



Inequality in post-2015: focus on the targets, not the goals?

Claire Melamed

Key messages

- There is a growing consensus that tackling the inequalities which hamper human progress should be part of a new set of sustainable development goals after 2015.
- A useful approach would be to focus on targets to incentivise and monitor action on specific inequalities.
- These could potentially include targets aimed at narrowing the gaps in income, health, education and other outcomes, and targets to open up political decision making.

Acknowledgements

Thanks to Isabelle Cardinal, Elizabeth Stuart, Lisa Horner, Jose Manuel Roche and Gina Bergh for helpful comments.

Introduction

Inequality, and how to tackle it, has been a running theme throughout the post-2015 discussion. This reflects both growing public concern about very high inequality at global and national level, and the danger that economic, social and geographical inequalities can block progress on poverty eradication (or 'leaving no one behind'), a likely key objective of the post-2015 framework¹.

A large part of this debate has focused on whether there should be a goal on income inequality as an objective in its own right. An inequality goal would have an undoubted political power and impact. But there are drawbacks to this approach. The main problem would be knowing what the goal should actually be. Should the goal be zero income inequality, for example? And if not, what is the empirical basis for knowing what the acceptable limits for inequality should be? Constructing a goal in this area would require the definition of a desired global outcome on income inequality, a task that might well be beyond even the most experienced negotiators.

While a simple global goal on income inequality might be difficult, goals or targets aimed at 'leaving no one behind' to tackle the worst consequences of deprivation and inequality are likely to be a part of a future agreement. While these would deal with the worst deprivations, 'leaving no one behind' can still go hand in hand with increasing inequality in these outcomes, if progress at the top end of the distribution outstrips that of the bottom. In this scenario, people are still being left behind, but in a slightly better situation than before. This will not be enough for those who want to tackle inequalities directly.

In practice, and given the experience of the current MDGs, the incentives for governments to focus on the most marginalised groups would need to be strengthened. An existing goal on universal primary school enrolment, for example, has not prevented the continuation, and in some countries the worsening, of inequalities in access to education along income, gender, ethnic or other lines. Almost by definition, the people who are the furthest behind are the least politically powerful, are often the most expensive to reach with new services or infrastructure, and are often those who the rest of society ignores or even actively excludes. Closing the gaps, and really leaving no one behind will need more specific and focused incentives, as well as a huge investment in data and a strong monitoring and accountability effort.

In looking for ways to work inequality into an agreement, and how to focus attention on those who suffer most from unequal distributions of power, wealth and opportunity, creating the targets to provide incentives for governments to tackle inequalities in specific areas might be more useful than focusing on a single over-arching goal. While context is everything, there are a common set of policies that have been part of the story of tackling inequality in almost every country that has successfully done so. These could form the basis of targets for a post-2015 agreement, focusing on the things that have been shown to improve lives, and incentivising action to narrow the gaps.

¹ Claire Melamed and Emma Samman, 2013, Equity, Inequality and Human Development in a post-2015 Framework, UNDP, HDRO Research Paper, http://hdr.undp.org/sites/default/files/equity_inequality_human_development_in_post-2015_framework.pdf

Inequality of income

This is what people often think of first in talking about inequality, and addressing it is a part of most successful anti-poverty and anti-inequality programmes. Redistribution of incomes through the tax system has been an important part of the celebrated reduction in income inequality in Brazil and other Latin American countries in recent years². The changes required are global – changes to international norms and regulations to make money visible; and national – a progressive tax system in every country and a well-targeted social protection system as one way to make sure more money reaches the poorest.

Possible targets on tax and social protection:

- (under a goal of ending extreme income poverty) Effective social protection systems to provide universal coverage to the poorest and vulnerable groups.
- (under a goal or implementation agreement on financing a post-2015 agreement) A domestic tax system which requires contributions proportionate to income.
- (under a goal or implementation agreement on financing a post-2015 agreement) Reduce illicit flows and tax evasion, improve and standardise private sector financial reporting standards to increase transparency, increase stolen asset recovery.

Addressing soaring income inequality is not just about redistributing unequal earnings once they are in people's pockets. Countries that have reduced inequality have also, usually, taken action to make incomes more even as they are earned. A minimum wage was another part of Brazil's success in reducing inequality, and an increase in the minimum wage is a part of President Obama's new anti-inequality push in the USA. A minimum wage, pegged to a 'living wage' in a given country, would be an important target for reducing inequality, particularly if combined, at national level, with guidelines or legislation on pay and bonuses at the top end of the income distribution.

Possible targets on wages:

- (under a goal on ending extreme income poverty, or increasing employment) A minimum wage sufficient to provide for the basic necessities of life

In some countries, making earnings less unequal is less about the minimum wage for people in work, and more about creating jobs for people who don't have them. Nigeria, rapidly growing and by some accounts an African success story, has miserably failed to translate this growth into sufficient jobs, with the result that poverty and inequality have been steadily increasing³. There's no magic wand that governments can wave to create jobs, but there are things they can do to make it more likely, which could be reflected in new targets. These could include a focus on working with the private sector to ensure that educational outcomes are appropriate to the needs of the labour market, with a numerical target in an education goal on numbers of training schemes or apprenticeships, or a focus on credit for domestic firms with a numerical target in a growth or employment goal on credit expansion, to help stimulate the domestic job market. Alternatively, a simple target on job creation, as proposed in the High Level Panel report, could galvanise a national conversation about the most appropriate strategy to achieve this, and encourage governments and the private sector to work together to achieve it.

A more general goal, such as the proposal on 'shared prosperity' from the World Bank⁴, which suggests ensuring that the incomes of the bottom 40 per cent rise as overall incomes rise would be a more general way of addressing income inequality, but might work best combined with some of the

² Nora Lustig, Luis Lopez-Calva & E Ortiz-Juarez, 2012, Declining Inequality in Latin America in the 2000s: the cases of Argentina, Brazil and Mexico; World Bank Policy Research Working Paper 6248, <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6248>

³ Litwack, John, 2013, Nigeria Economic Report No.1, Washington, World Bank <http://documents.worldbank.org/curated/en/2013/05/17708026/nigeria-economic-report>

⁴ World Bank, 2013, The World Bank Group Goals: end extreme poverty and promote shared prosperity <http://www.worldbank.org/content/dam/Worldbank/document/WB-goals2013.pdf>

targets above to provide specific incentives and a monitoring framework to drive the policies that can best achieve this.

Inequality of opportunity

Inequality is about much more than incomes. The persistence and deepening of inequality in many countries is because of glaring and growing gaps in equality of opportunity. If the children of poorer people have worse education than the children of richer families, the inequalities will be passed on through the generations. Poor health outcomes can make both education and employment more difficult, further entrenching inequality. The threat of violence can limit both the physical freedom of movement and the economic and social opportunities for poor people, who tend to suffer worse crime and violence than the richest members of society. And all three stunt individual lives and represent a huge cost to societies in terms of lost potential for innovation and production.

This is why addressing inequality is also about equalising opportunities – at a minimum, making sure that the educational attainments of the poorest children are as good as the richest, making sure that good health and longevity doesn't depend on incomes, and providing the basics of physical protection from violence for all people. These issues go far beyond the problems of extreme poverty, but are part of a universal agenda relevant to all countries.

New targets would have to be complemented by vastly increased investment in data collection to ensure that gaps in outcomes between different groups could be properly monitored, and to improve the quality of data in almost all areas relevant to development outcomes.

Possible targets:

- (under an education goal) Any targets agreed on educational access or outcomes to be universal, and apply to every child.
- (under an education goal) Reduce national gaps in educational attainment by x%⁵.
- (under a health goal) Any targets agreed on access to health services or reducing mortality from specific conditions to be universal and apply to every person.
- (under a health goal) Reduce national gaps in life expectancy by x%.
- (under a goal on reducing crime and violence) Reduce national gaps in experiences of crime and violence by x%.

Inequality of influence

Possibly the most concerning thing about the very high levels of inequality that are to be found in some countries today is the impact on political systems and choices. A very unequal society is one in which political choices are likely to be skewed towards the interests of the very richest – which, in the case of decisions on tax systems, for example, may be against the interests of society as a whole, and damaging to efforts to end extreme poverty⁶. A post-2015 agreement with targets like those above, which provided incentives for governments to redress imbalances in income and opportunity, and indicators for people to measure if they are actually doing so, would provide a small counterweight to this, and a tool for campaigners wanting to even up the balance and ensure that government policies are working for the majority.

A post-2015 agreement could also include targets designed to tackle some of the sources of this inequality more directly. The basic fundamentals of engagement in political debate and decision making are the freedom to speak and organise, the recognition of citizenship, and the provision of

⁵ The 'x' would of course depend on the starting point in each country, as existing inequalities vary widely between countries a global target would be inappropriate here. The aim should be to get to zero gaps in both health and education outcomes, but the length of time needed will depend on the country.

⁶ Oxfam, 2014, Working for the Few: Political Capture and Economic Inequality, Briefing Paper 178, Oxford
<http://www.oxfam.org/sites/www.oxfam.org/files/bp-working-for-few-political-capture-economic-inequality-200114-en.pdf>

information about government actions and their consequences, and there is a growing interest in including some or all of these in a new set of goals and targets after 2015⁷.

Possible targets:

- (under a goal on governance or effective institutions) Free and universal legal identity, such as birth registration.
- (under a goal on governance or effective institutions) Ensure that people enjoy freedom of speech, association, peaceful protest and access to independent media and information.
- (under a goal on governance or effective institutions) Guarantee the public's right to information and access to government data.

Measuring inequality

One powerful barrier to tackling inequality, even for those governments who do want to act, is lack of knowledge. There is a basic inequality here in that the least is known about the poorest people, and so they are most likely to be excluded from official view. A new agreement will also create new incentives for data collection through the development of a new monitoring framework, and these can be used to improve the data that is a key part of understanding and acting on inequalities.

- New targets will require more comprehensive data collection to ensure that all groups are seeing an improvement in relevant indicators and this will be particularly important if combined with intermediate targets on closing equity gaps between the best off and worst off groups.
- The collection of disaggregated data for all indicators should be made an explicit part of the monitoring mechanism for a new agreement, underpinned by new resources and a global effort to improve data collection. The relevant disaggregation could be determined by a combination of global categories (gender, age, disability, geography), and supplemented by other national categories if these were more relevant in driving inequalities in specific cases (caste or ethnicity, for example).

Conclusion

Individuals and institutions as powerful as the Pope, the President of the USA and the World Economic Forum all agree that inequality both within and between countries is too high and represents a threat to human progress. In reflecting this apparent global consensus that inequality is a problem sufficiently important to be tackled in a post-2015 agreement, the architects of a new framework should ensure that the combination of goals and targets they choose are practical, in that they create the right incentives to address the actual problem at hand, and doable, in that they can be agreed through an international process.

A new set of goals is not about soaring rhetoric or vague aspiration – that is the job of orators and leaders like Obama or the Pope. It is about providing a roadmap to outcomes that will benefit people in concrete and measurable ways within the lifetime of the goals.

The targets suggested here might not be exactly right in all respects. But focusing on targets which represent aspects of the inequality problem that have been shown to matter, and which incentivise specific actions and policies, is an approach that is much more likely to lead to action than years of inter-governmental quibbling over Gini coefficients.

⁷ Marta Foresti & Leni Wild, 2014, Governance targets and indicators for post-2015: an initial assessment, ODI Working paper <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8789.pdf>



ODI is the UK's leading independent think tank on international development and humanitarian issues.

Our mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods.

We do this by locking together high-quality applied research, practical policy advice and policy-focused dissemination and debate.

We work with partners in the public and private sectors, in both developing and developed countries.

Readers are encouraged to reproduce material from ODI Reports for their own publications, as long as they are not being sold commercially. As copyright holder, ODI requests due acknowledgement and a copy of the publication. For online use, we ask readers to link to the original resource on the ODI website. The views presented in this paper are those of the author(s) and do not necessarily represent the views of ODI.

© Overseas Development Institute 2014. This work is licensed under a Creative Commons Attribution-NonCommercial Licence (CC BY-NC 3.0).

ISSN: 2052-7209

Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ
Tel +44 (0)20 7922 0300
Fax +44 (0)20 7922 0399



This material has been funded by UK aid from the UK Government, however the views expressed do not necessarily reflect the UK Government's official policies.