

Chapter VI

The way forward: policies to reduce inequality¹

The present *Report* has endeavoured to make a strong case for focusing on the inequality predicament, a situation that jeopardizes the quest for social justice and social development—the very same quest that led world leaders to gather at the World Summit for Social Development in Copenhagen 10 years ago and commit themselves to specific actions to bring about the social betterment of humanity.

Addressing the inequality predicament requires a multifaceted normative and policy approach that puts human beings at the centre of development, one that considers economic growth as a means and not as an end in itself—an approach for which the ultimate goal is to increase, protect and attain improvements in the quality of life of current and future generations. The approach should be socially sustainable in reducing poverty and inequality and in promoting social justice. It should be culturally sustainable, conserving values, practices and symbols of identity that determine social cohesion and national identity over time. It should be politically sustainable, deepening democracy, transparency and accountability, and thereby guaranteeing the access to and participation of all sectors of society in public decision-making. Finally, the approach should be environmentally sustainable, taking into account access to and use of natural resources and the preservation of biodiversity.

This approach is based on the fact that social development and economic development are two sides of the same coin. They are equally important and mutually reinforcing; one cannot be achieved without the other. Societies that do not provide educational opportunities for all, adequate health care and decent employment are doomed to fail. Countries in which the needs and rights of future generations are not considered, in which women do not enjoy the same rights as men and in which social disintegration is rife will not achieve sustainable economic development. There are countless examples of such societies, both present and past. There is an urgent need to create an environment in which a multitude of positive examples can be provided in the future—one in which a holistic view of development prevails.

The comprehensive vision of social development agreed upon at the World Summit for Social Development in Copenhagen in 1995 and reaffirmed in Geneva in 2000 and in New York in 2005 has yet to receive the attention it deserves. The enabling environment envisaged by the Copenhagen Declaration was conceived so as to create the conditions for people to achieve social development. The economic, political, social, legal and cultural

dimensions embedded in it are especially important. The commitments on eradicating poverty, promotion of full employment and social integration were accompanied by far-reaching policy recommendations based on the axiom that the well-being of people should be the centrepiece of national and international public attention.² Its implementation ought to dominate and shape the agendas of national Governments and international organizations in order to achieve sustainable social and economic development and foster the achievement of the Millennium Development Goals.

Redressing global asymmetries

The imbalance between the pace of globalization and the prevailing regulatory framework has produced many asymmetries requiring correction. At the political and institutional levels, emphasis should be placed on the equitable distribution of the benefits in an increasingly open world economy, with actions that promote democratic participation by all countries and peoples in the decision-making processes that govern international relations. Implementing people-centred development requires an approach that places the highest priority on the long-term objectives of social development. These overarching policy goals require the following:

- That actions are taken by the international community to lend political and institutional support to national capacity-building in the developing world, particularly to restoring the regulatory capacity of public institutions and especially in areas where privatization of the delivery of social services has created new challenges to and difficulties in the actual exercise of individual and collective rights to education, health and other social rights of citizenship;
- That a necessary balance is established between market forces and the public interest, especially through appropriate State regulation and oversight of corporate power and market forces;
- That flexibility is introduced into macroeconomic policies in order for national policies to counter the negative impacts of globalization on social development. Such an undertaking entails mainstreaming employment and poverty objectives into short-term macroeconomic policies and structural adjustment programmes. This step is particularly important in view of the constraints arising from competitive pressures brought about by international trade. Specific measures should also be introduced in foreign direct investment to promote domestic productive linkages and job creation;
- That a global minimum standard is established for social protection in order to stabilize incomes, distribute the gains of globalization for the benefit of all and support the development of new capabilities. The international standard, built on and harmonizing all the initiatives analysed

in the present *Report*, would prevent the “race to the bottom” in which countries are forced to overlook or limit social rules and regulations in order to remain competitive in the international market;

- That proposals for the reform of global financial architecture translate into action, particularly by increasing the surveillance and regulation of international capital flows providing adequate room to manoeuvre for the counter-cyclical macroeconomic policies of developing countries; and by strengthening regional cooperation efforts;
- That the various international social and economic regimes are reoriented towards a more coherent and integrated approach, with special attention given to the harmonization of relevant WTO agreements with other multilateral agreements in the social arena;
- That innovative ideas guaranteeing sufficient and stable financing to achieve major international development objectives are introduced to generate new sources of finance for development. The General Assembly and the Bretton Woods institutions should, in that regard, take the political decisions to advance some of the proposals that are under consideration.

Restructuring the social sector to promote equality and social integration requires political will, an effective State, and sufficient financial resources. To support this process it may be necessary to provide assistance aimed at strengthening the managerial, administrative and financial capacities of the State (United Nations, 2003a). The principal objective of such a strategy should be the democratization of the public education system through improvements in the coverage and quality of the primary and secondary levels within that system.

Suggested taxes on currency transactions, arms sales and the consumption of fuels producing greenhouse gases could generate enough funds to combat hunger and poverty worldwide. Other initiatives could include the proposed International Finance Facility (IFF), the use of special drawing rights (SDR)³ and the creation of a lottery whose revenues would be used for development aid. In addition, the transfer costs of remittances should be reduced (Atkinson, 2004).

Intensifying integrated strategies and policies for poverty eradication

As a fundamental principle, policy decisions aimed at poverty reduction and eradication should be structured in such a way that these issues are addressed directly, instead of simply assuming that the trickle-down effects of other policies promote economic growth and development. Towards that end, specific policies and actions must be implemented to guarantee that the dimensions of equality are explicitly incorporated in policies and programmes designed to

achieve poverty reduction; they must be complemented by specific measures to guarantee access by marginalized groups to assets and opportunities in general, and in particular to education, land, capital and technology.

Many aspects of social development, including poverty, gender equality, education and health, are addressed in the Millennium Development Goals and have therefore received increased global attention. However, the Goals, despite their galvanizing effect, are not a substitute for the much broader social development agenda. The international goal of halving the number of people living on less than US\$ 1 a day by 2015 has become a universally recognized benchmark for evaluating development progress. Nonetheless, poverty alleviation strategies require a holistic approach that includes addressing inequalities, both within and between countries, in opportunities and access to resources, as well as promoting decent work. In support of this notion, it was stressed at the 10-year review of the World Summit for Social Development that the Millennium Declaration and the Copenhagen Declaration should be considered *mutually reinforcing* (United Nations, 2005a).

The gap between Africa and the rest of the world remains and has even widened in some respects. The marginalization of Africa in a globalizing world and the human suffering associated with a lack of development in the region are unacceptable.

Foremost among the key areas of international action is the commitment that technical and financial assistance will be earmarked in explicit quantitative targets to guarantee, within the framework of the New Partnership for Africa's Development, a favourable environment for social and economic development in Africa.

National institutions for social development need to be strengthened. To further this goal, it is necessary to include institution-building in development and poverty reduction strategies, including PRSPs. Increased emphasis must be placed on national ownership of the PRSPs; the policy formulation and development process should also involve civil society more effectively.

Most policy prescriptions are still developed and implemented largely without adequate analysis of how they affect the poorest and most vulnerable in society. In many countries, these groups still find themselves excluded from the planning processes and concrete actions designed to alleviate their plight. Efforts must be made to include the excluded and chronically poor in the consultative and participatory processes that accompany the development and review of poverty programmes.

Guaranteeing employment opportunities for all

The Secretary-General of the United Nations has stated that “the best anti-poverty programme is employment. And the best road to economic empowerment and social well-being lies in decent work” (Annan, 2004). In order to reduce poverty in a sustainable manner and promote the development of

a more just and equitable society, it is important to focus on expanding and improving opportunities for employment, with emphasis on both the quality and quantity of jobs.

An employment strategy aimed at promoting decent work under conditions of equality, security and dignity should be a fundamental component of any development strategy, and must be oriented to include employment creation in macroeconomic policy. Such a strategy also requires undertaking employment impact analysis as a basic criterion for macroeconomic policy and for policy decisions adopted in other areas. Furthermore, it calls for adopting specific measures to incorporate the informal sector in social protection programmes and for establishing incentive structures that promote employment creation by directing investment to sectors that are productive and labour-intensive, with a special view to promoting small and medium-sized enterprises.

In pursuing such a strategy, it is critical to invest in people, including their education, skill development, lifelong learning, and health and safety, and to improve market access for informal producers. The goal is to move workers and economic units into the mainstream so that they are covered by legal and institutional frameworks (International Labour Organization, 2002a). In addition, improvements in the policy and legal environment are needed to lower the costs of establishing and operating a business. Specific measures should include the development and application of simplified registration and licensing procedures, appropriate rules and regulations, and reasonable and fair taxation. Policies should be advanced to discourage businesses from shifting from the formal to the informal economy, and to enable new businesses to enter the formal economy and maintain labour standards. An expanded formal economy not only provides benefits for participants, but also helps to raise State revenues (International Labour Organization, 2002a).

Economic growth alone is not enough. Both productivity growth and employment creation are needed to reduce poverty in general and poverty among the working poor in particular. Regions of the world that have achieved both an increase in productivity levels over the long run and the creation of new employment opportunities for their growing labour forces have been the most successful in reducing overall poverty. As the ILO has observed, opportunities for decent employment address more than the income component of poverty; those who are able to secure decent jobs and receive adequate compensation, benefits and protection under the law are also empowered to voice their concerns and participate more actively in decision-making in the world of work, and are able to gain more respect for the work they do (International Labour Organization, 2005c).

Contrary to the expectations of development experts, the informal economy has not declined as a natural outgrowth of economic development but has instead expanded over the past two decades. Consequently, the policy prescriptions relating to the informal economy and inclusive development

outlined at the World Summit for Social Development remain valid for achieving development and the reduction of inequality.

Informal enterprises should be integrated into the formal economy through access to affordable credit, exposure to information on markets and new technologies, and the ability to acquire technological and management skills. Further efforts should include extending labour standards and social protection to the informal economy without compromising its potential for generating employment (United Nations, 1995).

Governments should enhance their efforts in the area of youth employment. This is becoming increasingly important, as large and growing numbers of young people are entering the labour market and are unable to find work. The inability of the market to absorb them generates frustration and a sense of unfairness among youth and increases the likelihood of conflict.

Fostering social integration and cohesion

Consideration should be given to the importance of explicit policies to counter both the negative effects of globalization on social development and the new threats posed by market-driven reforms. Deliberate action must be taken to guarantee that cultural, religious and ethnic identities and rights are explicitly protected in international agreements and in national and local legislation, and that such protection translates into an enforceable code of conduct for national and transnational corporations and private interests operating under national jurisdictions. There is an urgent need to expand opportunities for participation in decision-making processes; in particular, specific areas of public policy formulation that have not yet incorporated participatory mechanisms should be identified, and steps should be taken to ensure unrestricted legal access to information among citizens in general and to establish mechanisms for the more open review of government policies.

Although targeting can be a useful approach to achieve equality, it should not become a substitute for universal coverage. From a social inclusion and empowerment standpoint, the economic benefits of targeting may be offset by the social costs. In addition to the feelings of stigmatization that targeting can generate, there is also the danger that non-targeted groups will grow resentful of those receiving assistance. In some cases, there may be little that separates a target group from a non-target group in terms of need. Under a targeted system, the determination of who receives assistance and who does not may be based on a variety of factors external to the level of need among individuals or groups, including donor preferences, programme design, political considerations or geographical location.

If targeting is to be employed, one of the more promising forms is community-based targeting, in which the community is directly involved in identifying beneficiaries using eligibility criteria of their own choosing. People at the community level are more likely than programme administrators to be

aware of the actual circumstances in which people live, and the participatory process itself can be quite empowering for the community as it increases local control over programmes. Community-based targeting is an attractive option for two main reasons: it draws upon local knowledge, thereby increasing accuracy; and it involves beneficiaries directly in the decision-making process, thereby promoting equality (Devereux, 2002). Experience has shown that the most effective targeted programmes are those that are supported by specific institutions, involve community participation, and are backed up by adequate resources (Economic Commission for Latin America and the Caribbean, 2000b).

Notwithstanding the foregoing, evidence from different countries has shown that targeting can be counterproductive. Targeting programmes are often characterized by poor coverage and high cost, and can also provoke social divisions, discourage saving, jeopardize employment creation and encourage premature withdrawals from the labour force (Mesa-Lago, 2004). With a more universal approach to the provision of social services, many of the problems associated with targeting can be circumvented. The poor are mainstreamed along with other groups, thereby promoting social inclusion. Universal social services and benefits also carry the advantage of being more politically acceptable. When a broader range of people stand to benefit, it becomes easier to gain the support necessary to ensure the allocation of sufficient resources to put the universal protections in place. In developing countries, however, resource constraints pose the greatest challenge to pursuing this universal approach.

For indigenous peoples, poverty is closely linked with discrimination and the loss of control over their traditional lands and natural resources; therefore, programmes to alleviate poverty among these groups must be designed not only to facilitate social protection and social integration but also to address land and resource issues. With regard to this last aspect, the incorporation of indigenous history and culture in educational curricula can play an important role in reducing prejudices.

Since the creation of the United Nations, persons with disabilities have moved from accepting others' definitions of the parameters of their lives to becoming active in asserting strength and confidence in their own abilities to lead self-reliant and independent lives. The role of NGOs has been important in this process, and the efforts of the United Nations have contributed to the transformation as well. The consultations for the development of the Comprehensive and Integral Convention on the Protection and Promotion of the Rights and Dignity of Persons with Disabilities represent further proof of the prominence given to the issue of persons with disabilities. Programmes designed for persons with disabilities must emphasize equality of opportunities, both through individual rehabilitation and through the introduction of mechanisms for eliminating social and physical obstacles in order to facilitate their integration into society.

Governments should consider how their economic, social and environmental policies are likely to affect future generations and, by adhering to the implicit terms of the intergenerational contract, ensure that no generation lives at the expense of another. Steps should also be taken to identify and implement appropriate measures to address the societal impact of demographic shifts such as the growth of the ageing population in developed countries and the emergence of youth bulges in many developing countries.

The costs associated with old-age support are often covered by a combination of private resources and State-provided resources. In countries in which pensions are provided by the State, particularly in those relying on transfers from younger to older generations, the shortfall will be considerable over the coming decades owing to a significant decline in the relative proportion of contributors, and will eventually become unsustainable (World Bank, 1994; Chand and Jaeger, 1999; Bongaarts, 2004). To ensure that they are able to maintain pension systems compatible with the intergenerational contract, States should avoid depleting funds earmarked for pensions and old-age health coverage for future generations. A first step in this process would be to balance national budgets.

In recent years, the international agenda has been dominated by security issues and concerns relating to armed conflict. As one of the underlying causes of conflict is social disintegration, it is essential that Governments recognize that social integration is a key condition for creating and maintaining peaceful societies. Social integration can only be achieved by ensuring the full participation of all groups in the social, economic, political and cultural aspects of life. Two particular areas of concern are the challenges faced by youth, who are two to three times more likely than adults to be unemployed, and the horizontal inequalities between ethnic groups. It is essential that opportunities be provided for young people to obtain decent work and to participate in the political process; it is equally important to implement policies that counter horizontal inequalities. The most effective long-term solution is universal education. The enforcement of anti-discrimination legislation is crucial as well.

In conclusion, inclusive development incorporates the creation of an enabling environment that promotes more equitable access to income, resources and services, as well as international cooperation in the development of macroeconomic policies and in the liberalization of trade and investment in order to promote sustained economic growth and employment creation. The principles of equality should continue to guide social and economic policy-making to ensure that economic growth is conducive to social development, stability, fair competition and ethical conduct (United Nations, 1995). If this course of action is followed, inequality will no longer be the predicament it is today.

Notes

- 1 This chapter draws heavily from the “Review of the further implementation of the World Summit for Social Development and the outcome of the twenty-fourth special session of the General Assembly: report of the Secretary-General”, submitted to the Commission for Social Development at its forty-third session (E/CN.5/2005/6; see United Nations, 2004c).
- 2 The people-centred approach to development was also highlighted at the 10-year review of the World Summit for Social Development (see E/CN.5/2005/L.2; United Nations, 2005a).
- 3 As noted in chapter III, the International Finance Facility would leverage new long-term donor commitments by issuing bonds in the capital markets, and special drawing rights could be particularly useful during times of crisis, as they would supplement the existing official reserves and could be used as an emergency financing facility to help countries overcome liquidity problems, to allow them to avoid borrowing at high market rates when attempting to build up their reserves, or to finance development (Atkinson, 2004).