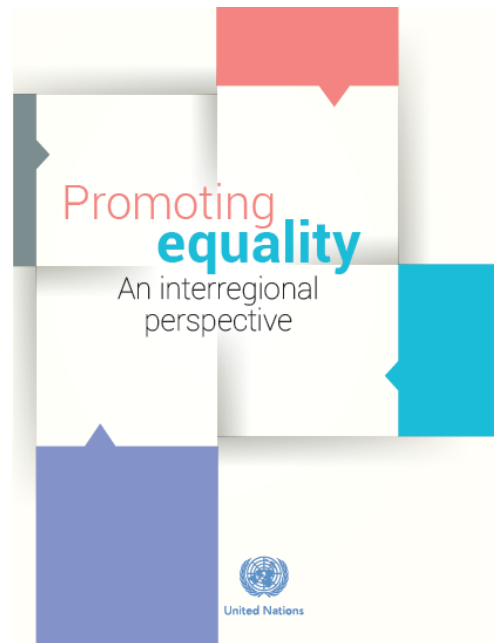


Promoting Equality: An interregional perspective



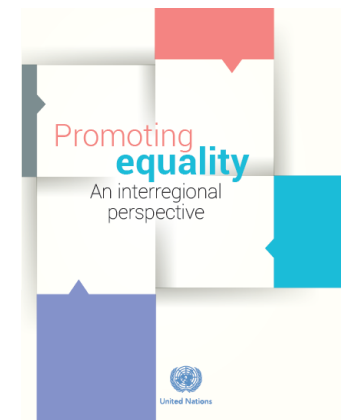
Simone Cecchini
Social Development Division, ECLAC

Interregional Expert Group Meeting “Placing equality at the centre of the 2030 Agenda”
Economic Commission for Latin America and the Caribbean, Santiago, Chile, June 27-28, 2018

Structure of the report

Introduction

1. Setting the stage: inequality and poverty in world regions
2. Regional view: inequality in Africa
3. Latin America and the Caribbean: social protection policies to address inequality
4. Promoting equality: a regional view from Asia and the Pacific
5. Informality in the Arab region: another facet of inequality
6. Pro-equality policies along the life cycle: early childhood and old age



Leave no one behind on the road to development

- Inequality needs to be addressed by multidisciplinary public policies which are appropriate to country conditions
- Address various dimensions of inequality beyond income, including –but not limited to– gender, race, ethnicity, age, disability, migratory status and territory of residence
- Social protection, health, education, labour and fiscal policies can play a key role in addressing inequality
- Labour market plays a crucial role as a central and organizing feature of the economy and society
- Pro-equality policies need to be understood in light of the rights-based approach
- Universalize social protection, health and education



The equality-efficiency trade off

- Trade-off between equality and efficiency: societies cannot aim simultaneously at both goals (Okun, 1975)
- Welfare state is blamed for economic stagnation and unemployment, as social expenditures are deemed to increase the fiscal deficit, reduce savings and consequently impact long-term growth
- Reducing redistributive policies would create the incentives to boost growth
- Public policies influenced by this view have focused on reducing social expenditures and lowering taxes (especially for the rich)



Beyond the equality-efficiency trade off

- Inequality might hamper growth prospects, as it encourages rent-seeking behavior of the wealthiest to avoid market competition, hereby eroding political institutions (Stiglitz, 2012)
- The 2008 financial crisis in the United States was, in part, caused by inequality-driven debt (Rajan, 2010)
- More equal countries are able to sustain higher growth; redistribution tends to encourage growth (except in extreme cases) (Berg and Ostry, 2011; Ostry, Berg and Tsangarides, 2014)



Inequality is not an inevitable outcome of the development process

- Inequality is a multidimensional phenomenon that acts as a formidable barrier for poverty eradication and sustainable development. It is detrimental for social cohesion and social stability (Alesina and Perotti, 1993)
- Although inequality and poverty are two different phenomena, they are connected, as lower inequality facilitates pro-poor growth and poverty reduction
- Policies aiming to reduce inequality can be successful
- Reduction of inequality was an implicit goal of the policy instruments used by East Asian countries for their productive take-off (Chang, 2002)
- Nordic countries of Europe illustrate how redistributive policies and economic growth can go hand in hand (Vartianen, 2014; Ddolvik and others, 2015)



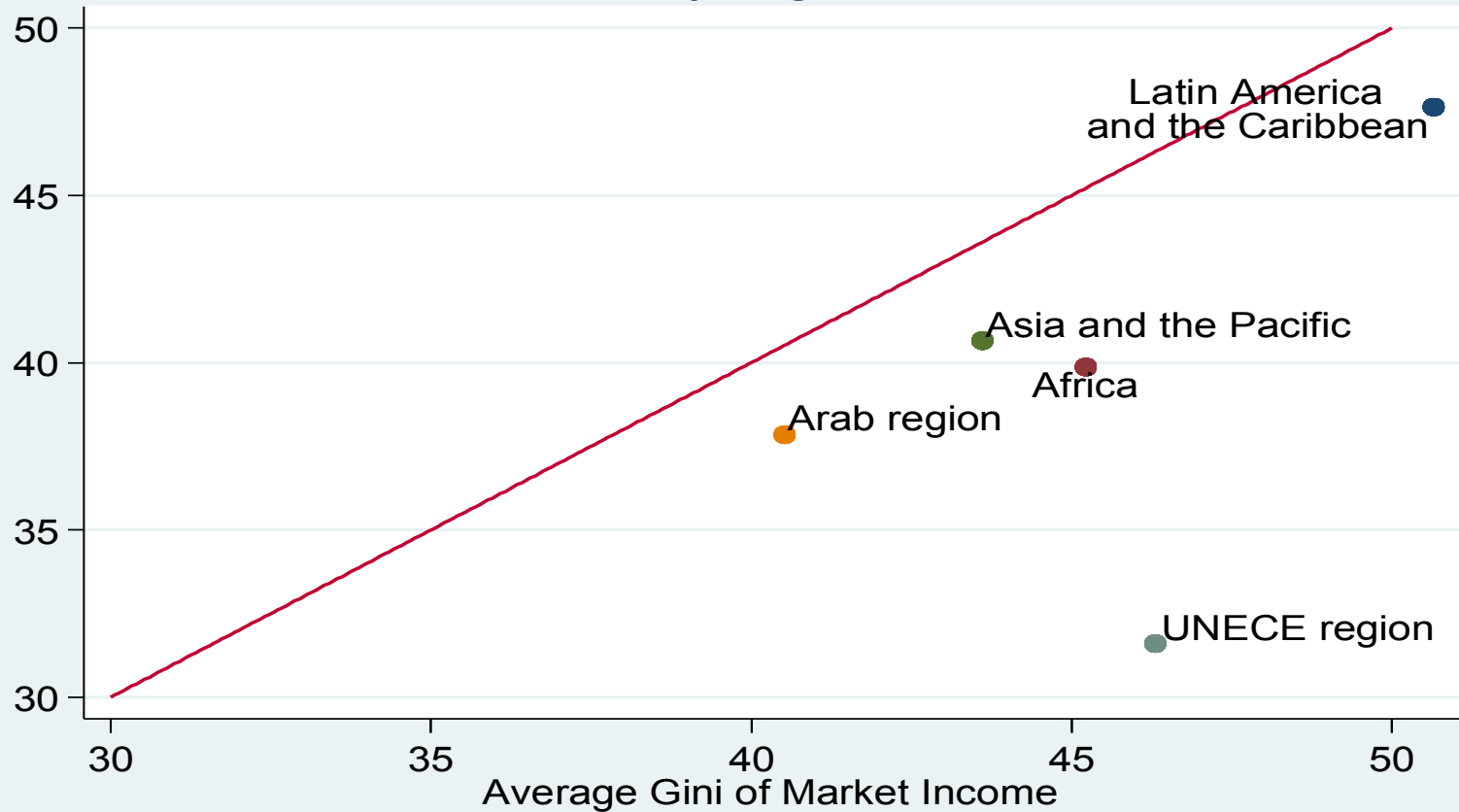
Comparing inequality data across regions

- Gini coefficient is an indicator for which reliable and comparable statistical information is available
- Gini coefficient has limitations, e.g. it does not capture wealth located at the top of the distribution. Thus, alternative measures, are needed to get a clearer picture of the situation
- Assessment of regions' and countries' equality-oriented policies must take into account different levels of distribution of income and wealth, as well as different historical trajectories with respect to economic and social public policies
- Inequality and poverty, which are the result of underlying structural conditions, can be expressed through multiple dimensions, such as those of the social inequality matrix (ECLAC, 2016) or the classification tree (ESCAP) and of multidimensional poverty measurement



Government transfers and taxes reduce inequality

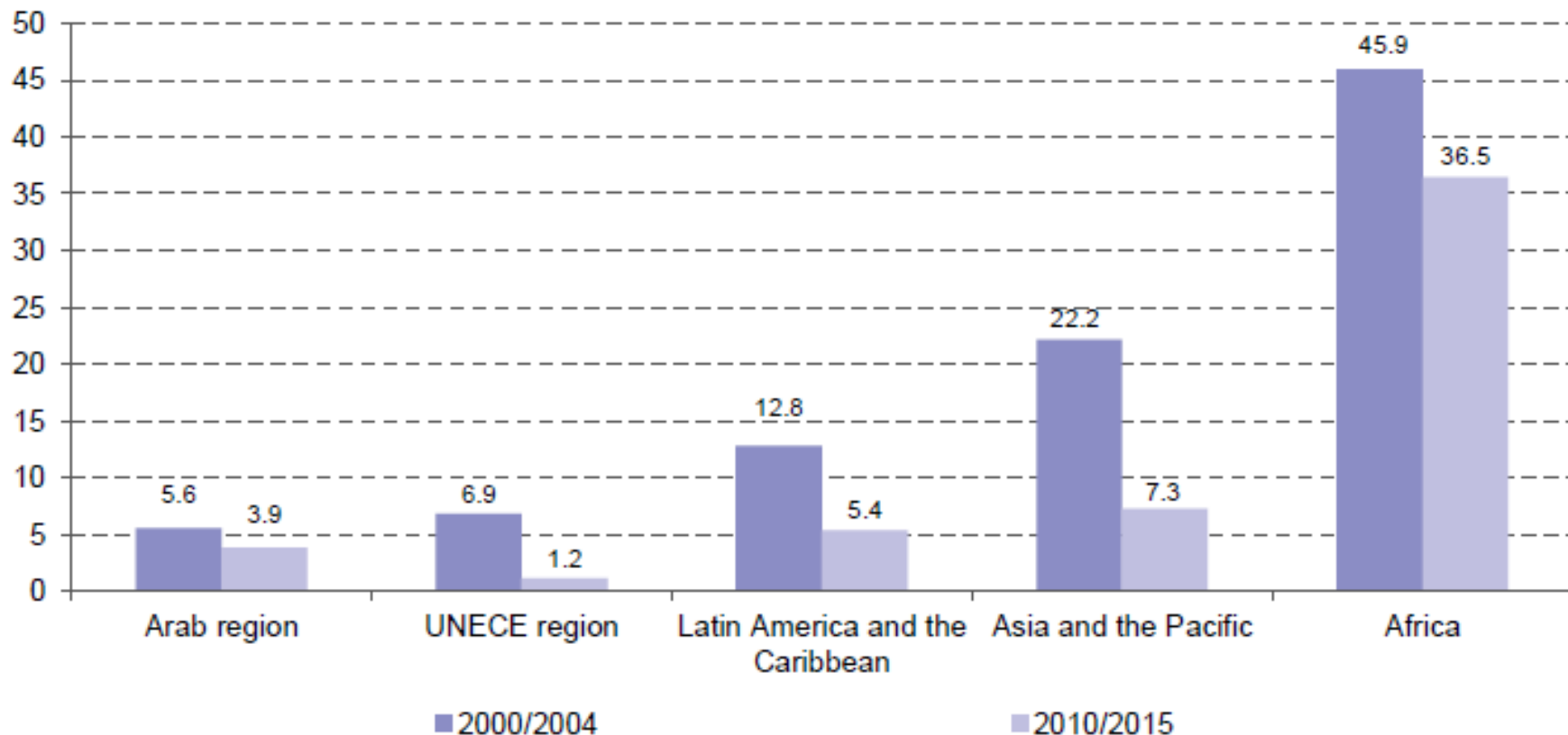
Average market inequality and net inequality by region



Source: Own elaboration based on *SWIID Version 6.1*. Figures based on latest Gini available from the year 2000 onwards for 166 countries. Africa (53 countries), Asia and the Pacific (46 countries), Arab region (14 countries), UNECE region (52 countries). Data for 17 Latin American and Caribbean countries are around 2011 and were drawn from Hanni, Martner and Podestá (2015) based on household surveys. ^a Average market inequality and net inequality by region based on simple average.

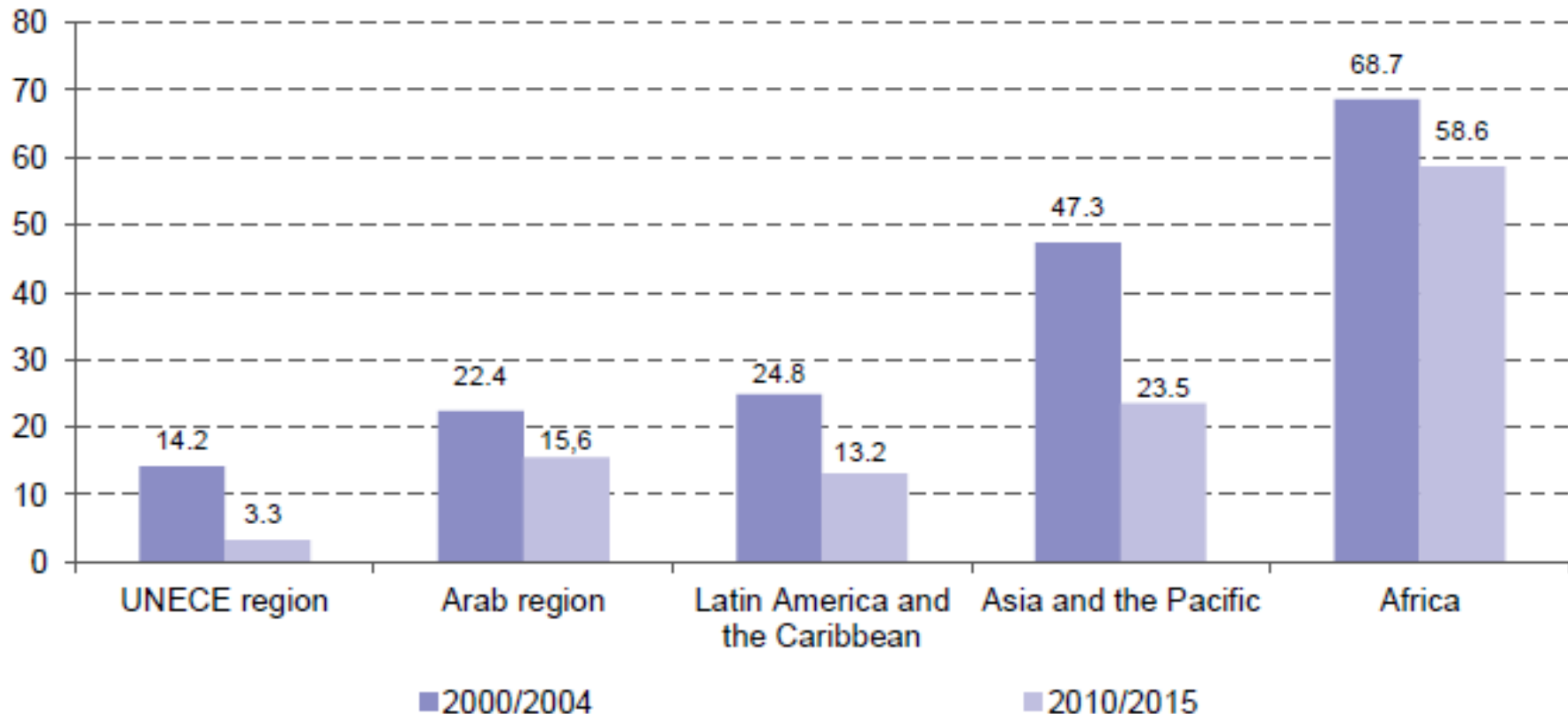
Regional progress in reducing extreme income poverty

Poverty headcount ratio at \$1.90 a day (2011 PPP), by region, 2000/2004 – 2010/2015^a
(Percentages of the population)



Regional progress in reducing income poverty

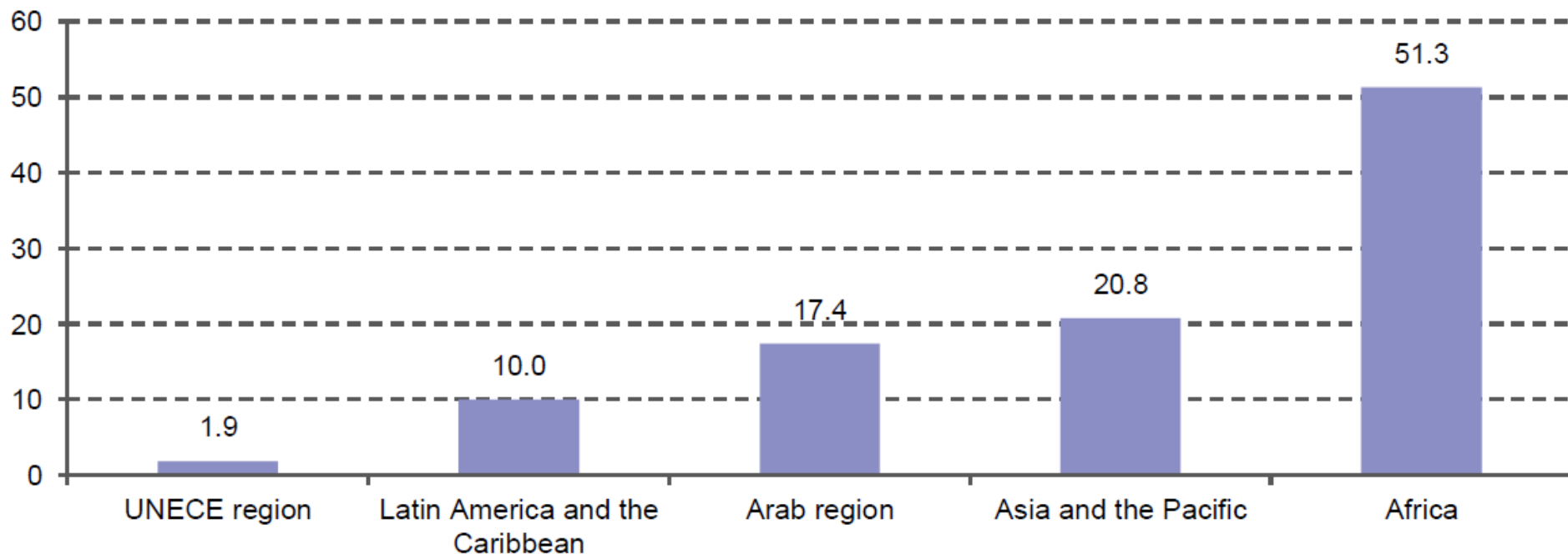
Poverty headcount ratio at \$3.20 a day (2011 PPP), by region, 2000/2004 – 2010/2015^a
(Percentages of the population)



Source: Own elaboration based on World Development Indicators. ^a Simple averages. Latin America and the Caribbean (18 countries in 2000/2004 and 2010/2015), Arab region (7 countries in 2000/2004 and 8 countries in 2010/2015), Africa (35 countries in 2000/2004 and 33 in 2010/2015), Asia and the Pacific (28 countries in 2000/2004 and 26 countries in 2010/2015).

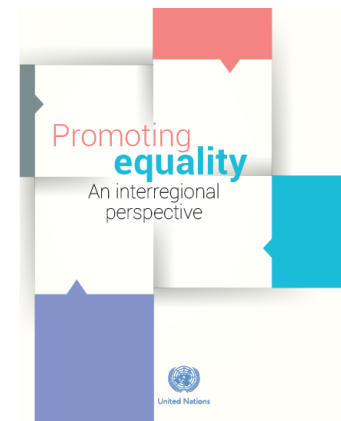
Multidimensional poverty

Population in multidimensional poverty, by region, 2006/2016^a
(Percentages)



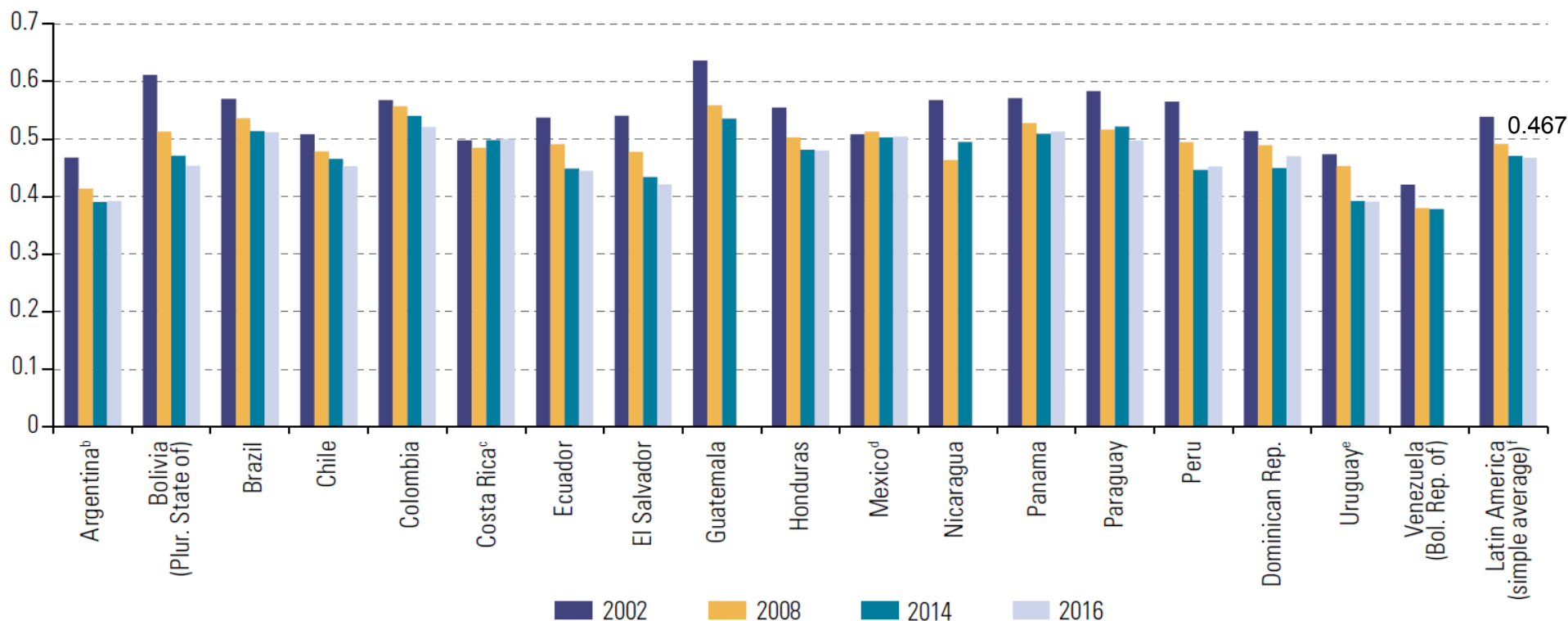
Source: Own elaboration, based on Alkire and Kanagaratnam (2018). Multidimensional Poverty Index Winter 2017-18. ^a Simple averages. UNECE region (14 countries), Latin America and the Caribbean (19 countries), Arab region (11 countries), Asia and the Pacific (25 countries), Africa (49 countries).

Latin America and the Caribbean



Between 2002 and 2014 Latin America has reduced inequality, but this reduction has slowed down in recent years

Latin America (18 countries): Gini coefficient, 2002-2016 ^a



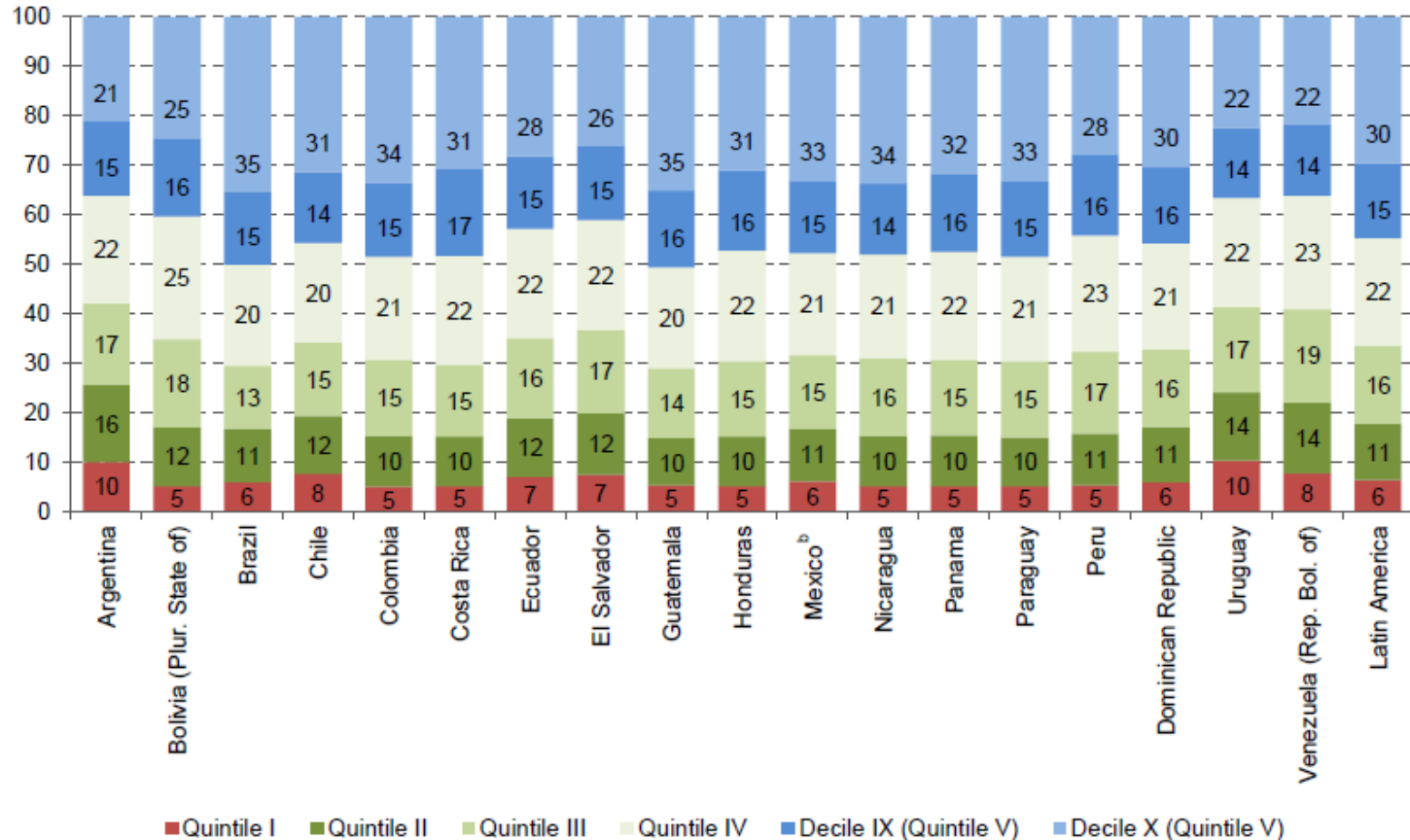
Source: ECLAC (2017), Social Panorama of Latin America 2017, on the basis of the Household Survey Data Bank (BADEHOG).

^a The Gini index is calculated on the basis of income equal to zero; ^b Urban total; ^c Figures are not comparable with previous years; ^d 2016 figures are estimated on the basis of the 2016 statistical model for the continuation of the social conditions module of the national household income and

expenditure survey; ^e 2002 figures correspond to urban areas; ^f Average calculated on the basis of the most recently available data for each of the 18 countries.

Despite progress, income of the wealthiest quintile accounted for about 45% of total household income, while that of the poorest quintile was barely 6%

Latin America (18 countries): share of total income. by income quintile. around 2016^a (%)



Source: *Social Panorama of Latin America 2017*, p. 36, Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Household Survey Data Bank (BADEHOG).

a Household quintiles organized by per capita income. Data refer to 2016, except in the cases of Brazil and the Plurinational State of Bolivia, which refer to 2015, and the Bolivarian Republic of Venezuela, Guatemala and Nicaragua, which refer to 2014.

b The 2016 figures for Mexico were estimated based on the 2016 statistical model for the continuation of the social conditions module of the national household income and expenditure survey, prepared by the National Institute of Statistics and Geography (INEGI) to mitigate the lack of comparability of the 2016 survey with the 2008-2014 series (see [online] <http://www.beta.inegi.org.mx/proyectos/investigacion/eash/2016/>).

Key factors explaining the reduction of poverty and inequality between 2002 and 2014

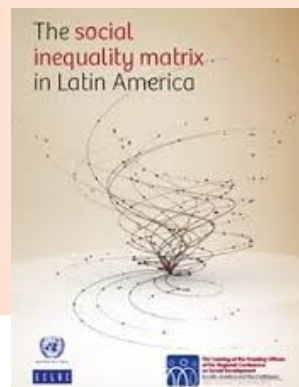
- Favourable economic context facilitated creation of **formal jobs and better salaries**
- Higher **female labour participation rates**, also in low-income households
- **Demographic bonus** in most countries (reduction of the dependency rate)
- High **public priority** to the goals of reducing poverty and inequality; active social development and labour market policies
- Positive impact of **social protection**, especially non-contributory monetary transfers
- Improvement of access to **education, health, nutrition and basic services**



Understanding the multiple manifestations of inequality

Social inequality matrix

- Axes that structure social inequality
 - **Socio economic level**
 - **Gender**
 - **Race and ethnicity**
(indigenous peoples and Afro descenents)
 - **Age (life cycle)**
 - **Territory**
- Areas where social inequality manifests and reproduces itself
 - **Income**
 - **Employment**
 - **Social protection and care**
 - **Education**
 - **Health and nutrition**
 - **Basic services** (water and sanitation, electricity, housing)
 - **Participation and decision-making**

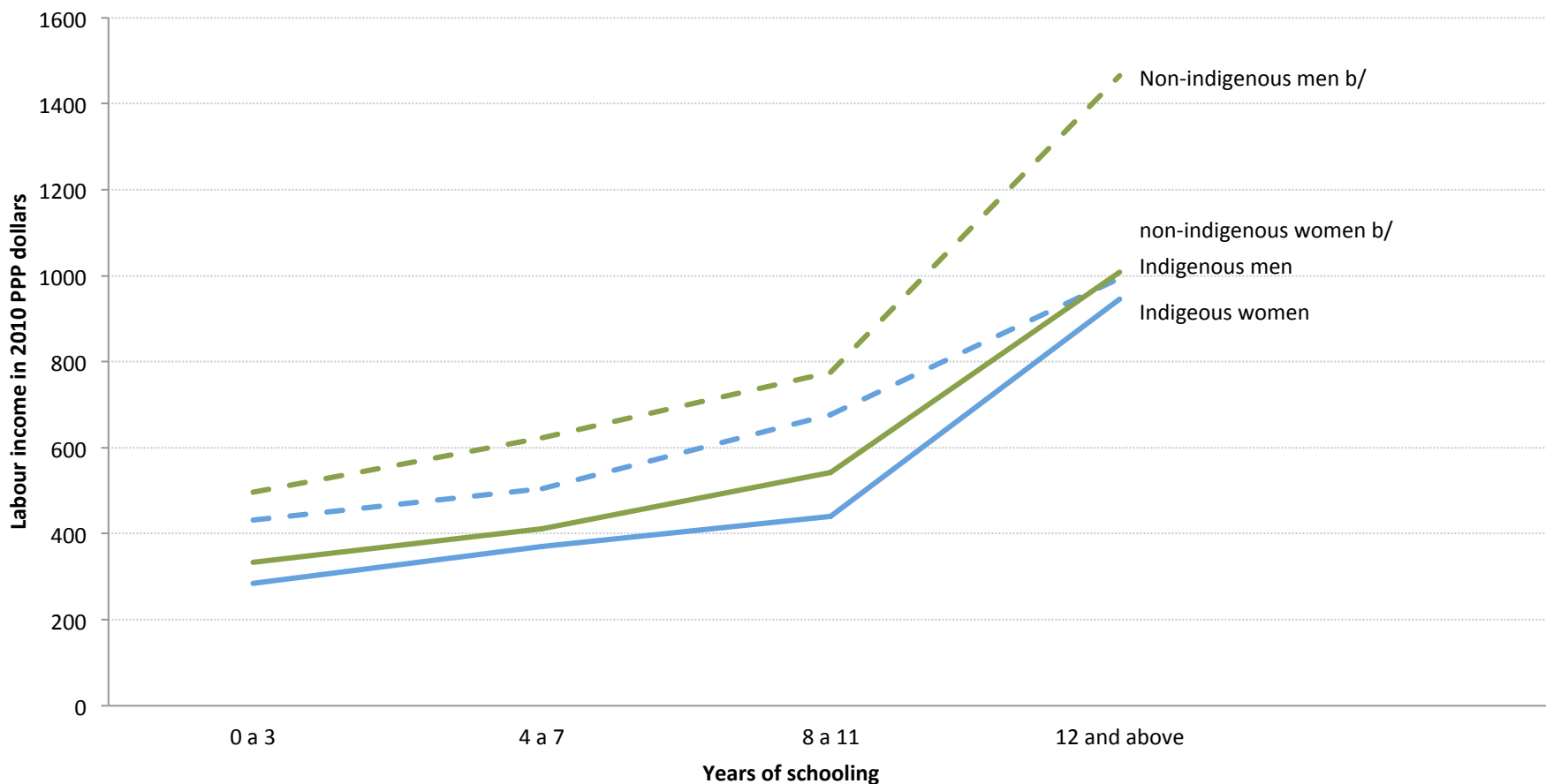


Source: ECLAC (2016), The social inequality matrix in Latin America



Gender and ethnic inequalities intersect and reinforce each other

Latin America (9 countries): average monthly labour income for the employed population aged 15 and above, by sex, ethnic origin and years of schooling, national total, around 2015^a
(In 2010 PPP dollars)



Source: ECLAC based on the Household Survey Data Bank (BADEHOG).

a/ Includes Plurinational State of Bolivia (2015), Brazil (2015), Chile (2015), Ecuador (2016), Guatemala (2014), Mexico (2016), Nicaragua (2014), Peru (2016) and Uruguay (2016).

Decent work a master key for equality

The world of work can be both a factor in the reduction of poverty and inequality as well as a space for the reproduction of these conditions

- Labor income represents 80% of the total income of Latin American households, 74% in the case of poor households and 64% of the extreme poor

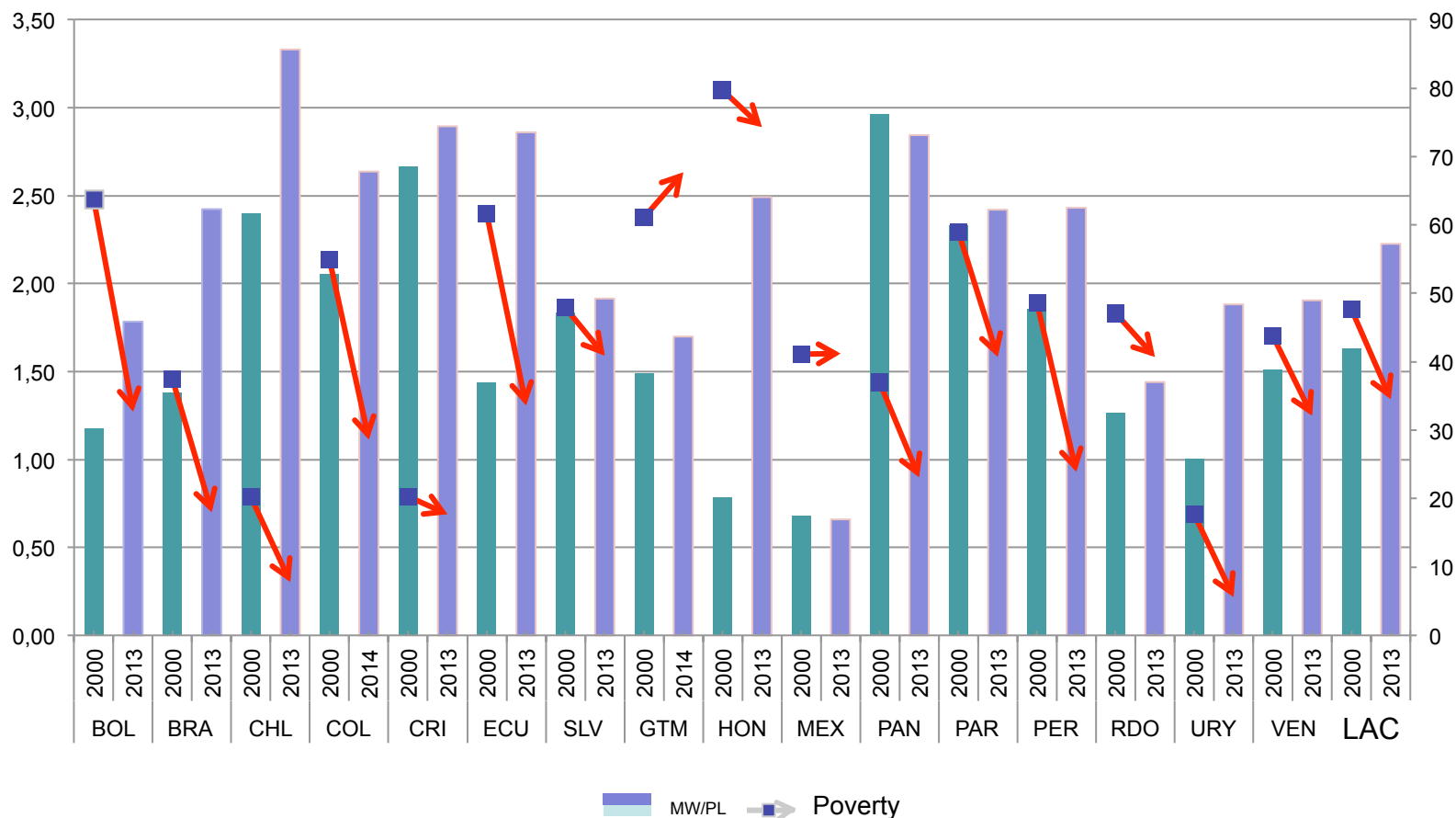
The labour market links a highly heterogeneous productive structure with high weight of the low productivity sector with:

- High inequality of household income (very unequal distribution of productivity gains)
- Inequality in the forms of labor insertion (high precariousness and informality)



Labour market institutions and policies are critical to reduce inequality and poverty

Latin America (16 countries): Minimum wage impact on poverty (2000-2013/14)
(Ratios and percentages)



Source: ILO, based on official information from the countries and ECLAC, special processing of household surveys.



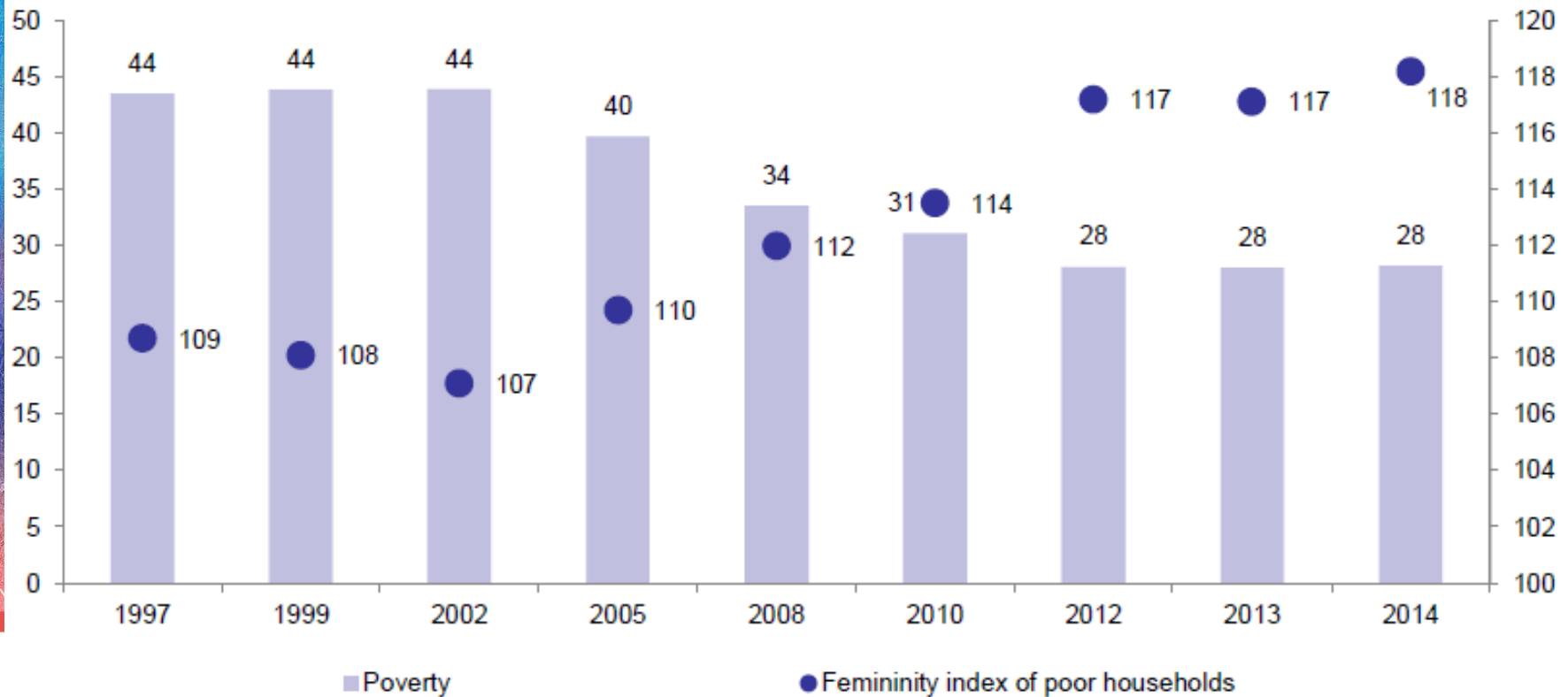
Selected policies for labour and productive inclusion

- Decent work requires policies that encourage formalization and that strengthen access to social protection
- Labour and productive inclusion policies have been expanding in the region as a way to include economically disadvantaged groups (eg. young people, women, people living in poverty or with low levels of education)
- Labour and productive inclusion programmes aimed at working-age youth and adults living in conditions of poverty or vulnerability aim to strengthen:
 - Labour supply through remedial, or second-chance, education and the provision of job training
 - Labour demand, by promoting self-employment and micro-enterprise and direct or indirect job creation
 - Labour intermediation services



In the 20-59 age group, the percentage of poor women is 18% higher than that of poor men

Latin America (18 countries): Poverty and femininity index of poor households, 1997-2014 (Percentages and index)



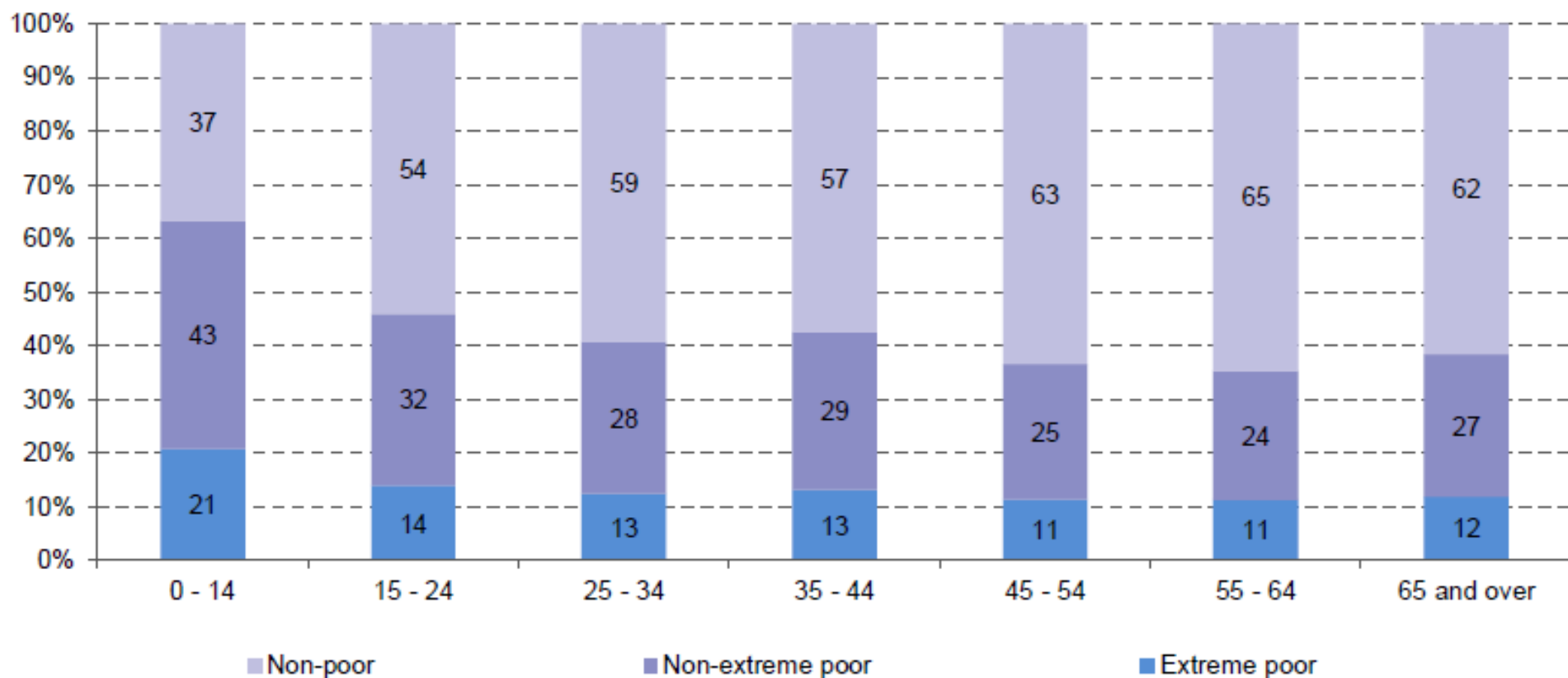
Selected policies to address gender inequality

- Gender inequality must take into account three dimensions of women's autonomy: physical, economic and decision-making
- **Care policies:** maternity leave, childcare services, day services, long-stay facilities or services within the home for older persons or dependent persons with disabilities; improve the institutional framework of care
- **Policies for women's labour and productive inclusion** in occupations considered traditionally for men only; in traditionally female occupations; women's groups linked to cooperatives and micro-enterprise
- **Pension reforms:** expansion of benefits for those outside the labour market; compensations for those who perform domestic and care services; expansion of benefits for seasonal workers; maternity bonuses; introduction of non-contributory pensions for all workers who have lower contribution densities



Inequalities along the life course: poverty is higher among children and youth

Latin America (18 countries): income poverty by age group, 2014
(Percentages)



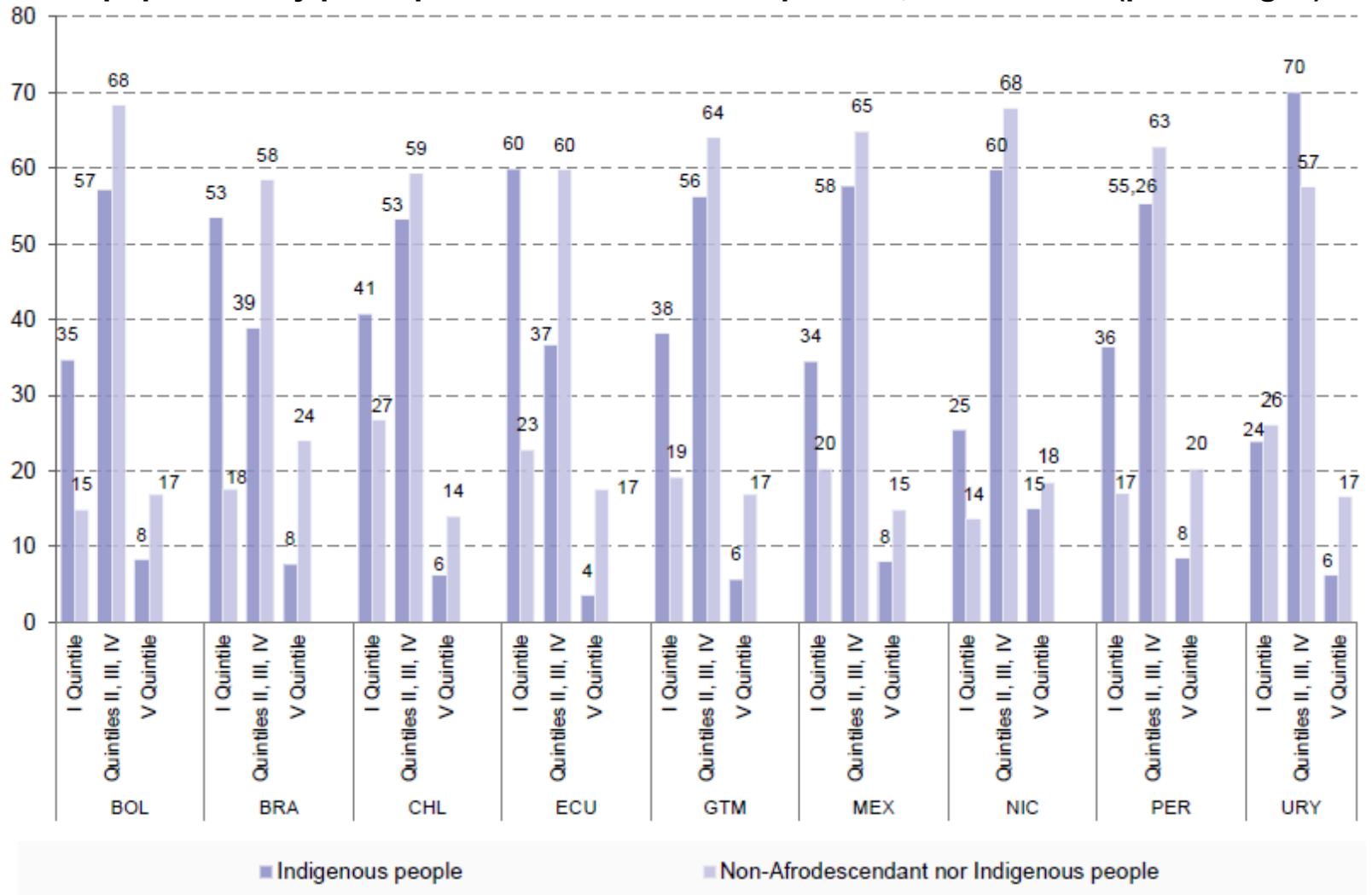
Selected policies to address inequalities throughout the life cycle

- **Childhood:** preschool education: expand coverage and increase quality; eradication of child labour
- **Adolescence:** reduce school drop-out; extension of school day; vocational education
- **Youth education:** policies to address the secondary education challenge (expansion of coverage; improvement of quality and relevance; counteracting high socioeconomic segmentation)
- **Youth labour inclusion:** facilitating transition from school to work; promoting decent work and encouraging reconciliation between education and training, work and family life (joint responsibility in care, maternity and paternity leave)
- **Old age:** expansion of non-contributory pensions is critical for the reduction of poverty and inequality



Indigenous peoples are overrepresented in the lowest income quintiles

Latin America (9 countries): distribution of the indigenous population and the non-indigenous population by per capita household income quintiles, around 2016 (percentages)



Source: ECLAC based on special tabulations of household surveys conducted in the respective countries.

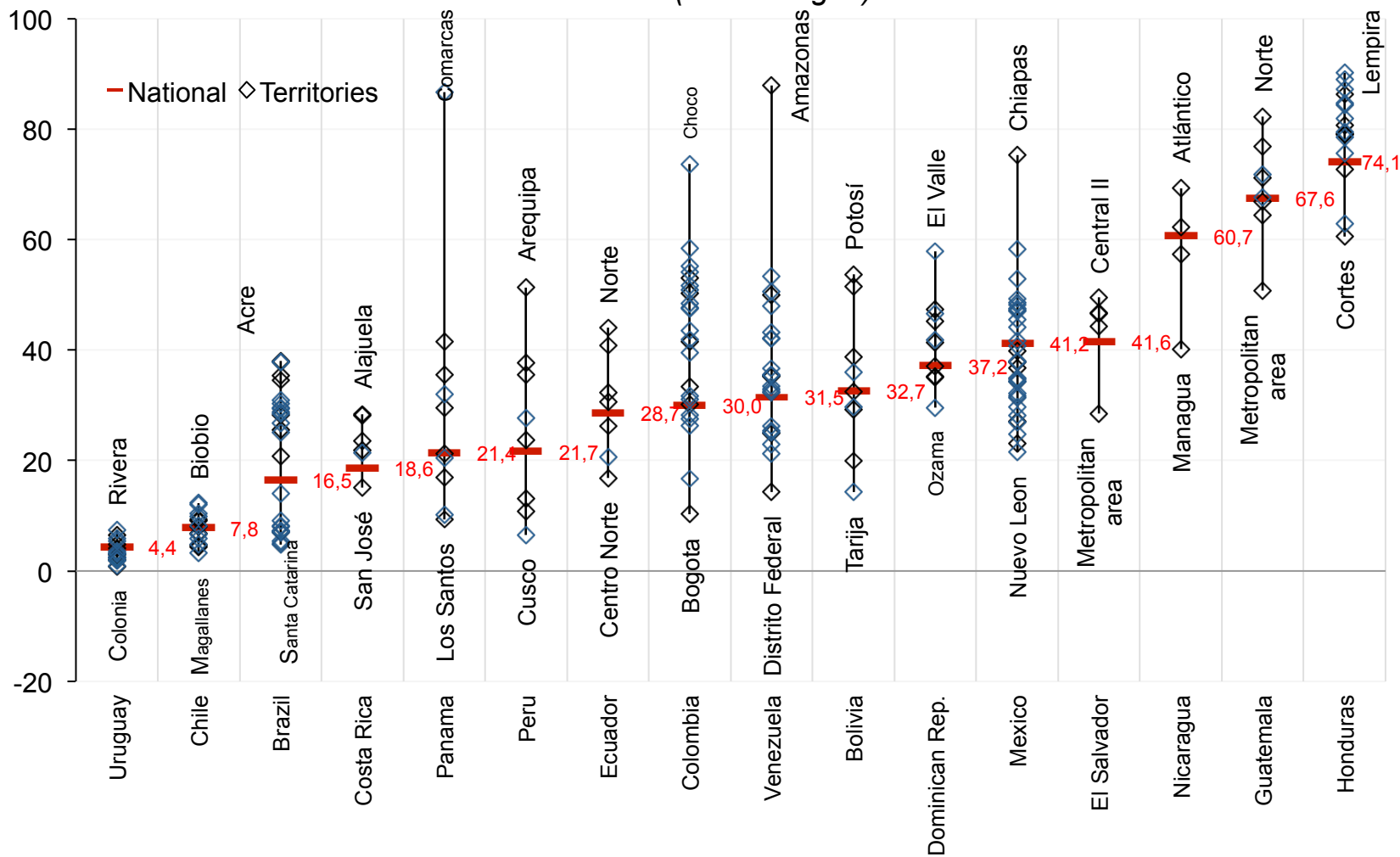
Selected policies to address ethnic and racial-driven inequalities

- **International agreements** provide a framework for the design and implementation of policies aimed at historical reparation and affirmative action (UN Declaration on the Rights of Indigenous Peoples; ILO's Indigenous and Tribal Peoples Convention No. 169; UN International Convention on the Elimination of All Forms of Racial Discrimination, and Durban Declaration and Programme of Action)
- **Statistical visibility:** identification of indigenous people has improved (self-identification: from 2 censuses in 1990 to 21 in 2010) but racial inequalities are still the least visible of inequalities (with the exception of Brazil, Colombia and Ecuador)
- **Realize the right to health:** intercultural approach, including sexual and reproductive health; strengthen and develop a participatory approach; connect health with other sectorial policies
- **Reduce education gaps:** active participation of the population; free education; culturally appropriate teaching; affirmative action in tertiary education



Territorial dimension of socio-economic inequalities

Latin America (18 countries): Population living in poverty by territory
(Percentages)



Source: ECLAC 2016, The Social Inequality Matrix in Latin America.

Selected policies to address the urban-rural divide and segregation in cities

- **Increase social protection coverage in rural areas**, which is lower than in urban areas because it is linked to rural workers' higher levels of independent work, informality, temporal jobs and non-waged family work when compared to urban workers
- **Non-contributory component of social protection** has been a critical territorial-equality oriented policy. Brazil examples: *Bolsa Família*, a conditional cash transfer (CCT) program, and *BPC* and *Previdência Rural*, social pensions
- **Promote inclusive cities, inclusive urban economies and urban environmental sustainability**. Examples: improving universal and equitable access to physical and social infrastructure; preventing disasters in high-risk human settlements



Lessons learned

- To overcome inequality, **rights-based public policies** that are universal but sensitive to differences are critical
- Promote **decent work** and strengthen **social protection systems** along the life course that provide a guarantee of basic income
- Ground high-quality (effective, efficient, sustainable and transparent) social policy in stronger **institutions** and **social compacts**
- Generate systematic **statistical information** on poverty and the different dimensions of inequality
- Protect **social spending** and **boost progressive tax revenues**

