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Inequalities and the Post-2015 Development Agenda

Income inequalities between and within countries have worsened in recent decades. Gender inequalities are narrowing at a snail's pace. Citizenship and location continue to determine life chances, despite the increasing integration of economies. Policy instruments to promote equality of *outcome* have largely been neglected in the name of approaches to claim to create "equality of *opportunity*". This has failed to stem the tide of inequality. Current social discontent and distrust of government highlight the urgency of addressing inequality head-on: it should be high on the post-2015 development agenda, both as a goal in itself and reflected in targets for other goals.

Worsening inequalities

Over the past two to three decades income inequalities have worsened: in the decade to 2000 more than two-thirds of the 85 countries for which data are available experienced an increase in income inequality as measured by the Gini index. As for global wealth concentration, at present the richest 1 per cent of the world's population owns 40 per cent of global assets; the bottom half of the world's population owns just 1 per cent of global wealth. This broad pattern of growing income and wealth inequality under economic liberalization is supported by data on other indicators.

One of the most revealing indicators is the distribution of income between wages (income from labour) and profits (income from capital), known as the functional distribution of income. This provides a good picture of how wage earners are faring relative to those who derive their income from the ownership of capital, such as financial assets or productive equipment. A significant proportion of countries for which data were available witnessed a decline in the share of national income going to wages between 1980/1985 and 2000/2005.

Further inequalities become evident when wages are disaggregated by gender: the latest figures suggest that despite the narrowing of gender-based inequalities in terms of school enrolment, the average shortfall of women's earnings compared to men's was 22.9 per cent in 2008-9. This marks a small improvement over the gap of 26.2 per cent observed in 1995. According to the ILO, at this rate it would take more than 75 years to achieve equal pay for work of equal value (ILO 2011). Social indicators such as enrolment in secondary and tertiary education, access to safe drinking water and sanitation, and maternal mortality all display large within-country inequalities when gender, region and ethnicity/caste are taken into account.

There are also important global dimensions to the issue of inequality. Although some poor countries are catching up with rich countries, the income levels of rich countries are still much higher than even those of converging countries; the poorest 5 per cent of people in a rich country such as the United States will be richer than two thirds of the people in poor countries. Thus, a person's income today still largely depends on citizenship and location (Milanovic 2011).

22.9% shortfall in women's earnings compared to men's (2008-9)

An equal start or an equal journey?

In recent decades the mainstream response to evidence of growing inequalities has been to dismiss equality of *outcome* as "politics of envy" and focus instead on a less controversial equality of *opportunity*.

However, to create real equality of opportunity is a radical proposition. Moreover, one can only be confident that opportunities were equal when the outcome is equal too; any systemic disparity in outcomes—whether in terms of income and wealth, or more broadly in terms of distribution of resources, occupations and roles—alert us to a likely inequality in initial opportunities.

This approach has not allowed for structural factors that influence individual outcomes and has sidelined powerful policy instruments that can reduce outcome inequalities, such as:

- macroeconomic policies to ensure that sufficient employment is created to absorb new entrants into the labour force;
- income and social policies, to ensure that different types of labour (e.g. female and male) are properly valued and rewarded in a largely globalized economy where labour's bargaining power has been reduced through informalization and liberalization. These include policies to register and protect informal work, ensure effective compliance with minimum wage and anti-discrimination legislation (e.g. with respect to sexist definitions of "skill"), and state support for smallholder agriculture;
- widely accessible and good-quality social provisions, including education, health, food, housing and social security, to protect against sharp income drops from illness, old age, market risks, etc. and compensate for persistently low incomes and their structural causes;
- widely accessible infrastructure, domestic technology and care services to support the (re)production of labour, disproportionately undertaken by women and girls on an unpaid basis;
- wealth and income redistribution through land reform; and
- corporate taxation and progressive income taxation to finance widely accessible social provisions.

Inequality and social discontent

Recent political developments have drawn public attention to the corrosive effects of severe inequalities in both the global North and the global South. There are many signs of social discontent, declining levels of trust in governments, and unrest in response to rising food prices, labour retrenchments, and draconian austerity measures (especially in European Union peripheries).

While locally specific factors underpin the recent uprisings in Tunisia, Egypt, Syria and neighbouring countries, high rates of unemployment, precarious livelihoods and repressive state practices are common sources of discontent that feed popular unrest. In contexts of deep social insecurity, limited resilience to cushion the effects of crises on people, and fragile democracies, a return to authoritarian control cannot be ruled out.

Crisis is becoming a way of life. Even in countries with consolidated democracies, as austerity measures cut benefits, diminish health and education services, and make jobs more temporary. This carries unsavoury implications. Even mainstream political parties, not just the far Right fringe, may find it acceptable to stress the "threat from immigration". This gives credibility to populist racism. In the United States, contradictions and crises have given a boost to coercive forms of rule. Prisons and debt are pervading the lives of marginalized social groups, including increasing numbers of poor black and Hispanic women and men.

UNRISD's engagement in post-2015 processes

UNRISD is a member of the inter-agency UN System Task Team on the Post-2015 UN Development Agenda and also sits on the Task Team's Working Group on "Emerging Issue of Inequality (Including Gender)". The Concept Note upon which this Research and Policy Brief is based was submitted to the Task Team to feed into a consolidated background paper on the theme of inequality: "Addressing Inequalities: The Heart of the Post-2015 Development Agenda and the Future We Want for All".

As a member of the UN Task Team and a new (August 2012) Adivisory Group for the Global Consultation on Addressing Inequalities in the Post-2015 Development Agenda, UNRISD will continue to influence the UN's thinking on the issue of inequality and how it feeds into the post-2015 development agenda.

Inequality and the post-2015 development agenda

Locating pathways for change

Policy makers in national governments and within the international system can use the current juncture and the growing sense of urgency to initiate and progress along pathways of transformative change. Thirty years of painful experimentation with orthodox economic and social policies have given many governments, especially in low-income countries, the will to forge heterodox development strategies.

Many of these combine the quest for employment-centred structural change with social equality through investments in public services and widely accessible social protection. There is now a recognition that when development strategies deliver high levels of good-quality employment, both the cost of social policy and the burden of universal coverage are reduced.

Despite the challenges confronting European welfare states, the more universalist variants continue to prevent dire outcomes in times of austerity. New emerging welfare regimes in some of the most unequal societies in the global South, such as Brazil, Ecuador and Uruguay, are also demonstrating their capacity to dampen inequality. Others, such as the Republic of Korea, have broadened their reach.

These diverse experiences make a strong case for broad-based and universal social policies, as opposed to narrowly targeted provisions. Universal policies are easier and cheaper to administer, ensure middle class support, help create more equal societies, and are an effective mechanism for (re) producing a healthy, skilled and creative workforce.

Institutionalizing rights and forging enabling environments

Lessons from successful democracies suggest that rights must be institutionalized in order to substantially reduce inequality. This means that citizens need to be able to organize and contest public policies and hold the powerful to account.

National efforts to reduce inequalities have to be buttressed by an enabling global environment. Global crises and shocks disrupt economic and social development and are bad for within-country equality. This makes it necessary to address global inequalities in any new development agenda that is concerned with global partnerships. MDG8 focuses on aid, trade, medicines and ICTs, but does not explicitly address global inequalities and ways of reducing them.

The urgency of addressing inequality

Opinion has shifted in the past couple of years and there is now a broad recognition of the powerful and corrosive effects of inequality:

Inequality hampers economic growth and poverty reduction efforts

- High levels of inequality make it harder to reduce poverty through economic growth.
- High levels of inequality push large segments of the population into low-wage jobs; this constricts domestic market demand and hinders structural change.
- High levels of inequality can act as catalyst for financial crises through under-consumption and the creation of various “bubbles” which can destabilize the real economy.
- High levels of inequality make it difficult to construct broad-based, redistributive and fiscally sustainable social welfare systems that are grounded on principles of social solidarity, i.e., where the middle classes both finance (through taxation) and use public services alongside the poor.

Inequality corrodes the social fabric

- High levels of inequality create polarized societies in which fragmented systems of social provision deliver good quality education and health services only to those who can afford them, while others have to rely on underfunded and overstretched public services. This limits the potential of social policies to create equal opportunities and thereby dampens social mobility.
- High levels of inequality are detrimental to social cohesion and may undermine efforts to build more democratic societies.
- High levels of inequality make it easier for those with economic power to use it politically to preserve their interests.
- High levels of inequality may raise crime levels or cause violent conflict, especially in multi-ethnic societies.
- High between-country inequalities make it difficult for low-income countries to retain skilled staff in sectors that are crucial for meeting human development goals, such as health and education, leading to brain drain and care drain, despite the compensatory factor of remittances.

Targeting inequality in the post-2015 development agenda

Reducing inequality as a goal

Reducing inequality should be seen as a goal in itself. It should also be reflected in other goals. Targets could be set for within country inequalities—inequalities across regions, gender, ethnicity, income status—in development goals dealing with human development indicators.

MDG reports already disaggregate in terms of these social categories, but there are no targets to hold governments accountable. A more nuanced interpretation of shifts in Gini coefficients could help assess change since some countries may be making progress in reducing inequalities but may still fall short of the desired target of 0.4.

Targets and indicators could include:

- inequality expressed in terms of the top and bottom deciles/ventiles;
- wages vs. profits (functional distribution of income). This may be a politically contentious measure but it captures the distributional question;
- gender-based wage gaps;
- other labour market indicators: median wage, existence of minimum wage, percentage of labour force with social protection (female, male); and
- female/male ratio of unpaid work.

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About this Brief

UNRISD Research and Policy Briefs aim to improve the quality of development dialogue. They situate the Institute's research within wider social development debates, synthesize its findings and draw out issues for consideration in decision-making processes. They provide this information in a concise format that should be of use to policy makers, scholars, activists, journalists and others.

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The fully referenced Concept Note can be found at www.unrisd.org/post2015.

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