Chapter 5

What can be done to tackle inequalities?

I. Taking stock

The analysis in the previous four chapters shows that there has been an upsurge in economic inequality in many countries, both developed and developing, in the past thirty years. In the majority of countries, the distribution of assets, incomes and wages has become increasingly unequal. However, in the past decade, several countries have bucked the trend of rising inequality, suggesting that domestic social and economic policies can play a crucial role in determining inequality trends. These policies can serve as positive examples of not just what can work, but of what has worked already.

Inequality across countries is still larger than inequality within most countries. Opportunities in life still depend largely on an individual's country of residence. Nonetheless, there is some evidence of convergence across countries in terms of per capita incomes. The decline in international inequality is due largely to the more rapid growth of a relatively small number of large countries. Thus, international cooperation to create an international environment that enables poor countries to grow faster is important for reducing aggregate global inequality.

It is clear that high, and rising, inequalities have had adverse economic, social and political impacts, with—often—dire consequences for social stability and cohesion, political participation and stability, and poverty reduction, as well as for the rate and stability of economic growth.

In addition, economic, social, political and cultural inequalities interact, generating persistent disadvantages among members of certain social groups and creating *inequality traps*. This makes the reduction of inequality a difficult, complex task. Ensuring that improvements in one area are not hindered by growing inequality in others is, therefore, important. This calls for an integrated policy approach and a specific policy focus on disadvantaged groups.

In this context, the following section considers policies that address some aspect of inequality. It purports to be a set of cohesive, coherent and complementary policies (social, monetary and fiscal, developmental, trade and industrial, and other) to attack inequality in its various dimensions, since stand-alone policies are unlikely to have much effect.

II. Addressing inequality

Rising inequality is not destiny. In fact, certain social and economic policies have demonstrated their impact on reducing various dimensions of inequality. Experiences show that—while the national context is important for policy effectiveness in combating inequality—there are elements that underlie successful actions to reduce social and economic inequalities .[1] These elements, illustrated by examples whenever possible, are the subject of the analysis below.

A. Universalism in the provision of social services

Ensuring public funding for the universal provision of basic amenities – access to housing, water, sanitation and electricity, as well as essential social services such as nutrition, health and education – is critical to the reduction of poverty and the promotion of equality of opportunity.

Universal provision is more cost-efficient than targeted delivery because of the high levels of administrative capacity required for means-testing, the high transaction costs of targeted measures, and the risk of political capture by the elites or the richest regions and its potential impact on social segmentation. Indeed, it has been argued that systems in which benefits are not targeted towards low-income groups are precisely the ones that benefit those groups most (Danson and others, 2013). Further, universalism creates broader public support and a wider public demand for a better quality of public service which, in turn, enables the imposition of a **more progressive tax system** that helps reduce income inequality while increasing social cohesion and stability. This underscores the strong arguments being made in the international public policy discourse in favour of a move from targeted safety nets back to universal social provision (Deacon, 2005).

Despite these advantages, universal social policies have often given way to targeted social transfers in recent decades, especially when greater policy emphasis is placed on short-term results in the development discourse. Targeting of specific groups has often been suggested by multilateral financial institutions and donors as a way of achieving social objectives without a significant rise in social spending (Besley and Kanbur, 1990; United Nations, 2008). While more narrowly-targeted interventions improve the conditions facing some

1 While studies are available on the experience of Latin American countries, empirical research is still lacking to analyse the few cases in Africa where inequality has been reduced in recent years.

disadvantaged groups, as discussed in the next section, gains made through targeted interventions alone are unlikely to be sustained without broad-based coverage.

In practice, social policies are rarely based on purely universal, or purely targeted, approaches. Some measures are universal while others are targeted to groups that may be hard to reach through universal measures. Both types of spending may be justified, depending on each country's situation. A policy framework grounded in universalism in the provision of essential public services but with special measures in implementation can be more effective in reaching certain segments of the population that face greater challenges than others in overcoming poverty and deprivation.

B. Reducing social exclusion and intergenerational disadvantage

Universal approaches have proven to be broadly effective in creating improvements in overall human capacities and bridging social and economic gaps. Their design and implementation has to have a nuanced approach that recognises when and how intersecting inequalities lead to the social and economic exclusion of particular social and population groups.

As highlighted by the discussions in Chapter 3 and, especially, in Chapter 4, there are particular groups of people in any given society that bear the brunt of multiple deprivations. The discussion on such groups in this *Report* has focused on youth, indigenous peoples, older persons, persons with disabilities and migrants, and has also shown the poignant gender dimension. Not only do these marginalized and disadvantaged social groups fall behind the general population in terms of welfare outcomes, they often face inequality of opportunity that prevents them from accessing social services, even those that are provided on a universal basis. Policymakers should aim at **removing the obstacles** to their full social and economic participation.

A first step towards removing such obstacles is to evaluate why any given group faces challenges in their ability to access the services provided. Intergenerational poverty traps may make it necessary to keep children at home or have them enter the labour force at an early age; it may be that the group's traditionally rural or pastoral way of life kept them in remote areas underserved by health, sanitation, educational and other services, or that other infrastructural obstacles physically limited their ability to access services. Particular cultural norms or language spoken within a group may have kept them out of the mainstream or from accessing services. It is also important to examine whether discriminatory policies or social norms have created barriers to a group's full participation.

In many cases, addressing the identified obstacles is about **taking the services or opportunities to the group**, in either the literal or philosophical sense. It may mean awareness-raising and information outreach. It may entail expansion or decentralization of service provision to reach remote areas. It may require investment in infrastructure in underserved locations. It may mean training providers in local languages. It may mean sensitization of providers to group nuances and needs, and sensitization or retooling of disadvantaged groups to be able to utilize the opportunities provided. In other cases, it is about creating an enabling legal environment, or eliminating barriers within that environment.

The various approaches taken by some Governments in improving girls' educational attainment are good examples of identifying and addressing shortcomings in service access. Countries have instituted a mix of policies and programmes including the sensitization and enhancement of training for teachers and education officials, improved infrastructure, elimination of school fees, free textbooks for students from disadvantaged households, and providing bicycles and other useful incentives to households. These policies, alone or in concert, have enhanced the broader strategy of universal provision of education, by identifying the reasons why girls were often left behind – such as poor households prioritizing boy children in the apportionment of resources – and reducing, or eliminating, those obstacles. These policies have been effective wherever they have been implemented, such that most countries have reached gender parity in primary school enrolment and made significant progress in improving girls' primary school completion, literacy and secondary school enrolment rates (UNESCO, 2012). The lesson here lies in identifying successfully ways to increase the use of a universal service by a previously underrepresented group.

Governments must also take stock of areas where well-intentioned economic and social policies may actually create a situation of deprivation of some groups in society. The issue of land tenure and the dispossession of indigenous peoples' traditional lands and territories is an apt example. As noted in Chapter 4, policies surrounding land use and access to natural resources have often affected the economic and sociocultural stability of indigenous communities adversely. The lesson to be taken from these cases is the need for recognising the relationship of any given group to particular assets, and working with them to ensure that their rights and well-being are not compromised by the allocation or re-allocation of these resources.

Similarly, Governments should evaluate cases where policies may embed unjust discrimination. The situation of migrant workers provides a good example here. Chapter 3 highlighted that many countries restrict the access of temporary immigrants to unemployment benefits, health care, education of children and various social transfers, even when they work in the formal economy. It is only by reversing these policies that we can ensure greater parity between immigrants and the local population. In these cases, the lesson to take away is the need to identify areas where existing laws create a situation of group disadvantage.

As suggested by the discussion in Chapter 4, a focus on social groups and their rates of participation in social and economic life will not just enhance the reach and effectiveness of universal social policies, but will address inequalities where they intersect most heavily, helping to reduce their long-term, intergenerational impacts.

C. Social protection

One positive development in the international public policy discourse in the past decade has been the renewed emphasis on universal social protection as a necessary – and desirable – form of social transfer. Social protection is a concept integral to the Welfare State, which has been most effective in protecting people from poverty and in keeping inequality in check. It refers to policies that ensure basic income security, in the form of various social transfers (in cash or in kind), such as pensions for older persons, income support for persons with disabilities and families with children, and employment guarantees and services for the unemployed and working poor. Basic social protection has become even more imperative for ensuring that individuals do not slip into poverty as a result of loss of employment, poor health or external shocks. While these measures do not guarantee the possibility of equality of outcomes, they ensure that the rungs of the **social mobility ladder** are not too far apart. They ensure that opportunities to participate in the social, economic and political activities are distributed more widely.

Recent assessments of the Latin American experience indicate that, in order to shift income distribution effectively in a progressive direction, cash transfer programmes must cover a high proportion of the extreme poor, and such spending must be large enough so that transfers per beneficiary closely match the *poverty gap* – that is, *the average distance between the poverty line and the per capita income of the poor* (Lustig, 2012).

It is important to highlight that basic social protection, such as the type considered in the Social Protection Floor Initiative, can be kept within a relatively modest percentage of national income even in severely resource-constrained countries. The Bachelet Report on the social protection floor (ILO, 2011) found that, in countries like Benin, El Salvador, Mozambique and Viet Nam, universal social protection floor programmes would only cost between 1 and 2 per cent of GDP. This is small compared to the tax revenues often forgone by not collecting revenue effectively from the wealthy and by not tackling inefficiencies that exist in many expenditure programmes.

Effective country-specific social protection floors which can gradually expand are affordable in most countries and can—in the long run—be sustainable financially by expanding the tax base, through more sustained growth resulting from enhanced labour productivity, the resilience of society and the stability of the polity. What is especially significant right now is that, apart from reducing human insecurity and gender gaps, this strategy can have important macroeconomic benefits. It increases the presence of countercyclical buffers reducing the negative effects of economic downswings. By buttressing aggregate demand, it actually provides a positive way out of the downward cycle of fiscal austerity and social unrest that now seems to be a common curse in many countries (UNCTAD, 2011). It also facilitates the transition to a greener economy, by cushioning the impact of necessary structural changes on poverty and inequality while also facilitating skill retraining.

Despite these clear advantages, the majority of the world population still has no access to social protection. The challenge now is to build on existing safety-net schemes, to move towards more universal coverage based on a social protection floor that is affordable, and that can be expanded progressively as a country's resources allow.

D. Investing in education and strengthening labour-market institutions

Increasing investment in education and ensuring that macroeconomic policies support employment creation is important to reducing inequalities: these policies have played a central role in the rapid industrialization cases of recent decades. For example, the higher educational levels of farmers and their children in both the Republic of Korea and Taiwan Province of China, a long-term by-product of land reform (Lim, forthcoming), contributed to their fast industrialization. In just one decade, in the 1970s, enrolment in primary, secondary and tertiary education in the Republic of Korea rose by factors of two, eight and ten, respectively. In addition to increasing their receptivity to new agricultural technology and crops, this provided the social basis of an educated workforce for the industrial sector, upward social mobility, and social and political stability. It contributed to significant reductions in wage inequalities in the subsequent decade, when the fruits of this expansion in education became evident.

A similar process is currently under way in Latin America, one of the most unequal regions in the world and also one characterized by high wage inequalities. Wage gaps between skilled and unskilled workers have come down in many countries in the region over the past decade. The widespread drop in the skill premium in the 2000s in Argentina, Brazil, Mexico and Peru (which contributed to the recent drop in income inequality) can be attributed to increases in educational access and enrolment (Cornia, forthcoming). This process has been facilitated by an increase in the supply of skilled workers due to greater educational efforts by Governments and a parallel decline in the supply of unskilled labour due to demographic factors. Widening access to education and ensuring more female enrolment in schools will also reduce gender wage gaps.

Labour market institutions play an important role in moderating wage inequalities. These include labour unions, employment protection, minimum wages, unemployment benefits and regulation with respect to firing practices. The decline in union membership rates in several countries since the 1950s has been accompanied by a sharp rise in wage inequality. In the United States, for example, the decline in rates of unionization in the 1970s and 1980s explains between 10 to 20 per cent of the increase in wage inequality among men (Koeniger, Leonardi and Nunziata, 2004; Freeman, 2005; Card, 2001). Conversely, in parts of Latin America, the active attempts to revive labour market institutions and reintroduce collective bargaining have served to reduce wage inequalities among those in regular employment (Marinakis, 2011). From a policy standpoint, it would, therefore, be important to consider mechanisms that **protect collective bargaining institutions**. Such institutions have been shown to have an equalizing effect on wage dispersion across skill groups, particularly among male unionized workers in the middle of the skill distribution (Card, Lemieux and Riddell, 2003; Freeman, 1980). However, unions organized around the traditional employer-employee relationship are not well-suited for giving voice to those who do not work for a wage, or who do so outside the formal sector (World Bank, 2012b). The growing incidence of informal and non-standard forms of employment has created momentum for the establishment of innovative institutions, such as associations of self-employed workers.

In addition, institutional changes, such as an increase in minimum wage, can be very important in reducing wage inequalities (UNCTAD, 2012). In much of the Latin American region, legal minimum wages rose through most of the 2000s and, in some countries like Brazil, more than doubled in real terms (Cornia, 2012). **Increasing the minimum wage** and its more effective enforcement constitute another significant strategy for improving wage distribution. This is often particularly important for women workers, who tend to be clustered at the lower end of the wage distribution, around the minimum wage. Increases in minimum wage have proved to be significant in reducing gender gaps in wages in Argentina, for example (Ministry of Labour, Argentina, 2012).

All these processes are greatly assisted by **extending the coverage of social protection and decent work standards to informal workers**. Since informality is essentially linked to the absence of basic labour protection, it should be resisted. Some countries have managed to increase minimum wages while simultaneously increasing the number and share of workers in formal activities and, once again, there are positive examples from Latin America (Marinakis, 2011; ECLAC, 2012).

E. Fiscal and monetary policies to reduce inequality

Fiscal and monetary policies affect inequality not only because they have a bearing on income distribution, but also through their role in resource mobilization for social investment. The manner in which Government policy affects the distribution of income and wealth depends on the level and composition of public spending and taxation. The magnitude of their impact will depend on how progressive the tax system is (income and property taxes are usually progressive, while indirect taxes are regressive as they put greater proportionate burden on the middle classes and poor households) and on how much the poor benefit from social transfers and social insurance. **The negative effect of indirect taxes** on the income of people living in poverty or near poor can be stronger than the positive effect of cash transfers (Lustig, 2012).

Fiscal policies can reduce inequality through progressive income taxation and highly-redistributive social transfers targeting education and health spending, as well as public child- and old-age benefits. The impact of such transfers on inequality can be quite significant. The experience of 25 OECD countries during the period 1985 to 2005 has shown that direct income taxes and public cash transfers reduced the average Gini coefficient by about one third (Bastagli, Coady and Gupta, 2012). Thereafter, fiscal policies have not had equally levelling effects in OECD countries, as the redistributive impact of fiscal policy has failed to correct the trend of rising income inequality.

As was observed in Chapter 1, in many countries the redistributive effects of fiscal policy, including tax policies, have not been strong enough to counter rising income inequality in recent years, as tax policies have allowed the wealthy to retain a higher proportion of their incomes and have become less progressive by relying on indirect taxes. In some advanced economies such as the United States, a major ongoing debate is about the level at which capital gains and dividends should be taxed in order to reduce the contribution of such income to the sharp rise in income inequality (Hungerford, 2013). While in developed countries political economy changes may have led to the shift away from progressive to more regressive fiscal policies, in developing countries the problems may be somewhat different. The ability of poor countries to curtail inequality through redistributive fiscal policy measures is more likely to be constrained by low levels of revenue collection, associated with a narrow tax base and lack of diversification. Typically, this situation is compounded further by high levels of informality and weak tax administrations, tax havens and capital flight, among other issues.

In countries where natural-resource extraction is an important economic activity, there is often significant scope for altering the distribution of the rents from such resources in favour of the public exchequer. The recent changes in the royalty structures of oil revenues of Ecuador, Bolivia and Venezuela, for example, are instructive in this regard.

The impact of any of these measures on the level of inequality is likely to differ across countries depending on initial conditions, social structures, productive asset ownership patterns, the quality of public institutions, and the level of social spending. In many cases, when there are large differences in social spending between countries, the effectiveness of fiscal policy in reducing inequality will also differ significantly.

The feasibility of implementing such policies also hinges on national attitudes regarding the role of markets in determining rewards for individual effort, and the perceived role of the State in setting labour standards such as minimum wages, pursuing progressive redistributive policies (that is, taxes paid and transfers received), and promoting policies that foster sustained, inclusive and equitable economic growth and structural transformation.

The role of monetary policy in both income and consumption inequality has received relatively little attention in the economics literature. Yet, the **control of interest rates and the availability of credit** can affect levels and patterns of inequality (Coeuré, 2012; Acemoglu and Robinson, 2012; Galbraith, Giovanni and Russo, 2007). For example, if expansionary monetary policy causes business income to outpace growth in labour income, inequality would have worsened in terms of the composition of income (Coibion, and others, 2012). Similarly, monetary policy can compound income inequality through financial segmentation, should the latter benefit disproportionately those in the financial-services sector and households that receive a significant share of their income from capital gains and dividends (Williamson, 2009; Ledoit, 2009; Atkinson, 2001). Monetary policy could also worsen inequality through the portfolio channel when central banks' policies generate inflation, which tends to affect low-income households negatively and disproportionately, since they are more predisposed than upper-income households to hold a large proportion of their financial wealth in cash (Albanesi, 2007; Coeuré, 2012). Conversely, actions taken by the central bank to curtail inflation by raising interest rates and restricting access to credit in a blanket fashion can cause particular hardship to small borrowers. Identifying such factors should help inform policy responses targeting the recent upsurge in income inequality.

F. Creating more and better-paying jobs

It was shown in Chapter 1 that wage shares of national income have been falling over the past two decades in the majority of countries in both developed and developing regions. This has been commonly attributed to the impact of globalization (which has drawn more workers in different countries into the pool available for global production, and reduced the bargaining power of workers because of the greater mobility of capital) and technological changes that have reduced demand – particularly for less-skilled labour. However, the counter-experiences of an, admittedly, small number of countries (mostly in Latin America), as well as the earlier experience of East Asian countries in their phase of rapid industrialization, show that it is possible to maintain, or increase, wage shares of income. Already, improvements in the wages of both skilled and non-skilled workers in major emerging economies have contributed to lifting millions of people out of poverty. This experience also shows that a progressive shift from agriculture to manufacturing and services, accompanied by improvements in educational attainment, will result in higher wages, and is likely to reduce the income gap between workers in advanced economies and those in developing countries.

Several factors have been cited as responsible for the decline in the wage share of national income globally: technological progress (including structural change), globalization, financialization, and Welfare State retrenchment (Stockhammer, 2012; Galbraith, 2012). Several of these factors can be addressed by domestic and international policies. Wages would have to be perceived, not just as a cost of production, but **as a major source of aggregate demand**, such that rising wage bills can actually propel economic recovery in slumps, and generate conditions for stable growth (UNCTAD, 2012). There are three elements of the aggregate wage share that are relevant in this regard, and policies must be concerned with all of them: the level of employment, wages relative to productivity changes within production, and the remuneration of self-employed workers, who constitute an increasing share of workers in many countries.

The inability of economic growth to create sufficient decent work to meet the requirements of the labour force is a major part of the problem (ILO, 2012c). Reducing inequality requires policies that foster dynamic structural change to increase shares of higher productivity activities, especially in poor countries.

The countries that have experienced recent increases in the wage share of national income have also increased their levels of formal employment in general. This has not necessarily occurred through additional, private employment-generation only. In much of Latin America in the 2000s, there have been significant increases in public employment, through the expansion and qualitative improvement in public services in areas such as health and education, as well as through **insourcing** activities that had been outsourced previously by Governments to private companies (Keifman and Maurizio, forthcoming).

Wages, in many societies, have not increased in line with labour-productivity increases. Ensuring that wages increase along with labour productivity is important in stabilizing primary income distribution as well as in enabling a recovery from the continuing global economic crisis (UNCTAD, 2011; 2012). In those countries where the greater part of employment is informal and the labour force is dominated by self-employed workers, the policy focus has to be on increasing the productivity and remuneration of such activities. In industrialized countries, there has been an increasing trend towards *flexibilization*, leading to *more workers in informal contracts or in vulnerable self-employment*. This makes particularly important the policies designed to improve conditions for non-conventional forms of work and access by small-scale producers to credit on affordable terms, inputs, technology and markets.

A major part of non-wage incomes have been appropriated by returns to financial activities, and it has become evident that not all of this is beneficial to economies and global financial stability. The association of financialization with economic instability is now well-known. Furthermore, the contribution to income inequality of financial sector bonuses to higher-end employees, and the rising concentration of assets and interest and dividend incomes associated with the growth of the financial sector as a share of GNI has being noted (Hungerford, 2013). Therefore, bringing financial returns back to normal historical levels, when financial markets used to thrive with innovation – but also had incentives to fulfil their core function of intermediating savings towards productive investment – will help reduce income inequality. A similar, positive role can be played by strategies to curb excessive concentration of ownership or control that cause rents from land and other resources to accrue to a small section of society.

G. Reducing asset inequalities

As argued in Chapter 3, high asset inequalities constrain the development potential of a society. By the same token, asset redistribution can play an important—even critical—role in assisting the process of development. For example, radical land redistribution in the Republic of Korea and Taiwan Province of China destroyed the economic and political base of the land-owning oligarchies. This enabled the emergence and operation of relatively autonomous States that were able to enact developmental policies that transcended narrow interests (Lim, 2013; Ranis, Fei and Kuo 1979; Amsden, 1989). In order to be successful, attempts at land reform should be combined with broader rural development strategies and complementary measures, such as access to credit and inputs for farmers, as well as broad-based access to good-quality educational and decent work opportunities.

There is a substantial concentration of other productive and—especially—financial assets both within most countries as well as internationally. In both developed and developing countries, there is great potential for enhancing tax revenues through more progressive taxation, that is, for increasing taxes on top earners and corporations. Piketty, Saez and Stantcheva (2011) find that, in a majority of OECD countries, current income tax rates are significantly below those at which the total tax yield would be maximized. So **reducing the personal and corporate concentration of assets** is an important area of public intervention to promote social development.

Gender differences remain an important source of inequality in most societies regarding asset ownership and control. The gender discrimination inherent in property and inheritance laws needs to be overturned, and this is all the more urgent because often, such discrimination is combined with unequal gender access to education and gainful employment, enlarging the gap in economic conditions between men and women and reducing the social status of women further.

III. The international framework and the post-2015 global development agenda

Inequality has been raised as a major social concern by many stakeholders in the discussions on sustainable development goals and the post-2015 development agenda. An initial report on the consultations facilitated by the United Nations started in August 2012 on a new development agenda revealed a sense that inequalities were growing and that small elites were benefiting from development and growth at the expense of the majority (United Nations Development Group, 2013). The Secretary-General acknowledged these concerns as he noted, in his report to the sixty-eighth session of the General Assembly on accelerating progress towards the Millennium Development Goals and advancing the

Post-2015 Development Agenda, the need for transformative action to tackle exclusion and inequality:

> In order to leave no one behind and bring everyone forward, actions are needed to promote equality of opportunity. This implies inclusive economies in which men and women have access to decent employment, legal identification, financial services, infrastructure and social protection, as well as societies where all people can contribute and participate in national and local governance.[2]

The report of the High-Level Panel of Eminent Persons advising the Secretary-General on the Post-2015 Development Agenda recommended tackling inequality of opportunity (in access to health, education, nutrition and other vital services) as well as other aspects of inequality relevant for social inclusion, such as security of tenure and access to justice.[3] The Panel proposed that targets would only be considered as achieved if they were met for all relevant social and income groups. Thus, the Panel called for integrating equality of opportunity into all relevant goals and targets. Regarding income inequality, however, the Panel noted that:

> … national policy in each country, not global goal-setting, must provide the answer. History also shows that countries tend to have cycles in their income inequality as conventionally measured; and countries differ widely both in their view of what levels of income inequality are acceptable and in the strategies they adopt to reduce it.[4]

The analysis provided in this Report indicates that most of the world's poor, and those who belong to marginalized groups, are in highly-disadvantaged starting positions which impede their ability to capitalize on opportunities. Focusing only on the symptoms of poverty or exclusion (such as access to education or health), rather than on their structural causes, has often led to narrow, discretionary measures aimed at addressing short-term needs. Without attention to the underlying economic, social and spatial causes of poverty and inequality, the post-2015 development agenda may not help to level the playing field.

Other proposals have advocated the inclusion of a self-standing goal on inequality. For instance, a proposal made by a group of 90 academics and development experts in a letter to the High-Level Panel in March 2013 encouraged the inclusion of a goal to reduce gaps within countries, with a focus on income and gender inequalities.[5] Thus, the proposal is to go beyond equalizing opportunities

---

2 A/68/202. A life of dignity for all: accelerating progress towards the Millennium Development Goals and advancing the United Nations development agenda beyond 2015.

3 A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development. Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, United Nations, 2013. Available [online] at: http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf

4 ibid., p. 16.

5 See [online]: http://www.post2015hlp.org/wp-content/uploads/2013/03/Dr-Homi-Kharas.pdf

to addressing outcomes. While a goal on inequality may help raise awareness and gather political support to address it, focusing exclusively on income inequality is also limited. Higher income does not translate systematically into better access to health, education and nutrition or participation in political and social life. As shown in the present report, a focus on intersecting inequalities makes it clear that economic, sociopolitical and spatial inequalities can have cumulative, mutually-reinforcing effects that contribute to the systematic disadvantage of some social groups and to the intergenerational transmission of poverty. Focusing on income redistribution alone may not be sufficient to redress systematic disadvantage.

The experience of the Millennium Development Goals suggests that addressing the root causes of poverty and inequality may require moving beyond goals and targets, to incorporating recommendations on the policy instruments that are required to ensure more equitable opportunities and outcomes. As discussed in this report, these include strategies with respect to asset and income distribution, fiscal policies, employment and labour-market policies, social policies (especially universal provision of good quality education, health and social protection), access to infrastructure and basic amenities, and special attention to particularly disadvantaged groups, including ensuring their voice and access to legal redress. It is obvious that, while these must be implemented at the national level, the international community must play a major role in providing support to such policies. The most important aspect of such international cooperation will be an enabling environment where global governance structures and international organizations are supportive of progressive social and economic policies within countries and across regions.

In practice, and regardless of the format, integrating inequalities in the goals would require that targets and indicators refer explicitly to different groups of the population, with clear focus on the poorest and most marginalized. In its report on statistics and indicators, the United Nations Task Team on the Post-2015 Development Agenda proposed the use of independent sets of indicators for each group or area of interest, so that indicators could be tailored flexibly to the needs and priorities of each group.[6] This approach would require improved national statistics and indicators to capture disparities. Some of the existing survey tools and programmes already allow the data disaggregation necessary to generate equality-adjusted indicators. Strengthening such programmes and expanding data collection to capture all population groups will be critical. The importance of the monitoring framework should not be discounted: the way in which it is defined, and the type of disaggregation used, will influence the political debate, the focus of programmes and interventions, and the outcome of the development efforts.

6 Statistics and indicators for the post-2015 development agenda. United Nations Task Team on the post-2015 United Nations Development Agenda, 2013. Available [online] at: http://www.un.org/en/development/desa/policy/untaskteam_undf/UNTT_MonitoringReport_WEB.pdf

A final consideration is that opportunities in life depend largely on an individual's country of residence. Not only are inequalities across countries larger than national inequalities, but improvements in information and communications technologies are heightening the awareness of international inequalities. Addressing international inequalities requires broadening the scope of the global partnership for development. The international trade agenda must support measures targeted towards equalizing opportunities for participation in global markets, and trade agreements should be harmonized with other multilateral agreements in social development so as to form a more coherent, integrated approach. The recent global financial and economic crisis call for a more effective regulatory system for international financial markets. There is scope for further policy coordination across countries in other areas as well, namely, migration and foreign direct investment. Overall, in an increasingly global economy, emphasis must be placed on the equitable distribution of benefits and on the prevention and management of financial and economic crises.

IV. Conclusion

It can be concluded from the analysis in the present *Report* that inequality should, and can, be reduced.

While there is no single policy approach to combating growing inequalities, there is scope for action. In particular, addressing inequality and promoting sustained, equitable and inclusive growth requires that issues of employment creation, social protection and redistribution be placed at the centre of social and economic policymaking. Both social and macroeconomic policies should work in tandem to promote growth together with decent jobs to reduce poverty, inequality and social exclusion. In addition, social investments–especially in education and health, redistributive fiscal policy and innovative mechanisms for social dialogue amidst declining unionization–should be accorded priority

At the national level, one critical strategy is that of ensuring universal access to good-quality, basic goods and services. Within such universal policies, it is important to ensure that provision reaches the sections of the population that are, typically, excluded. It is particularly necessary to recognise, address and work to reduce, or eliminate, the existing structures of discrimination and exclusion typically related to gender, ethnic and other divisions, regional or locational characteristics, or personal features such as age or disability. This underscores the call made in this present *Report on the World Social Situation* for the integration of universalism, and specific interventions in social policy that will entail affirmative action, public investment in underserved areas and sectors, equal access to resources by all, and a conscious understanding of how policies are implemented on the ground with reference to economic, social, legal, environmental, administrative and cultural realities.

Desirable social policies need to work hand-in-hand with macroeconomic strategies, not only to avoid the policy inconsistencies sometimes observed, but also to secure adequate financial resources for social policy to be effective. Tax policies that seek to improve collection from sectors and agents that have benefited disproportionately from income growth do not necessarily require higher tax rates: better—and more effective—implementation of existing tax laws and closing tax loopholes can be even more effective, as some recent examples from Latin America, and elsewhere, indicate. Recently, international coordination on these matters has gained acceptance. In addition, monetary and financial policies need to be re-oriented towards the supervision and regulation of financial markets and the creation of incentives in the financial system to achieve not only economic stability but also socially-desired goals such as greater financial inclusion, by supporting microcredit, micro insurance and microfinance. Once again, international support for such measures is necessary, given the—much greater—global integration of finance today.

Policies to promote employment diversification and livelihood sustainability are crucial to addressing inequality. It is important to emphasise policies that increase decent work for all. In low-income countries, particular focus should be placed on economic diversification to enable the shift of workers to less-vulnerable and better-remunerated jobs with safe and healthy working conditions. Recognizing, and redressing, inequalities in wages that are generated not just by types of work, but by patterns of social discrimination and segmented labour markets, are also needed.

The ongoing multi-stakeholder consultations to craft the post-2015 global development agenda are taking concerns about inequality into consideration. The analysis and policy conclusions contained in this *Report* can provide useful inputs to the debate. Inequality matters: it must be addressed; Policy matters: inequality can be reduced.