

SEGOVIA CONFERENCE SUMMARY

THE DECLINE OF THE MIDDLE CLASSES AROUND THE WORLD?

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In the wake of the 2008 and 2009 financial crisis and subsequent economic slow-downs (outright recessions in many countries) have come increasing fears that we may be witnessing the permanent decline of the middle classes across the developed world. The forces underlying this concern, of course, were at work long before, but the crisis seems to have hastened and aggravated their impact. Is this the end of the decades-long period of relative middle-class affluence in so many countries? Or will current difficulties pass as national economies strengthen?

This subject takes on added importance because, beyond the financial and emotional hardships involved, a weakened middle class can threaten the fabric of society and its democratic institutions. As Kapsos and Bourmpoula (2013, p. 1) note, “one of the sharpest divides between developed and developing economies is that in the former, middle class status is the norm, with a reasonable standard of living enjoyed by the bulk of the population.” What has been called the “middle class consensus,” based on narrowing strong class differences, is the point of departure for social peace, and the consolidation of democracy and investment in human capital (Easterly, 2001). In this regard, several studies have highlighted the link among middle-class values, economic growth, and the demand for transparent and democratic public and private institutions (Amoranto, Chun, & Deolalikar, 2010).

In order to explore these and related issues, the Universidad Nacional de Educación a Distancia (UNED), University of Maryland School of Public Policy (UMD), and Association for Public Policy Analysis and Management (APPAM) held a conference in Segovia, Spain, September 29 through 30, 2014. The conference attracted about 150 academics and professionals from government agencies, think tanks, and NGOs from 16 countries around the globe.

About 104 papers were presented at four plenary sessions and 28 panel sessions. Topics included the social and economic condition of the middle class in specific countries and the factors shaping it, such as macroeconomic policy, labor market conditions, family structure, work and family issues, demographics (such as aging and disability), immigration and migration, government cash-transfer programs, and workforce development efforts (including remedial education programs, such as basic, secondary, postschool, and career-related education and higher education). Many of the conference papers can be found at <http://www.umdcipe.org/conferences/DecliningMiddleClassesSpain/Papers/>.

MIDDLE-CLASS DECLINE? OR EXPANSION?

In the opening plenary session, Amitai Etzioni of George Washington University addressed “The social and political consequences of the coming big disruption.” He emphasized the role of social and individual values in economic decisionmaking, linking the long-term accommodation to reduced incomes to how well Western populations adjust to lowered expectations. One obstacle to accepting this decline in living standards is the apparent, concomitant increase in income inequality, as pointed out in papers from various countries (Etzioni, 2014). Timothy Smeeding of the University of Wisconsin, for example, explored the effect of income inequality on the lack of middle-class income growth (Smeeding & Lynn, 2014). Other papers asked about the effects of inequality on educational achievement, access to technology, occupational safety, and marital outcomes.

Also in the opening plenary, B. Venkatesh Kumar of the Tata Institute of Social Sciences (Mumbai) reminded the conference that the middle classes of developing and less-wealthy countries are still growing and enjoying substantially better health and more material comforts than just a few short years ago. Titling his talk “Aspirational middle class, neoliberalism and democratic politics in India,” he described how these three themes flow together (or in opposition) to explain the diverse consequences of economic growth in specific countries (Kumar, 2014). Other papers covered similar issues in Indonesia, Latin America (generally), Mexico, and Nigeria.

SOCIAL AND ECONOMIC MAPPING

The second plenary session sought to answer three related questions about the middle class: “Who are they, where did they go, and why does it matter?” David Johnson of the U.S. Bureau of Economic Analysis set the stage by describing declines in middle-class incomes in various developed countries but increases in the size of the global middle class, as well as how using different measures of income can affect the degree of the declines in developing countries (Johnson, 2014). Marco Mira d’Ercole of the Organisation for Economic Co-operation and Development (OECD) described what has been called the “hollowing out of the middle-class,” with the middle three income quintiles in many countries experiencing income declines over time compared to increases for the top quintile (Mira d’Ercole, 2014). Oxford University’s Brain Nolan pointed out that these economic trends predated the economic crisis and that solutions would have to be equally long-range (Nolan, 2014). According to Sagrario Segado of UNED, in many countries the result is downward social mobility (Segado Sánchez-Cabezudo, 2014). After describing the growing divergence between the middle classes and society, Smeeding summed up, “These are the disaffected middle class who work hard and play by the rules of society, but increasingly see their situation declining by forces beyond their control” (Smeeding, 2014).

Various country-specific papers reported the results of social mapping in the European Union (EU) generally, and Northern Europe, as well as in specific countries (such as Germany, Greece, Finland, Israel, Japan, Portugal, Singapore, Spain, and the United Kingdom) and among specific demographic groups (such as children, youth, women, and the elderly).

As might be expected, many presentations concerned conditions in Spain or the United States. In regard to Spain, for example, Professor José Félix Tezanos’ paper, “Trends of the middle classes’ decline in the context of economic crisis and political uncertainty: The case of Spain,” examined the economic crisis and the evolution of the middle classes in Spain, highlighting five major trends: the progressive deterioration of the middle-class standard of living as a result of unemployment

and low wages, the greater difficulties involved in transmitting middle-class values to children, the decline in the number of persons who identify themselves as middle class, the progressive convergence of an important sector of the middle classes bordering on poverty with the lower class, and, finally, political polarization and increasing political disaffection (Tezanos, 2014).

A paper by John Hisnanick of the U.S. Census Bureau used four panels of the Survey of Income and Program Participation (SIPP) to document the decreasing relative income share and income ratio of the “middle class” in the United States (defined as the middle 50 percent of the income distribution) compared to the 90th and 95th percentiles. Hisnanick found that from 1996 to 2012, the middle class went from earning 40.4 percent of aggregate total household income to 38 percent, and the ratios of income between the middle class and the 90th and 95th percentiles increased by 0.6 and 0.9, respectively, to ratios of 4.3 and 5.7 (Hisnanick, 2014).

Laryssa Mykyta of the U.S. Census Bureau used data from the U.S. Current Population Survey from 1974 to 2013 to attempt to assess if the middle class has increased or decreased and the change in the composition of the middle. She found that during this time period, the percentage of individuals with family incomes between 67 and 200 percent of the median income declined by about 10.7 percentage points with the share of upper-income individuals increasing by 3.4 percentage points and share of lower-income individuals increasing by 7.3 percentage points. In addition, the composition of the middle class changed over this period, becoming more educated, older, and more likely to work in a managerial occupation (Mykyta, 2014).

THE FUTURE OF MIDDLE-CLASS JOBS

Laying the foundation for the papers on workforce development and employment policies generally, the third plenary session focused on the evolution and characteristics of current middle-class employment within the EU—and likely future trends. After showing that “the middle classes in the EU were being squeezed before the crisis with job growth higher in both low and high wage occupation,” Robert Strauss of the European Commission presented possible scenarios for the growth of European middle-class employment, including creating lifelong learning initiatives to allow for retraining of the segment of the workforce that loses employment because of technological innovation, supports for small and medium enterprises that are unable to provide skill development for their employees, and making social security benefits portable throughout the EU to allow increased cross-country movement of employees (Fischer & Strauss, 2014).

Increasing access to technology will be difficult. In their paper, “Economic crisis, social class and technology usage in Spain,” Cristóbal Torres-Albero, José Manuel Robles, Stefano De Marco, and Mirko Antino used a survey of technology utilization in Spain to estimate how the recession affected Internet accessibility and usage for different economic groups. They found that, although there was not a further decline during the economic downturn, sharp inequalities in technological utilization existed between economic groups (Torres-Albero et al., 2014).

Many aspects of work and society have been affected by these economic disruptions. In “Labor, health and the middle classes: Do Spanish youth have to jeopardize their health to find a job?” Antonio López Peláez of UNED found that not only do youth in Spain face an unemployment rate of 50 percent, but the employment that is available is more hazardous. Youth in Spain “experience higher accident rates, increased work intensity and workloads, more physical and psychological risks, and must work in shifts and at night in a higher percentage than other age groups.” This riskier employment has the potential to negatively affect the long-term career

prospects of Spanish youth and lead to increased social exclusion (López Peláez & Pinilla García, 2014, p. 15).

WORKFORCE DEVELOPMENT AND JOB TRAINING

The final plenary session was titled “Skills that matter: What skills will be needed in the future (and how should we measure them?).” Ariel Fiszbein of the Inter-American Dialogue moderated a panel discussion that included Arup Banerji of the World Bank, Paul Decker of Mathematica, Robert Lerman of the Urban Institute, and Carmen Pages-Serra of the Inter-American Development Bank. Collectively, they explored the skills needed to enhance international competitiveness, the training programs needed to develop those skills, and the ways in which governments as well as employers and employees might increase their investment in human capital.

A separate panel on the future of workforce development programs in Latin America included papers by Silvia Montoya, Director General for Education Evaluation, Buenos Aires; Carmen Pagés-Serra, Inter-American Development Bank; José Ramón Perea, OECD Development Centre; Germán Ríos, Banco de Desarrollo de América Latina; and Alexandria Valerio, the World Bank.

Many conference papers pursued these matters in the context of specific countries or job categories. Specific topics included the importance of “soft skills,” use of apprenticeships, and role of lifelong learning. In his paper “Soft skills: Needed for entering the middle class,” Arnold Packer of SCANS showed how soft skills facilitated entrance into the shrinking U.S. middle class. Although Packer believes that soft skills are often “ignored in favor of tests of English and math in education” because of the ability of those skills to be tested, he outlined three programs that demonstrate the ability for soft skills to be taught and learned. In each of the three programs, which included a virtual career program for high school students, mentoring in a welfare-to-work program, and a “verified resume” document to be given to those who achieved soft skills in “community-based organizations” (CBOs), there was improvement in soft skills, and the former two demonstrated improved employment outcomes (Packer, 2014).

Robert Lerman of the Urban Institute examined the acquisition of occupational skills through apprenticeship programs in his paper “Skill development in middle level occupations: The role of apprenticeship training.” He reported on the financial and efficiency gains to government, employers, and employees through apprenticeships in Europe and North America, finding a return on investment of as much as \$27 return on each dollar spent (Lerman, 2013).

EDUCATION

Taking a longer-term perspective on the development of career-related skills, other papers addressed K-12 and higher education around the world. Topics included unconditional cash transfers on early child development (Zambia); dynamic approaches to school improvement (Cyprus), vouchers (Chile), remedial reading (Egypt), and, in the United States, accountability, school choice, rural schools, the intergenerational transmission of noncognitive skills, urban education and accountability, and migrant education.

Several papers explored the role of higher education as a path into the middle class. In their paper, “Gains and gaps: Changing inequality in U.S. college entry and completion,” Martha J. Bailey of the National Bureau of Economic Research and Susan M. Dynarski of the University of Michigan used the National Longitudinal Survey of Youth of 1979 and 1997 (those born in 1961 to 1964 and 1979 to 1982, respectively) to analyze educational attainment among different family income quartiles.

They found that the rate of college entrance and completion increased significantly more among those from the higher quartiles than those from the bottom quartiles in the time between the two cohorts, and that “inequality in high school graduation explains roughly half of income inequality in college entry.” Likewise, persistence rates are more than twice as high for children in the top quartile than the bottom quartile, which further explains inequality in academic achievement. Furthermore, their analysis demonstrated that educational attainment has grown significantly more among women, and in particular, women in the top quartile (Bailey & Dynarski, 2011). Other papers examined the role of student aid (United States) and accountability (United Kingdom).

SOCIAL SAFETY NETS

An important subtheme of the conference involved the social safety nets in various countries: how they responded to the economic downturn, did they serve as automatic stabilizers, and what changes might be needed to make them more effective. In her paper “Who did safety nets catch during the Great Recession and how? A comparison of eleven OECD countries,” Katherine Baird of the University of Washington at Tacoma looked across OECD countries to identify which groups were most affected by the Great Recession. She found that lower-income individuals were the most affected by the crisis. She found that “government transfers to citizens offset much of the steep declines in earned incomes that occurred across most of the eleven countries and along the income spectrum within them, effectively reversing the recession’s adverse trends in market-based inequalities” (Baird, 2014).

Looking specifically at the safety net in the United States, Jesse Rothstein of the University of California at Berkeley and Robert G. Valletta of the Federal Reserve Bank of San Francisco analyzed the effect of the loss of Unemployment Insurance (UI) benefits on the financial well-being of UI recipients in their paper “Scraping by: Income and program participation after the loss of extended unemployment benefits.” They found that, after UI benefits were exhausted, “households lose UI income equal to about one quarter of pre-displacement household income, or about one-third of their income just prior to UI exhaustion.” As the drop in income is very close to the amount they were receiving in UI benefits, it appears they are not receiving additional assistance from other safety net programs. Not surprisingly, poverty rates increased for UI exhaustees by about 15 percentage points, or an increase of 60 to 75 percent (Rothstein & Valletta, 2014).

MIGRATION

Although not in the original conference plan, the number of papers on migration led the program committee to accept papers on movement from rural to semi-urban areas (Morocco), the education of migrant children (United States and EU), and welfare receipt (United States). In their paper, “In transit: The well-being of migrants from transition and post-transition countries,” Milena Nikolova of the Institute for the Study of Labor and Carol Graham of the University of Maryland used migrant data from the Gallup World Poll to assess the well-being of migrants from eastern European countries who have migrated to the EU, the United States, or Australia. They found that these migrants have higher incomes and have higher measures of subjective well-being (such as happiness or feelings of freedom) compared to a matched comparison group of those who did not leave (Nikolova & Graham, 2014).

In addition, the conference also featured a panel of editors from major academic journals to discuss requirements for publication. The panel included Kenneth Couch, editor of the *Journal of Policy Analysis and Management*; Neil Gilbert,

member of the editorial board of the *International Journal of Social Welfare*; Traute Mayer, co-editor of the *Journal of European Social Policy*; and Timothy Smeeding, co-editor of *Poverty, Income Distribution, and Income Assistance*. Finally, about 19 Spanish-language papers were presented, in recognition of the conference location and Spain's severe economic stresses.

A short summary like this cannot do justice to such a rich and variegated event, but two themes stand out: the similarity of global economic challenges within the context of the divergent experiences of developed and developing economies, and the palpable fear that relief (let alone a remedy) is not close at hand.

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