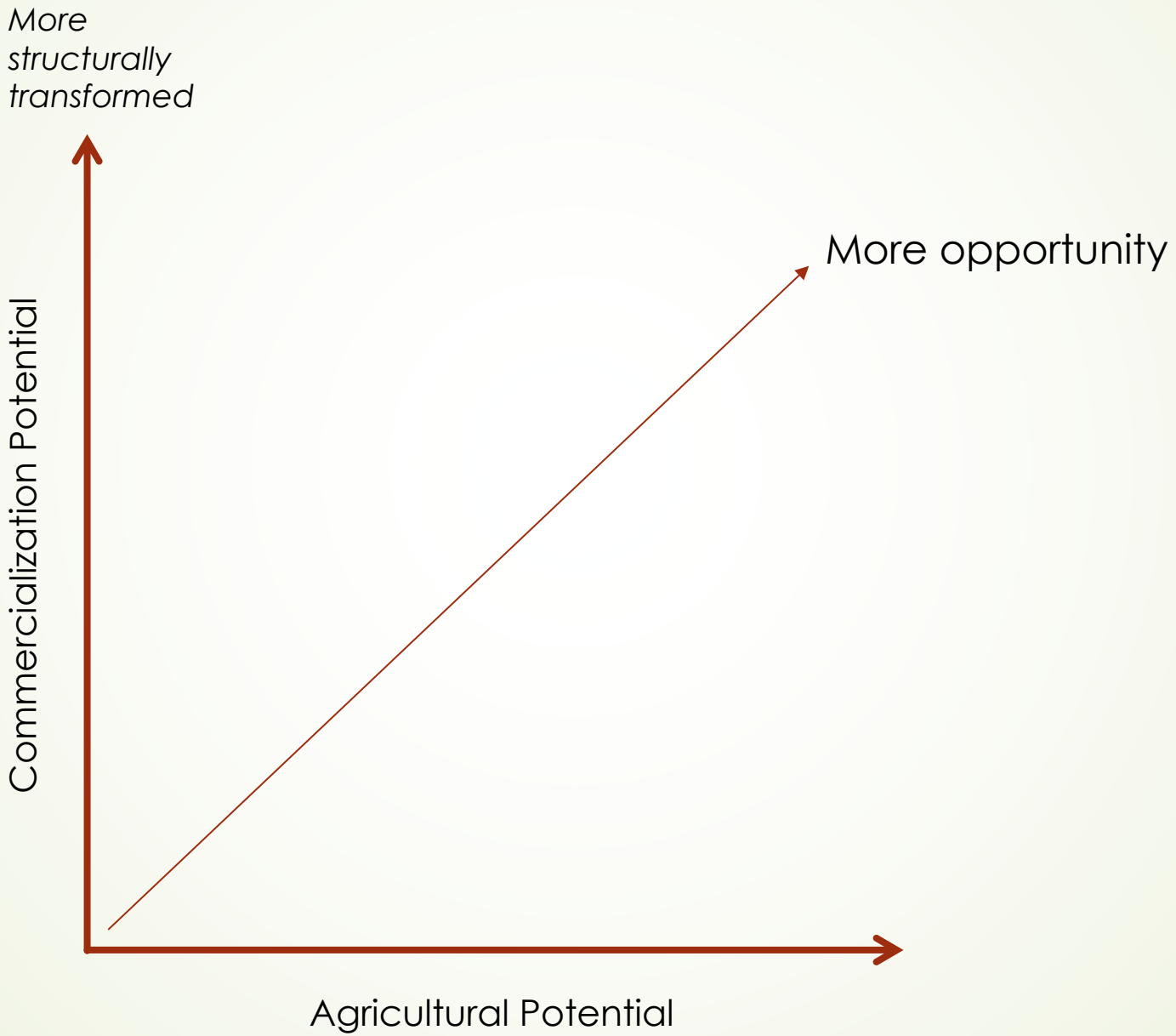
- Digital technology can spread at a speed and with a scope that physical technology cannot
- And open global trade spreads the effects everywhere
- What are the rules of the game that will work over the next 20 years?
- And ***rural*** youth may be the least able to grasp opportunities
  - Educational quality
  - Access to the web
  - Ability to interpret the requirements in new markets

Typology of rural youth opportunity space

Typology

- Place youth and their families in rural opportunity space
  - What might they be doing currently?
- Place them in rural and ag transformation space
  - What are they actually doing?
- Characterize youth and their families within some combination of these spaces
  - Education, assets, specifics of economic engagement
- Draw generalized inferences regarding opportunities & challenges, and about programmatic approaches to helping youth grasp the opportunities

Rural opportunity space



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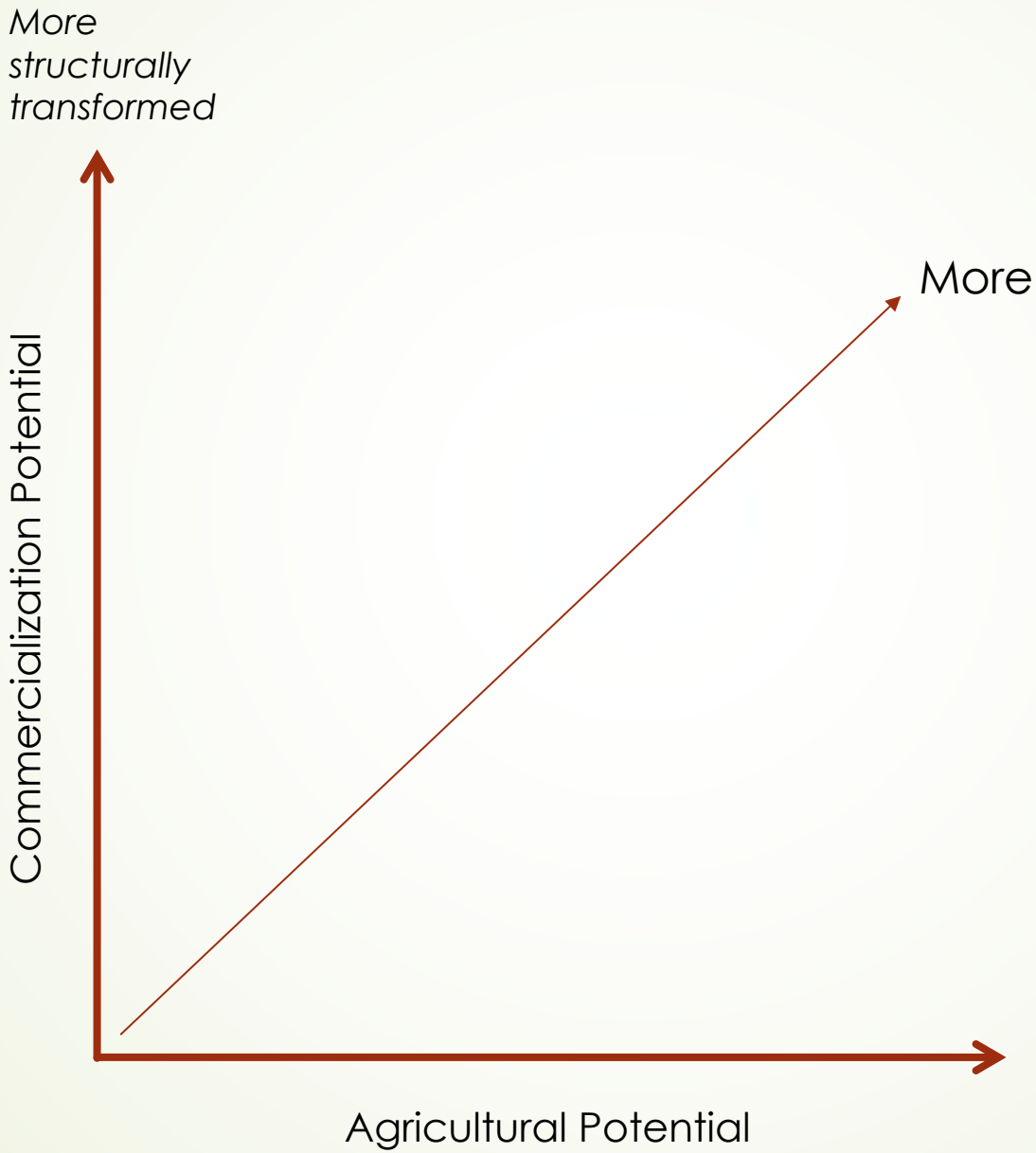
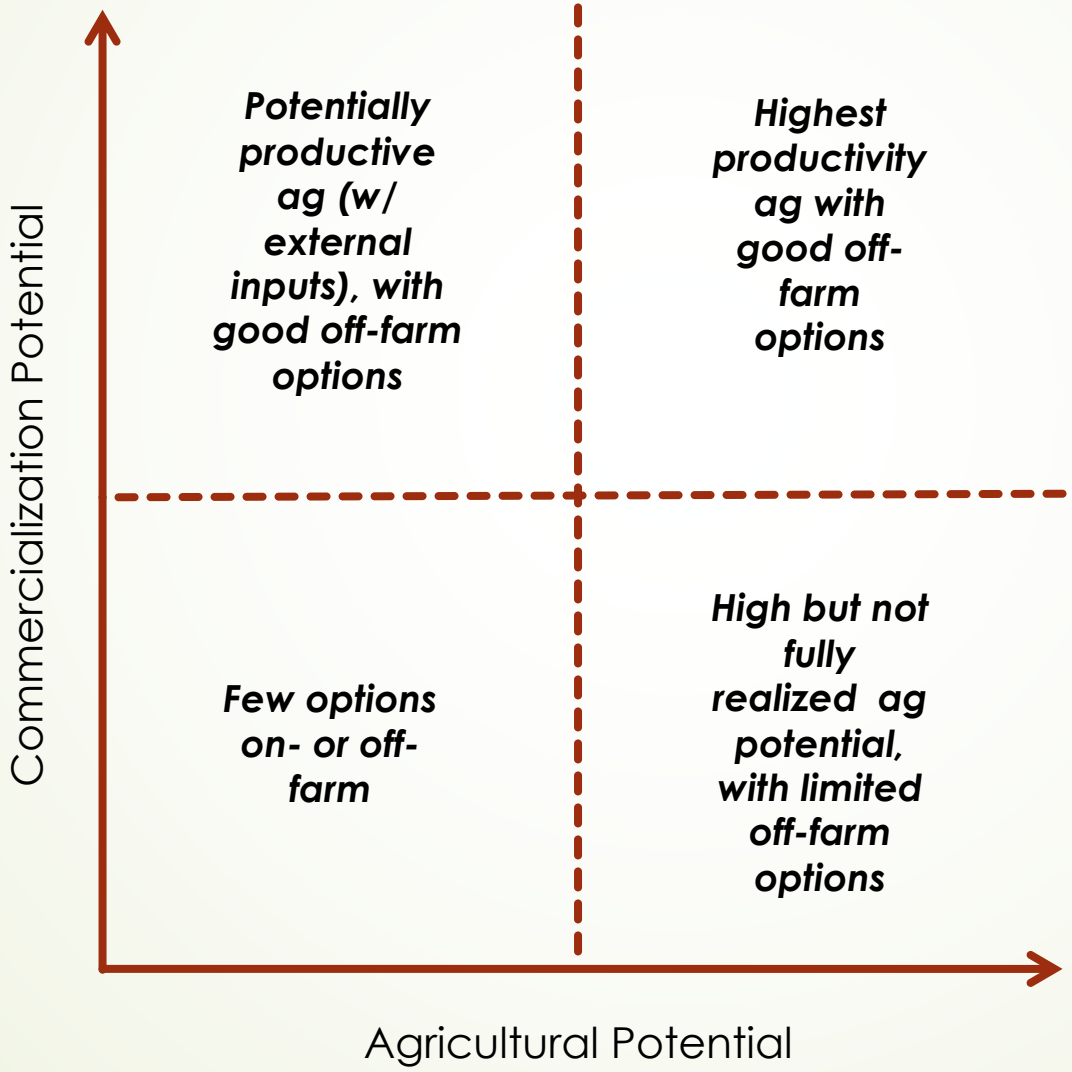


Use EVI for ag potential;
Use measure of urbanicity – quartiles of population density – for access to markets

Rural opportunity space

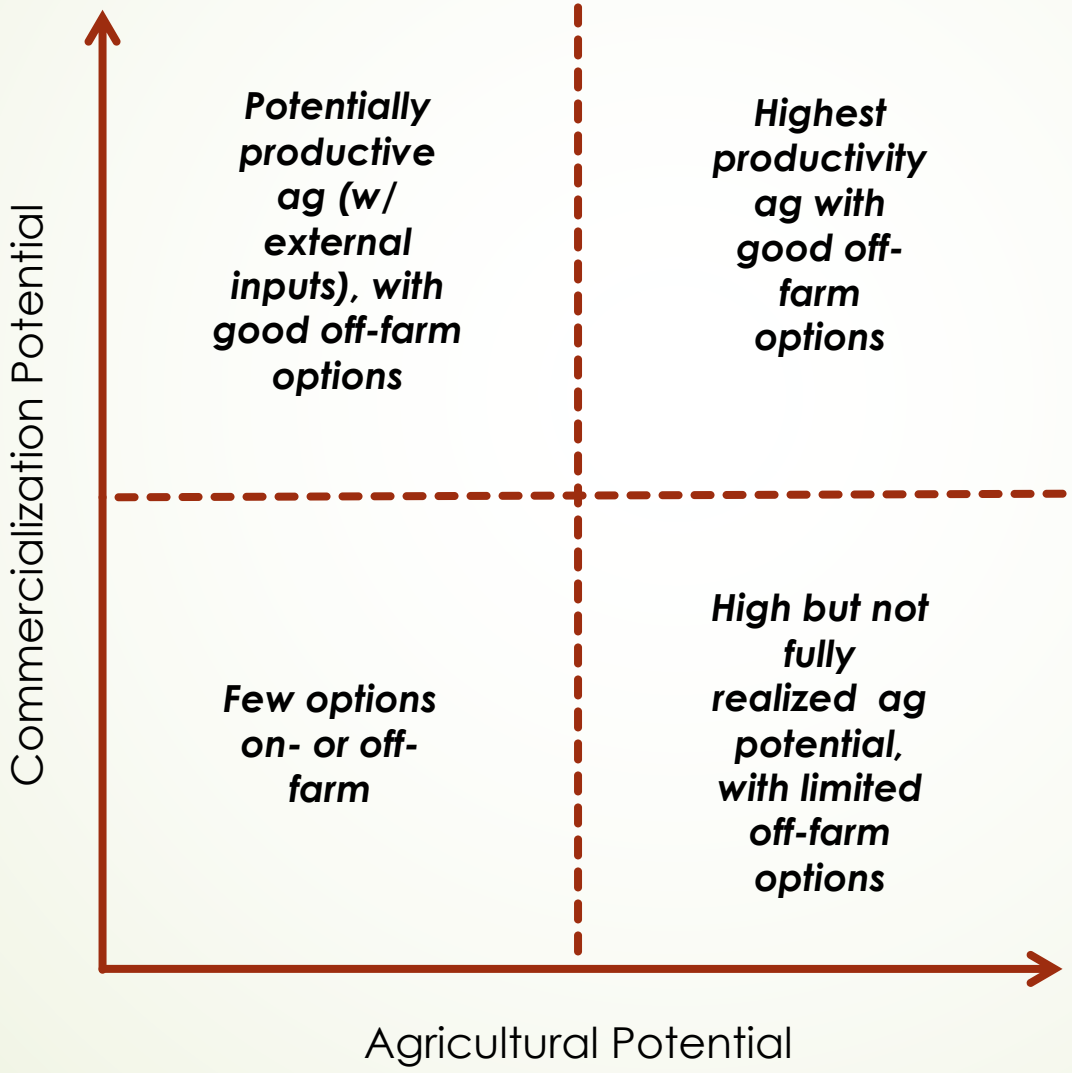


Can make some reasonable predictions about likely activities …

But relevant missing variables, e.g.

- *land values likely rising with vertical axis*
- *Population density likely rising with horizontal axis*
- *There can be a lot of heterogeneity within these groups*
- *So what are they actually doing?*

Rural opportunity space



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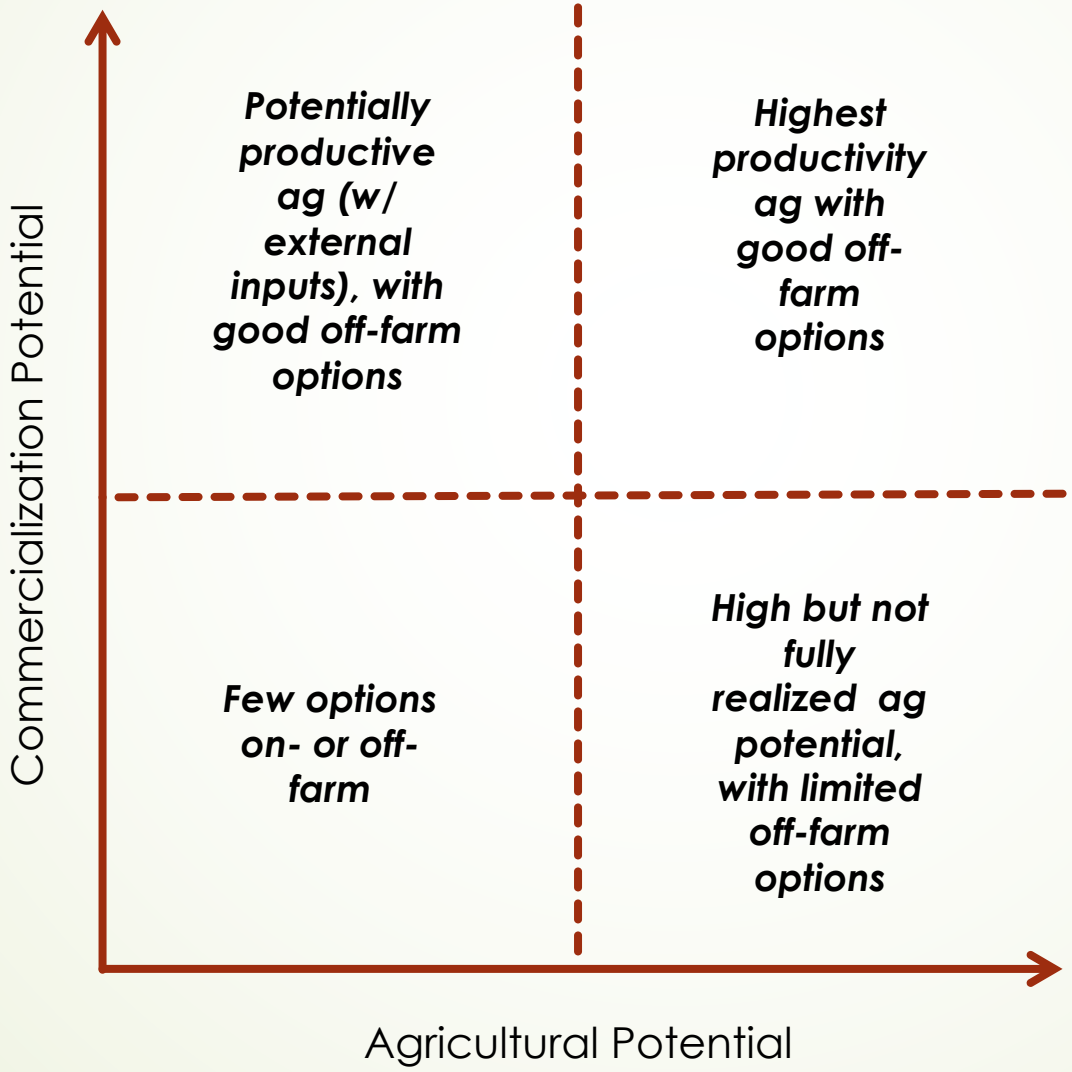
- ***So what are they actually doing?***

Rural opportunity space

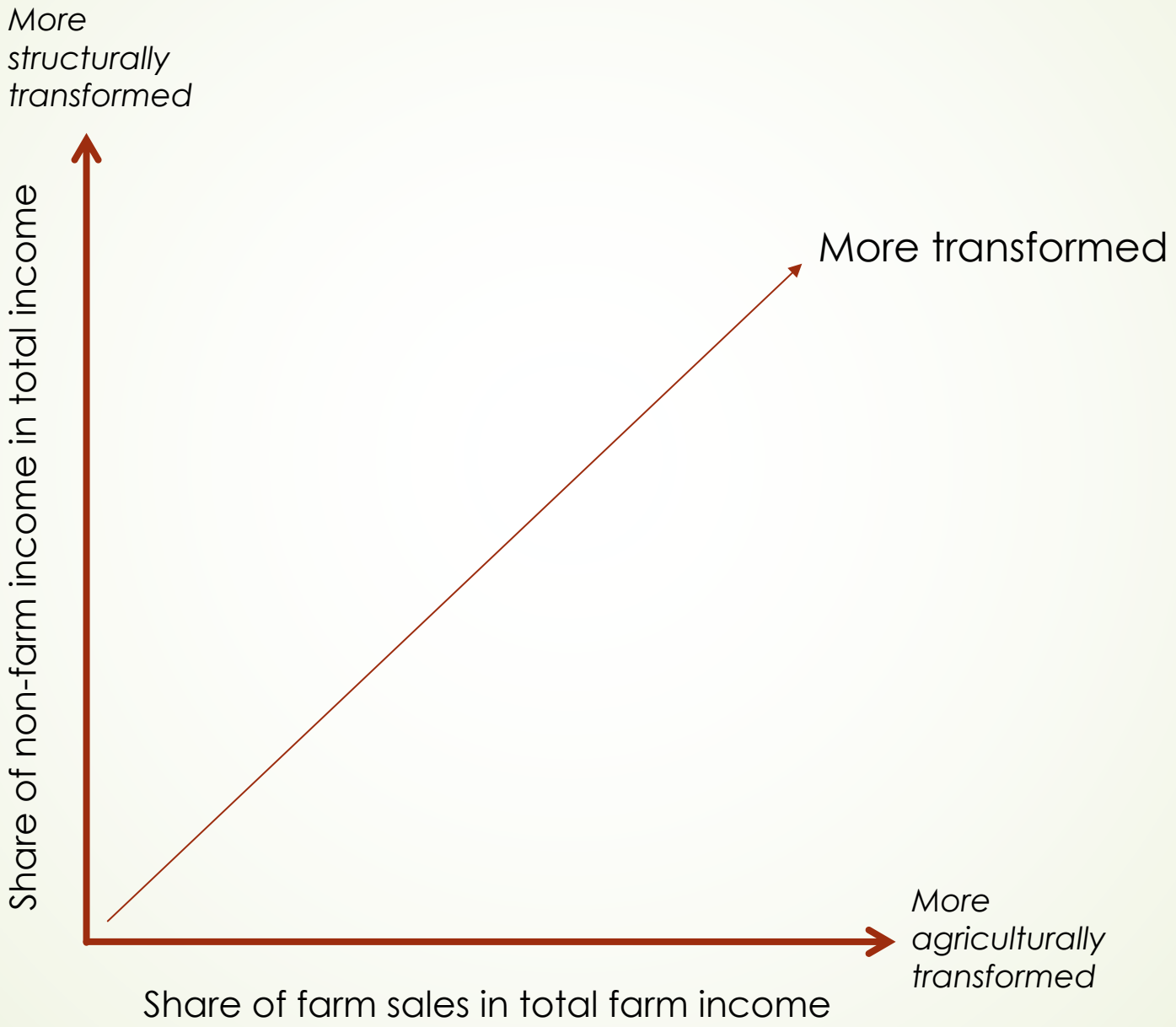


Can make some reasonable predictions about likely activities …

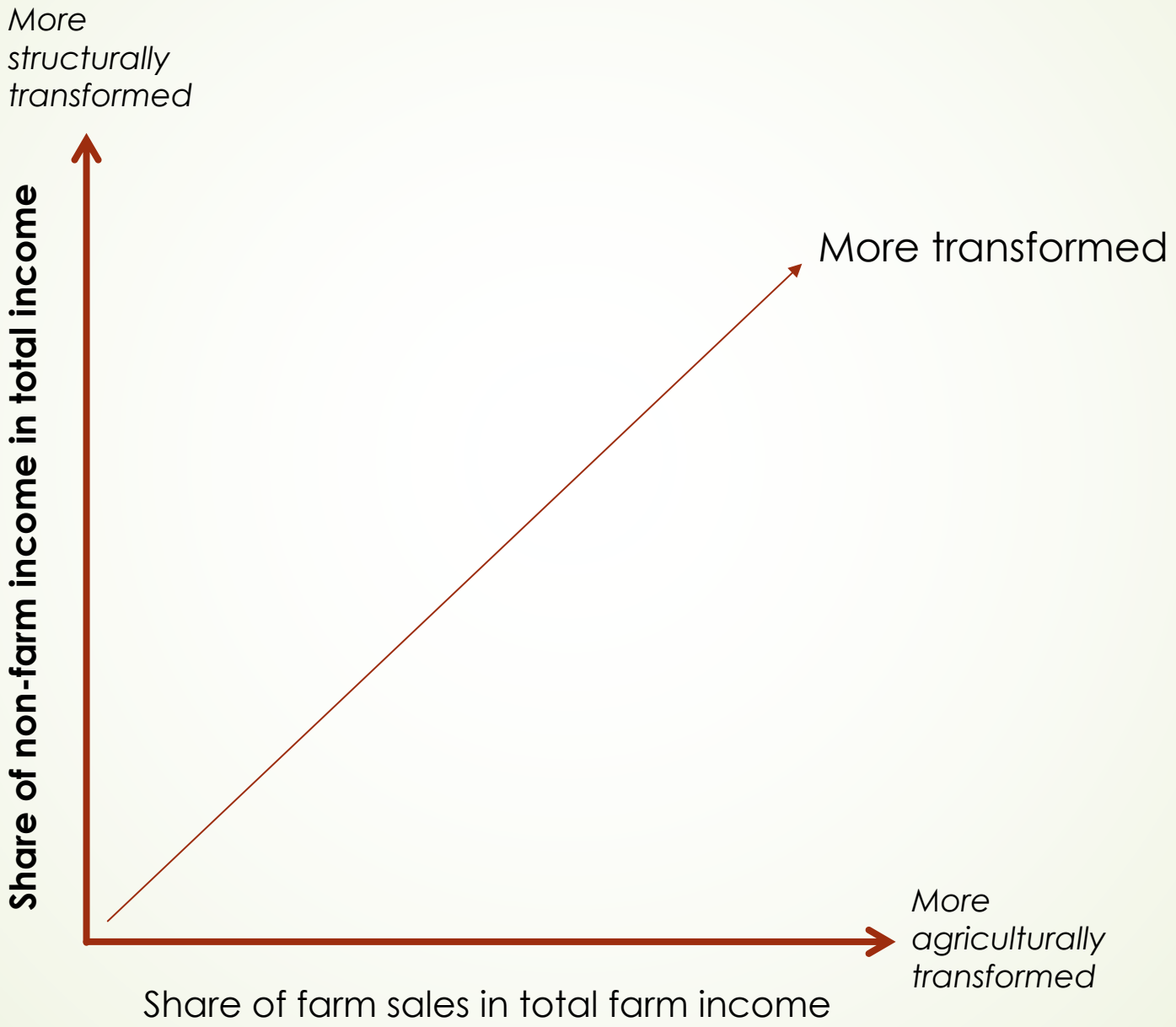
But relevant missing variables, e.g.

- ***land values likely rising with vertical axis***
- ***Population density likely rising with horizontal axis***
- ***There can thus be a <u>lot of heterogeneity</u> within these groups***
- ***So what are they <u>actually doing?</u>***

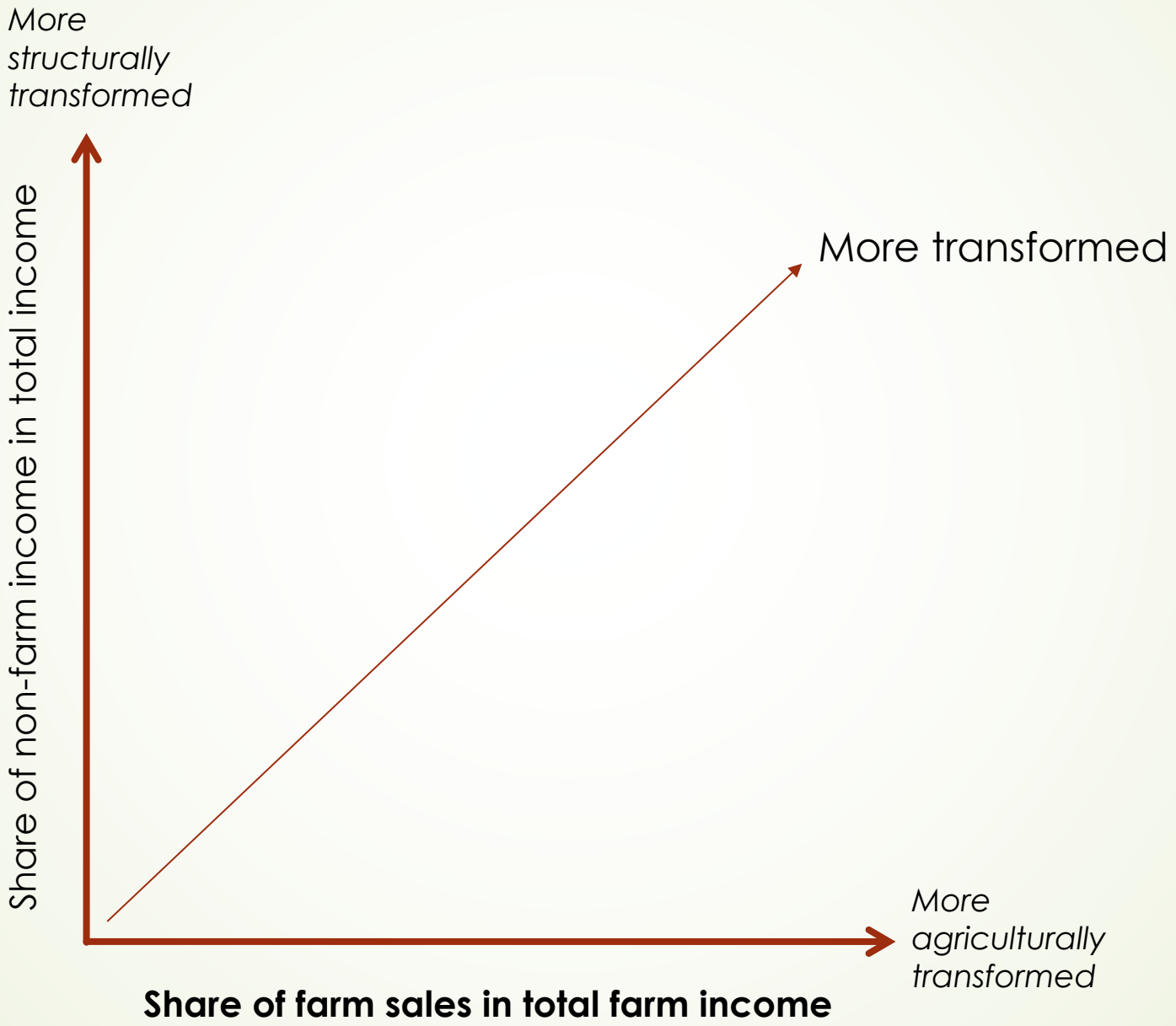
Rural & ag transformation space



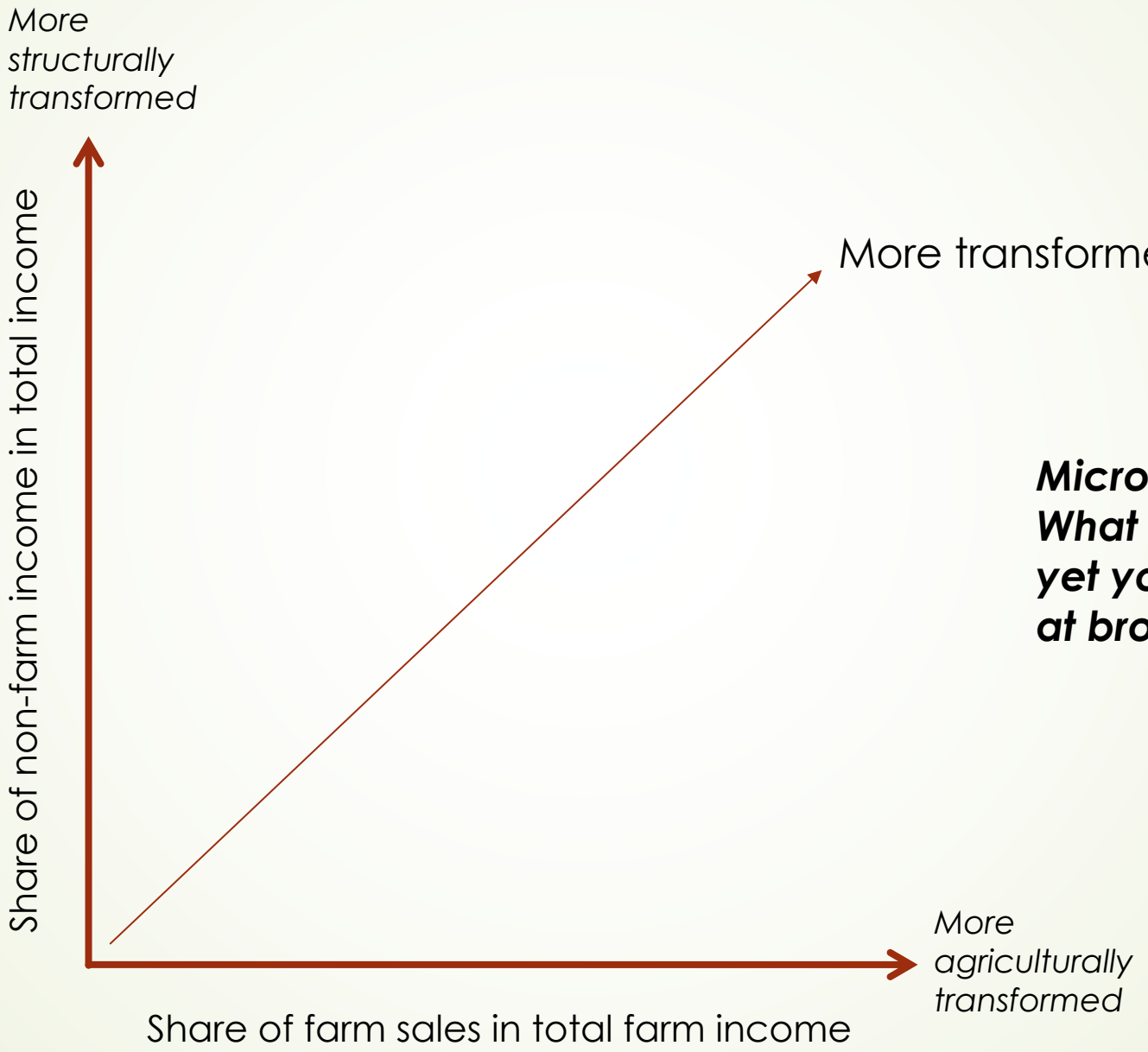
Rural & ag transformation space



Rural & ag transformation space

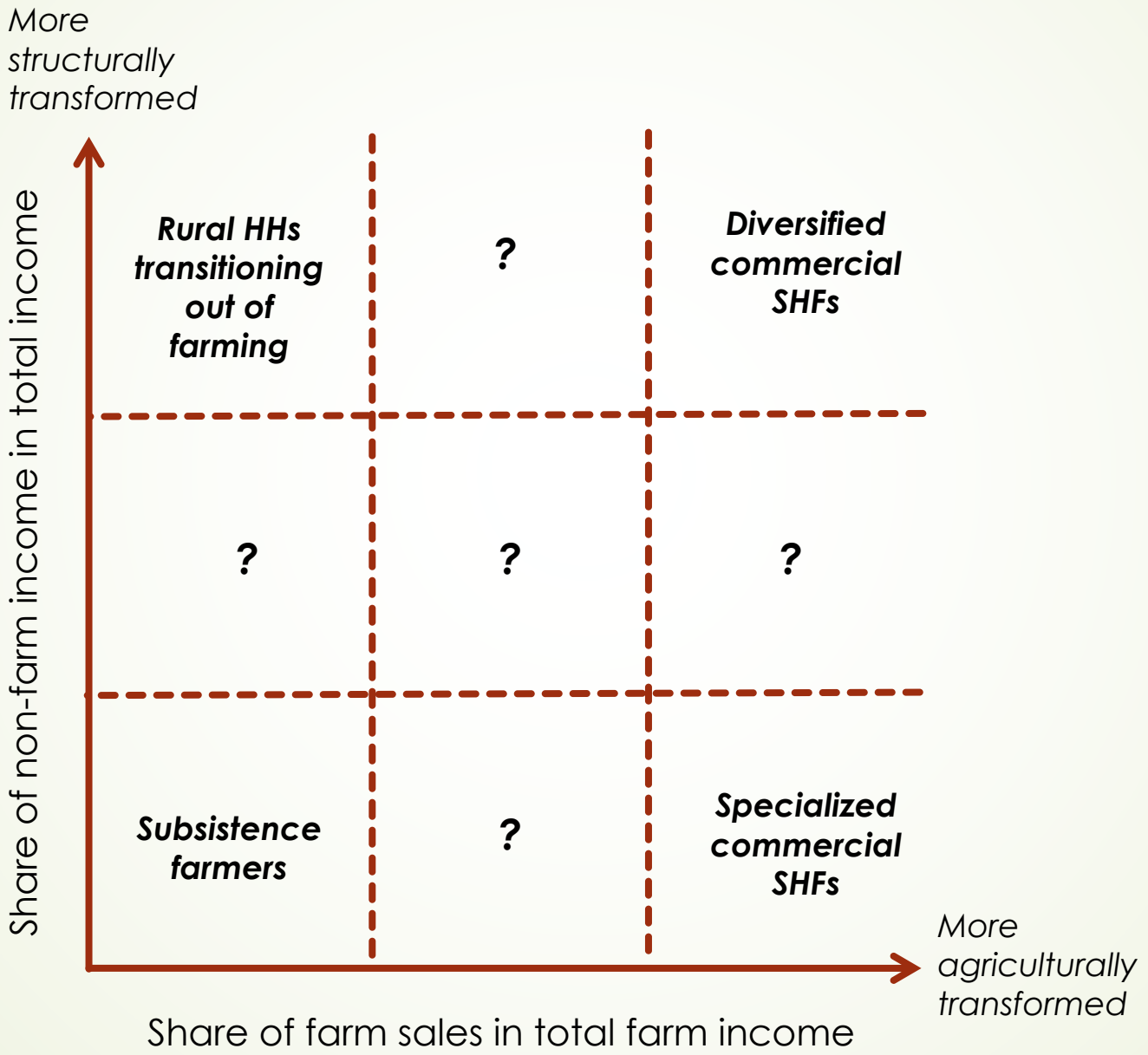


Rural & ag transformation space



Micro LSMS data;
What are households (not yet youth) <u>actually doing</u>, at broad level?

Rural & ag transformation space



- Rural opportunity space …
- Rural & ag transformation space …
- **Specifics of economic engagement, assets, other characteristics of youth and their families**

Sectoral and functional classification, by FTE, of youth economic engagement

	Sectoral classification											
	Agrifood system						Non-agrifood system				Not working	
Functional classification	Own Farming	Farm Labor	Food Mfg	Mktg & Transp.	Food Prep		Mfg	Other Indust	Service, public	Service, private	Out of job mkt	Unem-ployed
Casual wage												
Formal wage												
Self-employed												
Total												

With individual level LSMS data, can do this for youth by gender, and by categories of rural youth opportunity / rural & ag transformation space