

SDG10 – REDUCE  
INEQUALITY WITHIN AND  
AMONG COUNTRIES

# CONCISE GUIDES TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

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# SDG10 – REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES

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INVESTOR IN PEOPLE

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# PREFACE

Throughout human history people have considered the reduction of inequality to be moral obligation. However, beyond being an ethical issue, the fight against inequality also promotes economic and social cohesion, the health of the population and democracy. The last few decades have seen unprecedented levels of inequality, which seriously impinge upon the socioeconomic fabric of society and jeopardise the sustainability of our planet. There is widespread acceptance that extreme inequalities harm every part of society and hinder the functioning of the economy because the productive potential of people living in poverty is under-utilised. Further, a high level of inequality tend to reduce worker's productivity (as cited in *SDG Watch Europe.*, 2018).

According to the latest Oxfam report, published in January 2018 before the Davos summit, 82 per cent of the world's wealth created in 2017 went to the richest 1 per cent, while the income of half of the world's population stagnated (Oxfam International, 2018). The report also pointed out that the number of billionaires had the highest increase in 2017, adding a new billionaire every other day. This report is revealing and shows the depth of inequality that we face today as a global community.

This book attempts to present the multi-faceted and multi-dimensional challenges of inequalities faced within and among countries. The situation is dynamically evolving and poses a defining challenge of our times. Inequalities

directly or indirectly affect everyone and are often driven by social, cultural, ethnic, economic and political factors. It is now being increasingly recognised that inequalities are a serious threat for sustainable development. The post-Millennium Development Goal (MDG) development agenda of the United Nations included 'Reducing Inequalities' as a priority. Reducing inequality within and among countries, therefore, becomes a necessity rather than a choice. The complex nature of the problem makes the realisation of an equitable society a formidable challenge for the global community. It has become clear that no single policy change, group, organisation or government alone can reduce inequality. Efforts and strategies that work require broad stakeholder consensus, building support among multiple stakeholders. In addition, there is a clear call for countries to embrace inclusive and sustainable development practices that will not roll back the successes already made in advancing human growth and development.

The challenge of inequality not only affects individuals and economies, but has a wider implication for the environment and the current phenomenon of climate change (Boyce, 1994, p. 1). The degrading environment further aggravates inequalities as poor people are the principal victims of such environmental degradation. This scenario can jeopardise efforts to achieve the sustainable development goals (SDGs) and initiate a vicious circle of widening the gaps between individuals, communities and countries as a whole (Boyce, 1994, p. 176). Apart from economic inequalities, those arising out of social factors like gender, age, disability, migrant or indigenous status, caste, sexual orientation, ethnicity, etc., influence the level of access to productive assets, health and educational status which ultimately creates further inequalities. An individual's capacity to confront these factors, which breed inequalities and limit chances of success, is significantly conditioned by group ascription. Disadvantaged social

groups are often vulnerable due to their place of residence, lack of social capital or discrimination. Such groups receive lesser returns on investments as they have unequal access to resources. This adversely affects their well-being, diminishes their capacity to participate and ultimately prevents them from benefitting from development. It is therefore absolutely vital to address these group inequalities, the identities which form such groups, and understand how they interact with public institutions and the labour market. An effective course of intervention requires a multi-stakeholder approach at various levels, covering several dimensions. A strong commitment from national governments, along with sustained and well-coordinated policy implementations, would go a long way to addressing the current and future challenges of inequality.

This book provides an overview of the underlying driving factors, various manifestations and existing status of inequalities around the world. It explores the complex nature of various forms of inequality and the impact of this phenomenon on the realisation of the SDGs. It is divided into seven chapters. The first chapter introduces the concept of inequality and its major influence on economic growth, poverty reduction, social and economic stability and the sustainable development of any country. Furthermore, it illustrates the concerns related to the global rise in inequality across various dimensions and the repercussions for realising the sustainable development agenda. The second chapter focusses on explaining the conceptual framework of inequality and the philosophical, economic and sociological understanding of this complex phenomenon. A brief overview of prevalent inequalities in terms of opportunities, capabilities, consumption, income, liberty, security, participation, ownership and inter-generational transmission is also given. The third chapter describes the prevailing trends in inequalities across developing, middle income and developed countries. A comparative

discussion on the variations and emerging trends based on the context and different situations within and across countries is made in order to develop an understanding of the mechanisms and processes involved in, and influencing its manifestation. The fourth chapter highlights the major challenges faced by individuals, communities and countries as a result of the existing gaps in various dimensions of life and their impact on the sustainability of the development process. The fifth chapter describes the types and drivers of inequalities, outlining the various types of inequalities existing within and across countries and the different impacts they have on different individuals and communities in terms of further marginalisation and widening of existing gaps. The sixth chapter outlines the multi-dimensional implications of inequality on economic, social and environmental dimensions and their defining influence on the realisation of the global development pathway of SDGs as mandated by the United Nations, outlining its interrelationship and interdependence with all the other goals. The seventh chapter brings out the urgent need to make a coordinated and concerted effort to introduce various context specific measures and policy interventions in order to cover existing gaps.

Umesh Chandra Pandey, Chhabi Kumar,  
Martin Ayanore and Hany R. Shalaby

# BACKGROUND

## RISING INEQUALITIES: A GROWING GLOBAL CONCERN

The impact of inequality on social and economic development is clearly recognised and understood; it has a significant influence on economic growth, poverty reduction, social and economic stability and sustainable development. Studies have concluded that inequalities cause every segment of society to suffer and make the economy less stable and less efficient. The differential concentration of income across rich and poor segments of a society reduces aggregate demand. The major concentration of money in economically well off segments, which are a relatively small proportion of the entire population, encourages consumption patterns that suit only their requirements. Commodities become expensive for poor people as the commodities of their choice are less available due to their limited purchasing power, making their livelihoods more and more expensive and unsustainable. Reduction in aggregate demand tends to slow down economic growth. Inequalities further reduce opportunities and social mobility, including intergenerational mobility, and thereby pose serious

barriers to social development. Growing discontent among disadvantaged social groups could lead to social tension and unrest. Hence, policy has come to the forefront of the global debate on inequality.

When the MDGs were announced, there was much global enthusiasm with a collective responsibility to promote a more equal and just world. After the launch of the MDGs, there was significant sensitisation at policy-making levels, resulting in remarkable progress in a number of areas and making it the most successful global anti-poverty push in history. However, the achievements have been largely uneven within and across countries (MDG Report, 2013).

Despite partial success on some fronts, there are areas which continue to cause concern for the global community. The impact recorded by several countries failed to meet expectations, and income inequalities have widened, primarily due to wealthier people reaping the advantages of economic growth. Though income inequality between countries may have been reduced, inequalities within countries have risen. Problems are uniformly the same in most developed and developing countries. Furthermore, they are widening globally and are quite often mutually reinforcing. However, some countries have defied general trends and achieved significant reduction in inequalities within their countries. This shows that policy has a crucial role to play in the reduction of inequality.

#### INEQUALITY TRENDS: A GLOBAL OUTLOOK

A report by the Organisation for Economic Cooperation and Development (OECD, 2014) cited that income inequality has remained high across many of its member countries and globally during the past half century. It further states that the average income of the richest 10 per cent of the population



is about nine times that of the poorest 10 per cent across the OECD, which is up by seven times 25 years ago (OECD, 2011a). In 2015, the richest 1 per cent of the world's population possessed 50.1 per cent of the world's wealth. However, the poorest 70 per cent of the world's population in the working age group held only 2.7 per cent of global wealth. Moreover, according to *Forbes* magazine, the 10 richest billionaires (taken all together) possess \$505 billion, a sum greater than the total goods and services most nations produce on an annual basis. This has been an important cause of consternation for developmental planners around the world and has put the proponents of inequality on the defensive. There has been widespread concern about growing inequality within the most advanced and developing countries. Ever increasing inequalities, their diverse forms and the challenges they pose have made them a defining issue of our time (UN/DESA, 2016a, 2016b).

Disparities in educational status, access to health services and other dimensions of human development, largely the consequence of income poverty, have increased over time. Global concern about such matters was reflected in the reports on the world social situation in 2005 and 2013, which strongly recommended immediate and collective action. Furthermore, these reports emphasised that the impact of inequalities would adversely affect the socioeconomic status (SES) of not only the disadvantaged segments of society but also the economically well-off segments. They have, therefore, significant implications for sustainable development. There is an increasing realisation that universal and integrated policy, with adequate concern for disadvantaged segments of society, is at the forefront of delivering change and helping to reduce inequalities across many human endeavours.

There are varieties of disparity in terms of: rural/urban location, social status, wealth, gender, ethnicity, migrant

status and disability. Access to health and educational services, particularly in poorer nations, has been a major cause of concern. The United Nations SDG Tracker (2019), while acknowledging the progress made in poverty alleviation programmes, highlights its concern as follows:

*The international community has made significant strides towards lifting people out of poverty. The most vulnerable nations – the least developed countries (LDCs), the landlocked developing countries and the small island developing states (SIDs) – continue to make inroads into poverty reduction. However, inequality still persists and large disparities remain in access to health and education services and other assets.*

The World Economic Forum's (2015) report *Outlook on the Global Agenda 2015* ranks deepening income inequality as the most significant trend of 2015.

There is a growing realisation across the world that increasing inequalities will have global repercussions; the war against inequality, therefore, has to be fought collectively on a global scale. It is a major challenge confronting development planners everywhere and has been a topic of vigorous academic debate.

#### MULTIPLE CONSEQUENCES OF RISING INEQUALITIES

It is evident that income inequality is, to some extent, inevitable; it may even be welcome as it can be a motivating force to drive progress and incentivise people to work hard, develop skills and take risks (UN, 2019). However, the growth of inequality beyond a certain level tends to thwart the process of development.

It is well established that inequality is closely associated with challenges including ‘poverty, environmental degradation, persistent unemployment, political instability, violence and conflict’ (World Economic Forum, 2014). Rising inequalities have posed a significant threat to stability both within and across countries (World Economic Forum, 2015). Moreover, studies reveal that rising inequalities lead to a significant waste of economic potential.

United Nations Development Programme (UNDP, n.d.) concludes that inequality is linked to higher crime rates, lower life expectancy, conflict and political instability. Inequality adversely affects the impact of developmental programmes, deprives people of opportunities and thereby acts as a serious roadblock to progress. For instance, in the late 2000s, children in the wealthiest quintile of South Asia were twice as likely to complete primary school than those in the poorest. In Latin America and East Asia, children in the poorest asset quintile are three times more likely to die before the age of 5 than those in the richest. Rising inequalities adversely impact human development. According to the inequality-adjusted Human Development Index (HDI), Sub-Saharan Africa loses 33 per cent of its HDI to inequality and South Asia 25 per cent (UN-India website).

### SDG-10: GLOBAL RESPONSE TO REDUCING INEQUALITIES

There is an increasing realisation at policy-making level that the well-being of any society cannot be judged by the quality of life experienced by very few people at its apex, but by the vast majority of people living at its base. As Andrew Jackson rightly confirms, ‘We should measure the health of our society not at its apex, but at its base’ (IMF, 2015 p. 4). There have

been calls for a rights-based approach to development. As described by Sen (1995) in his famous work *Inequalities Re-examined*, the idea of equality is confronted by two different types of diversity; namely, the basic heterogeneity (diversity) of human beings and the multiplicity of variables in terms of which equality can be judged. The worldwide debate on inequality has largely been a reaction and political backlash to such rising disparities observed around the world (Oestreich, 2018). Though the targets set by SDG-10 are vaguer and more aspirational than most of the other SDGs, its accomplishment will make the other SDGs possible (Oestreich, 2018).

The consequence of inequalities and their impact on the accomplishment of other SDGs is well documented. The response to reducing inequalities is comprehensive and involves developed and developing countries alike. The traditional way of looking at inequalities has been limited to symptoms like low income, education or health. However, now there is much greater focus on the underlying factors which perpetuate such inequalities, for example, discrimination, lack of representation and lack of appropriate fiscal, wage and social policies. The need to reduce inequality has given rise to a rights-based approach to development. There is a policy priority at national levels to respond to people's rights to overcome the constraints arising out of inequalities. Internationally, it gives rise to the right of poor nations to receive aid from developed nations. There is an unprecedented response to reducing inequalities which is broad based, involving many underlying economic, social and institutional factors.

Measures of inequality are often calculated for a diverse set of variables, such as income, land, assets and tax payments, from which inequality can be studied. Growing knowledge about economics and the psychology of human development has given rise to a greater understanding of the origins of

inequality and excellence (Flavio & James, 2009). Inequality is a much broader concept than poverty, as it focusses on the entire population and not just poverty per se (World Bank, 2005). A survey conducted by Pew Research Centre (PRC, 2014) has revealed that 60 per cent of respondents across the world perceive growing inequalities as a major challenge. Furthermore, the survey also indicates potential major hurdles to social mobility. Prevailing inequalities in different countries cannot only be a matter of concern for those countries. They have global repercussions and need to be addressed collectively. The causes and consequences of drivers of inequalities, and ways to address them, have crucial implications for policy and research alike (IMF, 2015).

#### PROGRESS OF GOAL 10 IN 2018

Several initiatives have been taken across the world to reduce inequalities among nations (UN, 2018a). These efforts include increased zero-tariff access for exports from LDCs and developing countries. The SDG Tracker (2019) website gives the status of such initiatives, whose effects have had a moderating impact on inequalities across countries. Between 2010 and 2016, in 60 out of 94 countries with data, the incomes of the poorest 40 per cent of the population grew faster than those of the entire population. In 2016, over 64.4 per cent of products exported by LDCs to world markets and 64.1 per cent of those from SIDS faced zero tariffs, an increase of 20 per cent since 2010.

Similarly, there have been efforts to provide additional assistance to LDCs and SIDS. In 2016, receipts from developing countries, member countries of the development assistance committee of the OECD, multi-lateral agencies and other key providers totalled \$315 billion; of this amount,

\$158 billion was official development assistance (ODA). In 2016, the ODA to LDCs and SIDS from all donors totalled \$43.1 billion and \$6.2 billion, respectively. Developing countries overall had duty-free market access for about 50 per cent of all products exported in 2016. Based on provisional data, among the \$613 billion in total remittances recorded in 2017, \$466 billion went to low- and middle-income countries. While the global average cost of sending money has gradually declined in recent years, it was estimated as 7.2 per cent in 2017, more than double the target transaction cost of 3 per cent. Although there have been encouraging outcomes resulting from such initiatives, there is a need to accelerate efforts to reduce growing disparities within and among countries (SDG Trackers).