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EQUITY, INEQUALITY AND HUMAN DEVELOPMENT IN A POST-2015 FRAMEWORK

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INTRODUCTION

We live in a very unequal world. Recent data suggest that the poorest 5 percent of Americans earn 35 times more than the poorest Zambians, after adjusting for relative prices (Milanovic 2011, p. 16, p. 9). Between 1980 and 2007, the top 1 percent of Americans nearly tripled their share of total national income from 8 to 23 percent.[1] Disabled adults make up some 15 percent of the world's population but some 20 percent of the world's poorest wealth quintile (WHO and World Bank 2011, p. 28, Table 2.1). And in Egypt, women without any education are 24 times as likely to have married before age 15 as those with at least a secondary school education (UNICEF forthcoming, p. 25, Figure 4.2).

Given such wide ranging disparities, it is unsurprising that inequality is emerging as a salient issue in debates over the post-2015 development agenda. It is recognized as a key cross-cutting issue that was neglected in the Millennium Development Goals (MDGs)—which came to be operationalized through a focus on average levels of achievement across eight pressing development areas. Critics argued that the omission of inequality was compatible with a policy focus on 'low-hanging fruit' or the better off among the poor, at the expense of those facing more intractable deprivations. In so doing, the MDGs overlooked the way in which these overlapping inequalities constrain the life chances of excluded groups and reinforce their social exclusion (Kabeer 2010a, 2010b).

Equality—and even more fundamentally, equity—is integral to human development. This is reflected in the attention the capability approach has devoted to these issues. It provides a theoretical basis for an understanding of equity and inequality that is rooted in people's real freedoms, and that encompasses multiple dimensions of well-being. The importance accorded to equity was signaled in the 2010 Human Development Report's (HDR) reaffirmation of human development:

"Human development is the expansion of people's freedoms to live long, healthy and creative lives; to advance other goals they have reason to value; and to engage actively in shaping development equitably and sustainably on a shared planet" (UNDP 2010, p. 22).

As that Report argued, and this paper will affirm: "Concerns about equity in human development translate directly into an explicit focus on inequality" (UNDP 2010, p. 23).

Thus a focus on tackling inequality ought to be central to a human development approach to the post-2015 framework. This paper will argue for an agenda which this focus features explicitly. It calls for an expansive conception of inequality across multiple dimensions of development and on multiple levels—within countries, among people regardless of where they live, and encompassing both present and future generations. Inequality could be incorporated into a post-2015 agreement in many ways, and urgent attention is needed to consider the various possibilities.

The structure of the paper is as follows. First, the paper situates equity and inequality within the capability approach, and justifies the focus on promoting greater equality in multiple dimensions—citing its intrinsic value and instrumental consequences. The paper then reviews the evidence on levels and trends of inequality among countries, among people and among generations. Next, it considers sources of inequality, and finally, it discusses possible options for reducing inequality within a post-2015 framework.

1 Robert Reich in forward to Wilkinson and Pickett 2010, Kindle Location 51.

II EQUITY, INEQUALITY AND CAPABILITY

WHY EQUITY, WHY INEQUALITY?

The capability approach is grounded in the notion of freedom. According to Sen (1987), capabilities "are notions of freedom in the positive sense: what real opportunities you have regarding the life you may lead" (p. 36). Well-being is a function of resources and the ability to convert them into achievements, or functionings. This approach has particular implications in the case of inequality. Inequality refers to "differences, variation and disparities" in the characteristics of individuals and groups. Inequity adds a moral dimension—it refers to a subset of those inequalities that are considered unjust.[2] Inequity and inequality are integral to the capability approach because of their links to distributive justice. The case for a focus on reducing inequalities can be made on both intrinsic and instrumental grounds. The arguments for the intrinsic value of greater equality take equity as a starting point.

Equality of *capabilities* would be equitable. But the distribution of capabilities typically cannot be observed, because it is concerned with *substantive freedoms* rather than outcomes (Sen 1985, 1999). Rather, the extent to which societies are inequitable must be inferred on the basis of inequalities in outcomes, and consideration of the process by which they come about. As argued in the HDR 2011, "Inequalities in outcomes are largely the product of unequal access to capabilities" (UNDP 2011, p. 19). If people within a society had equal capabilities, we would not necessarily expect equal outcomes because people have different preferences and values. But we could be confident that those outcomes arose because of differences in people's choices rather than constraints on their abilities to exercise their choice.[3]

The extent to which preferences reflect choice can be difficult to determine because preferences and aspirations are often endogenous—a function of social construction rather than intrinsic difference (Robeyns 2003). Burchardt (2006) has argued that the extent to which choice is exercised may be in some way linked to the complexity of the outcome considered, with more complex capabilities potentially involving more choice. She provides a typology that seeks to distinguish capabilities on the basis of the amount to which they might be reasonably expected to denote differences in choice versus substantive freedoms, distinguishing:

(i) *basic* capabilities, where any difference in outcomes can be safely assumed to be the result of differences in substantive freedom;

(ii) *intermediate* capabilities, where any difference in outcomes can be assumed, for the purposes of public policy, to be the result of differences in substantive freedom;

(iii) *complex* capabilities, where supplementary evidence is needed on whether there are relevant differences in values and preferences among groups (ibid., p. 19).

On this basis, disparities in assault rates can be taken as reflecting different capabilities to be safe, because no one would wish to be assaulted. Disparities in the number of concert pianists, by contrast, may be more likely to reflect choice, as it is reasonable to think that not all people would choose to become concert pianists, all else being equal (ibid.). But of course, for these 'complex' capabilities too, it is difficult to separate constraints from choice.

2 Adapted from Norheim and Asada's (2009) definitions of inequality and inequality in health.

3 Along similar lines, Chiappero-Martinetti (2009) notes that minimal versions of what circumstances must be maximized to arrive at equality of opportunity consider a narrow set of circumstances such as gender, race or religion, while a maximal version "takes into account every difference linked to birth and chance, considering choices and preferences the only morally legitimate sources of outcome inequalities"(p. 7).

The issue has particular salience when it involves groups, as the influence of social norms and discrimination come to the fore, and the arguments that outcomes may reflect choice have less purchase. For this reason, in her analysis of gender inequality, Robeyns (2003) concludes "When looking at group inequalities, the default position should be that group inequalities in achieved functionings mirror inequalities in capabilities, unless there is a plausible reason to expect one group to systematically choose different functionings from its capability set relative to another group" (p. 87).

The main point is that the distinction between inequity and inequality is a critical one, and links fundamentally to the distinction between what we can observe (functionings) and what we cannot (capabilities). We are aiming for societies to be equitable but not necessarily equal, but typically our evaluation of which states are equitable must be based on prevailing inequalities. One clear example of this is in UN action around the rights of women, as reflected in the 1979 Convention on the Elimination of All Forms of Discrimination against Women (CEDAW),[4] and in the 1995 Beijing Platform for Action. In both cases, the decision was taken to refer to equality rather than the 'vague and subjective' principle of equity (Facio and Morgan 2009) – owing to concerns that a focus on equity could deter from achieving substantive outcomes as well as risk justifying a conservative status quo and dilute the responsibilities of states to attain such outcomes:

> *"…the concept of 'equality' that CEDAW uses is one of substantive equality or equality of results which necessarily requires the elimination of all forms of discrimination against women. Furthermore, as with all other human rights, equality as a human right demands state action to achieve it. The term 'equity' does not obligate the state and therefore does not demand any state intervention, nor is it linked to the elimination of discrimination. Equity is a subjective term that can mean different things to different people whereas the term equality is measurable in that it can only be reached when there no longer exist any of the various forms of discrimination against women"* (ibid., p. 22).

Inequalities in turn both reflect and amplify a constrained opportunity structure, and thereby often reduce equity further. The fundamental channel tends to be political—more powerful people tend to act in a way that reinforces their advantage and excludes others, and the effects cumulate over time. Both formal and informal institutions often discriminate against particular groups, deepening this exclusionary tendency and marginalizing disadvantaged groups further. The effects are often subtle, as they can become internalized in people's aspirations.

We are interested in two types of inequality: inequality among people—both within countries, and within the world as a whole—and inequalities among social groups, often referred to as horizontal inequalities (Stewart 2002). The argument is that inequalities "are especially unjust when they systematically disadvantage specific groups of people, whether because of gender, race or birthplace" (UNDP 2011). More generally, we are concerned with inequalities linked to 'ascribed' characteristics—those beyond an individual's control—as well as those that are linked historically to discrimination and inequality, which (arguably) include social class (Burchardt 2006, p. 8). As we describe below, group-based inequality exerts a pernicious effect on societal outcomes—affecting opportunities of different groupsand the outcomes they are able to realize, and giving way to social unrest and even to conflict.

Inequality is a relative measure. Although we ought to be more concerned with inequality when it is associated with absolute deprivation, a pure measure of inequality says nothing in itself about how people are faring in absolute terms—it is a relational concept. It follows therefore that we are interested in the whole of a distribution within a society: not only in how inequality affects individual outcomes, but also in how disparities affect people's relationships with one another and with societal institutions.

One common lens through which to view this effect is social cohesion. Many varying definitions exist, but they concur that cohesive societies are characterized by 'solidarity' and 'togetherness' (Demireva 2011). Broadly defined, a 'cohesive' society works towards the well-being of all its members and fights exclusion and marginalization (social inclusion), creates a sense of belonging and promotes trust (social capital), and offers members the opportunity of upward social mobility (OECD 2011). It is widely agreed that inequalities in different spheres serve to undermine social cohesion—we explore the evidence and the channels for this linkage in Section 4.

4 The Convention was adopted in December 1979 and entered into force in September 1981.

INEQUALITY OF WHAT?

The subject of what distribution of resources, welfare or capabilities should be considered just has been highly contentious. Early contributions to the debate established the inherent equality of all people in terms of certain fundamental rights—they include Locke in 1690 who argued that all human beings have a right to self-ownership and freedom, and Kant in 1797 who argued for universal human worth, by virtue of being human.[5] This idea continues to exert a powerful influence—in the UN Declaration of Human Rights, for example, which accords unconditional rights to all people (Burchardt 2006), and in subsequent conventions referring, for example, to the rights of disabled people and those of women.

'But as with other welfare measures, inequality has been traditionally considered in the area of resources ('primary goods' in the case of Rawls)' and utility, and often proxied in practice by measures of income and consumption. But income is an imperfect measure of well-being. First, markets for goods and services may not always exist; second, individuals have differing abilities to translate income into achievements; and third, income metrics are concerned with what people have rather than what they can do or be—what Amartya Sen has called their capabilities or ability to advanced reasoned goals.

The capability approach (Sen 1980, 1992, 1999, 2009) has been pivotal in justifying a multidimensional perspective on well-being:

> "The capability approach focuses on human lives, and not just on the resources people have (…). By proposing a fundamental shift in the focus of attention from means of living to actual opportunities a person has, the capability approach aims at a fairly radical change in the standard evaluative approaches widely used in economics and social studies " (Sen 2009, p. 253).

In 1980, Sen famously posed the question, "Equality of what?", making a strong case for considering inequality in basic capabilities, rather than resources, welfare or opportunities, as Roemer Roemer (1998) advocates.

The argument is not only normative—that the appropriate evaluative space is what people are able *to be* and *to do*—but empirical. Sen (1999) notes, "*Inequality of incomes can differ substantially from inequality in several other 'spaces', that is, in terms of other relevant variables, such as wellbeing, freedom and different aspects of the quality of life (including health and longevity)"* (ibid., p. 93). Samman et al. (2011) demonstrate this point empirically.

Two key approaches to identifying relevant capabilities emerge in the literature. One is that it is possible to set out a universal list of capabilities that should apply to all people and societies—Nussbaum (2000) is perhaps the foremost exemplar of this approach. Another view, urged by Sen, is that this list cannot be derived abstractly, but rather must be derived on the basis of the collective reflection and evaluation of societies. Robeyns (2003) points out that even if the two approaches were to arrive at similar conclusions, participatory approaches are indispensable because they reflect different underlying assumptions about such lists, and because process in itself matters and has a crucial bearing on legitimacy. In practice, it is clear that there is a great deal of consensus in the 'lists' of capabilities derived through normative and participatory approaches, and moreover with those functionings specified as important in human rights instruments such as the Declaration of Human Rights (Alkire 1997, 2002).

The recent Stiglitz Sen Fitoussi commission (Stiglitz et al. 2009) enumerates a list of dimensions of well-being that reflect this consensus: material well-being, health, education, political voice, personal activity (constituting work and leisure), social relations, personal security and environmental conditions. The list provides a key point of departure when we consider the impact of inequality on societal outcomes in the next section.

HOW MUCH INEQUALITY?

So far, the arguments points to the need for trying to mitigate inequalities in those areas that can be generally agreed upon to be unjust—and, as noted above, where there is little likelihood that they derive from innately different choices. In the first instance, this might refer to inequalities in standard of living, health and basic education—thereafter expanding to so-called higher-level capabilities.

Many philosophers over the centuries have tried to establish what a just society would look like—often this hinges upon how much inequality is acceptable. In *The Idea of Injustice,* Sen (2011) argues for a pragmatic approach to reducing inequalities, where there is consensus that they are unjust, and to fighting such

5 Stanford Encyclopedia of Philosophy 2007, plato.stanford.edu/entries/equality. Accessed on 1 July 2012.

injustice even in the absence of full agreement as to the ideal society (Box 1). This approach paves the way to collective deliberation and a focus on the most pernicious inequalities.

Box 1—
Sen and The Idea of Justice: A pragmatic approach to recognizing and confronting inequity

Sen (2009) distinguishes two approaches to thinking about justice. The first seeks to define justice in hypothetical terms, drawing on notions of a social contract, and to characterize just institutions. Hobbes, Locke, Rousseau and Kant, and latterly, Rawls and Nozick, embody this approach.

Perhaps the most famous recent theory of justice involves Rawl's (1971) invocation of a 'veil of ignorance'. He asserts that a just distribution is one to which all parties would agree without knowing how they would end up under the rules which they established, and that this would give rise to basic liberties "compatible with a similar liberty for others" (ibid., p. 53), and the acceptance of inequalities only in so far as they would benefit the least advantaged members of society.

A second approach Sen recognizes is grounded in actual social and institutional realities, and seeks to characterize justice with respect to observation and comparison of people's lives and possibilities. In this field, he places thinkers such as Adam Smith, Karl Marx and John Stuart Mill. Such approaches, he argues, ask not what would constitute a perfectly just society but rather "what remedial injustices could be seen on the removal of which there could be a reasoned agreement."[6]

Utopian ideals, Sen argues, will be impossible for societies to agree upon, do not offer a blueprint for action and overlook what is possible by focusing instead on what is desirable. A 'grounded' approach offers the possibility of overcoming such impasses. Invoking social choice theory, he argues for the comparison of different states to determine which can be agreed as unjust through public deliberation. This approach has the further benefit of permitting partial orderings where no agreements can be reached. The important point for Sen is that lack of a perfect theory of justice does not preclude action. The 2010 HDR drew upon this line of argument, asserting that "not being able to realize a perfect world should not distract from doing what is possible to bring about change" (UNDP 2010, p. 16, Box 1.3).

Sen stresses the role of participatory public discourse in identifying inequality. He points to the 'closed' nature of social contractarian arguments—given that they confine consideration to citizens of a society and exclude those outside those boundaries—and argues instead for a more universalist public discourse. This is both because of "(1) the relevance of other people's *interests*, which may be affected by our actions, by what we do; and (2) the pertinence of other people's *perspectives*, their understanding, to broaden our own investigation of relevant principles, for the sake of avoiding our own parochialism based on the values and presumptions in the local community" (*op cit*).

6 Sen (2009) lecture to The Carnegie Council, see http://www.carnegiecouncil.org/studio/multimedia/20091008/0223.html?withOthers=1.

In sum, prevailing inequalities in substantive freedoms reflect a lack of equity and/or different choices. They are of particular concern where they refer to more 'basic capabilities' and can be agreed to be unjust. Inequality ought to be measured across multiple dimensions, though the specific capabilities that matter should be determined in particular contexts, ideally on the basis of public participation. Fortunately, there is some consensus over the functionings (and underlying capabilities) that are generally agreed to be important and internationally comparable. The MDGs reflect one such consensus.

INEQUALITY AND SOCIETAL CONSEQUENCES

Inequality is not only important intrinsically but also because it is instrumentally linked to a number of other outcomes. We consider here the consequences of income or consumption inequality on key dimensions of well-being, drawing heavily on the review provided in Stewart and Samman (forthcoming). The focus is on income simply because there is little information available on the impact of inequalities in other dimensions of well-being, but this is not to suggest they are not important.

INCOME, GROWTH AND POVERTY

Inequality tends to be significantly negatively associated with per capita income levels: not only are the poorest countries the most unequal, but also "no country has successfully developed beyond middle-income status while retaining a very high level of inequality in income or consumption" (Ferreira and Ravallion 2008, p. 6).

The relationship between inequality and growth is more complex. Cross-country econometric studies of the relationship between inequality and growth are mixed and largely inconclusive (Stewart and Samman, forthcoming). It is clear, however, that inequality increases poverty for any level of growth, all else being equal.[7] Globally, between 1981 and 2005, while the impact of economic growth was to lift hundreds of millions of people out of poverty, increases in inequality meant than nearly 600 million people who otherwise would have escaped poverty were denied that chance (Hillebrand 2009, p. 7).

The evidence of particular countries would suggest that growth can be more or less pro-poor, and therefore inequality reducing—and so the effects would seem to depend crucially on the strategy adopted. There are examples of countries at all levels of development that have enacted growth policies favouring disadvantaged groups. One study examines the experiences of 14 countries in which growth increased, and inequality and poverty fell over the 1990s—namely Bangladesh, Bolivia, Brazil, Burkina Faso, El Salvador, Ghana, India, Indonesia, Romania, Senegal, Uganda, Viet Nam and Zambia. In several cases, the growth rate of the poorest outperformed that of the poor generally and the national average (Grant 2005). This phenomenon is attributed in large part to investment in rural infrastructure and markets, public expenditures and safety nets, and credit provision, in a context of economic, political and environmental stability. China and India, countries in which growth has been highly dis-equalizing (Khan 2011), provide a notable counter-examples. Some evidence suggests that more inclusive growth may help to garner support for growth-oriented policies, because people are more likely to feel a stake in them (Commission on Growth and Development 2008). There is evidence too that more equal developed countries tend to display more social mobility (Wilkinson and Pickett 2010). And inequality may also affect how long growth lasts: a recent International Monetary Fund (IMF) paper finds that more equal countries tend to have more sustained growth, even after accounting for other determinants of growth duration (Berg and Ostry 2011).

7 Datt and Ravallion (1992) formalized this relationship in decomposing changes in poverty into changes in growth and changes in inequality.

EDUCATION

Several studies point to the negative effect of income inequality upon educational attainment (Mayer 2000, 2001; Haveman and Smeeding 2006), which also carries implications for its intergenerational transmission. Inequality is inversely related to scores on reading and math scores both internationally (among developed countries) and within the 50 US states, as well as to high-school dropout rates in US states (Wilkinson and Pickett 2010). The effect of inequality appears to be transmitted not through family income or economic segregation, but rather through levels of state spending on schooling (Mayer 2001). Such inequality often has a group dimension too that tends to cumulate over time, as has been shown in the case of ethnic minorities in the United States (Perreira et al. 2006). In turn, attitudes related to group identity may affect school enrolment and performance; one recent study of rural Pakistan found that caste stigma significantly dampens school enrolment among low-caste children, particularly girls (Jacoby and Mansuri 2011). In India, experiments showed that low-caste children performed poorly on cognitive tests only when their caste status was made public (Hoff and Pandey 2006).

Inequalities in education are in some sense fundamental, with spillover impacts on employment prospects and wages, demographic effects (e.g., fertility rates), growth, poverty, intra-household bargaining power and governance. For example, more educational equality has been shown to offset a 'skills premium' in the labour market, whereby returns accrue disproportionately to more skilled workers. Such a premium was evident in Latin America during the liberalization of the 1980s and 1990s, but has declined over the past decade, in part owing to greater demand for low-skilled workers, but also to government investment in education (see Box 2).

A subset of the literature focuses on gender inequality in education and finds it to be deleterious to growth;[8] one recent study concludes that gender gaps in education and employment, proxied by the gender gap in labour force participation, significantly reduced growth between 1960-2000, particularly in South Asia and Middle East North Africa (MENA), where inequality is pronounced (Klasen and Lamanna 2009). In earlier work covering 1960-1992, Klasen (2002) ascribed one half of the difference in growth rates between East Asia and the Pacific and Middle East North Africa to gender inequality in education. Such findings are consistent with evidence of higher marginal

8 See reviews provided in Klasen (2002), and Klasen and Lamanna (2009).

returns to education for girls, particularly when taking into account impacts on fertility, as well as child mortality and education (ibid.).

HEALTH

Links between inequality and health focus on three main pathways: first, that high inequality is associated with more poverty, all else being equal, and possibly segregation—both of which have a pernicious effect on health; second, that it may erode social cohesion; and third, that it may negatively affect health related policies (Subramanian and Kawachi 2004, Kondo et al. 2009).

Studies that seek to disentangle the effects of individual income and societal inequality give some support to the view that income inequality is associated with poorer health outcomes at the state and country levels, though not necessarily at local geographic levels. This could indicate the importance of political mechanisms in shaping social spending and of social stratification.[9] One recent meta-review covers 169 recent studies, predominantly in developing countries, and finds that almost three-quarters were either wholly or partially supportive of the hypothesis that greater income differences were linked with poorer health outcomes, in terms of life expectancy, child mortality and self-rated health (Wilkinson and Pickett 2006). It has been also argued that it is the income of individuals relative to their reference group that matters (Deaton 1999). In more egalitarian contexts, there is little support for a link between income inequality and ill health, suggesting possible threshold effects (Subramanian and Kawachi 2004).

Moreover, epidemiological studies tend to reveal linkages between socio-economic status and ill health (Marmot 2005)—for instance, low social standing is linked with a higher incidence of depression (Blas and Kurup 2010), and inequality with more mental illness (Wilkinson and Pickett 2010). People from lower socio-economic backgrounds are less likely to be able to obtain treatment for medical conditions. In the case of depression, the World Mental Health Survey suggested treatment rates of between 1.6 percent (Nigeria) and 17.9 percent (United States). It found that differences such as being male, married, less educated and in the extremes of age or income were important factors explaining differential levels of treatment (ibid.).

Inequality has been linked with other types of ill health.[10] In the United States, illegal drug use tends to be higher in states with greater levels of inequality.. In rich countries in general, adult obesity, diabetes-related deaths and higher rates of teenage pregnancy correlate to income inequality. The percentage of overweight children is associated with inequality internationally.

Inequalities in health are pronounced among and within countries. For example, under-five mortality varies from 316 to 3 per 1,000 live births in Sierra Leone and Iceland, respectively. And although Australian life expectancy is among the highest in the world, Aboriginal and Torres Strait Islander communities are 20 years behind the country average (Marmot 2005). The gap is so large that even when compared with a low life expectancy country like India, men in these communities would stand out as unhealthy (ibid.).

SOCIAL COHESION, DEMOCRACY, RULE OF LAW AND SOCIAL UNREST

Equality is often used as a proxy for social cohesion—indeed, the empirical evidence suggests a close link between the two, although they are distinct conceptually. Equality refers to the distribution of a given characteristic, typically income, within a society, where social cohesion—as explained above—is concerned with prevailing prevailing perceptions of solidarity and trustworthiness. The argument is that high levels of inequality erode such perceptions. Empirical evidence that inequality and trust are inversely related is given for developed countries and the United States in Wilkinson and Pickett (2010). The breakdown of social cohesion is in turn associated with intolerance, discrimination against others, and the corrosion of rule of law and national identities, giving way to a vicious cycle (Stiglitz 2011). Along similar lines, excessive inequality has been argued to attack the foundations of democracy (Acemoglu and Robinson 2006, Boix 2003, Stiglitz 2011).

CRIMINALITY AND CONFLICT

Research has consistently linked income inequality with crime, namely intentional homicides and robbery (Box, S. (1987). Recession, Crime and Punishment. London: Macmillan). After investigating the determinants of crime both across and within countries, Fajnzylber, Lederman et al. 2002 conclude: "Crime rates and inequality are positively correlated within countries and, particularly, between countries, and this correlation reflects causation from inequality to crime rates, even after controlling for other crime determinants." Inequalities among social groups have been linked to civil war (Stewart 2008) and to other forms of group violence, such as rioting in the United States and elsewhere.

9 Kawachi, Kennedy and Wilkinson 1999, Subramanian and Kawachi 2004, Wilkinson and Pickett 2006, Hildebrand and Van Kerm 2009, Kondo et al. 2009.

10 Data in this paragraph are from Wilkinson and Pickett 2010.

Sociological studies argue that relative deprivation is one reason that inequality may translate into crime—e.g., people may commit crime due to a perceived lack of fairness and need for retribution (Stack 1984). However, this would not explain the fact that disadvantaged groups often experience more crime than better-off groups in society. It is also asserted that a restricted opportunity structure may heighten the perceived returns to crime relative to other types of activity, particularly where employment is scarce.

SUBJECTIVE WELLBEING

Finally, researchers have also investigated the effects of income inequality on people's subjective states, namely on happiness. The results are somewhat mixed. On the one hand, it is argued that living in an unequal society has either no effect or modest positive effects on happiness. Some reach this conclusion using large cross-national samples (Bjornskov et al. 2008, Berg and Veenhoven 2010). Other studies have focused within particular countries, such as Clark (2003) on Britain; Senik (2002) and Eggers et al. (2006) on Russia; and Alesina et al. (2004) on the United States. On the other hand, it has been argued that greater inequality was modestly associated with increased unhappiness in 12 European countries, in Latin America (Graham and Felton 2006) and in China (Knight and Gunatilaka 2011).

There is more agreement over reasons for these differences: People may have different levels of aversion to inequality and/or may associate inequality with higher social mobility (Alesina et al. 2004). Perceptions of fairness appear to be crucial (Bjornskov et al 2009, Oishi et al. 2011). But while local reference groups appear to be important, the direction of the relationship is unclear (Luttmer 2004 argues that rich neighbours 'are negatives' in the United States, while Eggers et al. (2006) find that in unequal regions in Russia, people tend to be happier). Examining how inequality and satisfaction evolve relative to one another over time could prove more illuminating. Grosfield and Senik (2010) show that in the early stages of transition in Poland, people interpreted income inequality as a positive symbol of wider opportunities, while in later stages, it came to explain dissatisfaction with the country's economic situation. The process by which the income distribution was generated increasingly came to be perceived as flawed and corrupt.

In short, the evidence linking inequality and unhappiness is mixed, with mediating factors relating to social psychology at play. But it does suggest perceptions of fairness matter.

III INEQUALITY: LEVELS OF AND TRENDS

This section seeks to probe further into levels of inequality on different scales—within countries, among countries, among global citizens and among generations—and then considers some trends. The focus is on income inequality—because most of the available evidence is focused on income and consumption—but we bring in inequality in other dimensions where possible. We are interested in inequalities not only among individuals but also across social groups, where these are associated with heightened disadvantage.

LEVELS OF INEQUALITY

A recent snapshot view of the global distribution of income among individuals in different parts of the world makes clear acute disparities. The top 20 percent of the world's population enjoys more than 70 percent of global income, while the bottom quintile must make do with just 2 percent (Ortiz and Cummins 2011). It follows that small amounts of redistribution from the very wealthy could effectively eliminate absolute income poverty. Even after adjusting for relative prices, the poorest 5 percent of Americans have 12 times more income than the poorest Malians, and are richer than 96 percent of Indians. Thedis-tributions of income in Mali and in Denmark do not overlap, suggesting that the richest Malians are poorer than the poorest Danes (Milanovic 2011, p. 10).

Examination of country averages reinforces the picture of highly unequal distribution. An adult in Norway will on average have nine times more education than an adult in Niger, while Norway's score on the Human Development Index (HDI) is more than three times as high as that of the Democratic Republic of Congo (.943 versus .286).[11]

Within countries, disparities are acute. In the United States, for example, the top 1 percent of the population received nearly one-quarter of national income. Inequalities tend to be concentrated in particular groups. Within Morocco, for instance, children in rural areas are seven times more likely to be deprived of shelter than those in urban areas, while rural children in Syria are 18 times more likely not to receive any education than their urban peers (UNICEF, orthcoming).

Evidence on MDG outcomes suggests they are not randomly distributed:

> "The people who have not benefitted from progress on MDGs 1-7 are not randomly distributed within countries—they tend to be from ethnic minorities, and/or to live in remote areas, and/or to be from religious groups who are discriminated against. Disability is another common and widely ignored source of inequality: UNESCO estimates that one third of the approximately 75 million children who do not attend school suffer some disability. Within these marginalised groups women and girls often fare worse than men and boys" (Melamed 2012, p. 16).

On the basis of a thorough review of the evidence on MDG indicators indicators, Kabeer (2010a) shows that they tend to be consistently worse for disadvantaged groups:[12]

LATIN AMERICA

- In Ecuador in 2003, the national maternal mortality rate was 74 per 100,000 live births, in contrast to 250 among remote indigenous communities.
- In Mexico in 2005, in the state of Guerrero, the maternal mortality rate was nearly five times that of the northern state of Leon (128 deaths compared to 27 deaths per 100,000 live births).

11 Computed from data in UNDP 2011, http://hdr.undp.org/en/statistics/data/.

12 All statistics in the following three paragraphs are provided in Kabeer 2010a.

- In Peru, the national average for years of schooling among young adults is just under 10 years. For poor, indigenous women, the figure is 5 years.

- In Brazil in 2005, 74 percent of households in the bottom 10 percent of income distribution were of African descent, as opposed to 27 percent of white households.

ASIA

- In China in 2005, the percentage of underweight children in the richer Eastern provinces (5.8 percent) was less than half that of the poorer Western provinces (12.5 percent).

- Ethnic minorities comprised 46 percent of Chinese living in extreme poverty in 2003, but less than 10 percent of the Chinese population.

- In Nepal in 2006, under-five mortality rates among Dalit communities (90 per 1,000 live births) were more than double those of the Newar caste (43 per 1,000 live births).

- In Vietnam in 2006, only 7 percent of ethnic minority households had access to improved sanitation, while the figure for the majority Kinh and Chinese groups was 43 percent.

AFRICA

- In Ghana in 1999, while the national poverty rate was 5 percent in Greater Accra, it was some 17 times higher—88 percent—in the Upper East region of the country.

- In Nigeria in 2008, the Southwest zone had a childhood mortality rate of 32 per 1,000 live births while the Northwest zone experienced 139 deaths per 1,000 live births

- In South Africa in 2008, black African incomes were around 13 percent of white incomes (compared with 16 percent in 1995).

- In Kenya in 1998, among the Mijikenda/Swahili ethnic groups, 27 percent of women giving birth had a skilled attendant with them, while for Kikuyu women, the figure was 71 percent.

TRENDS IN INEQUALITY

Income distribution (and trends) can be assessed from two perspectives. The first is the functional distribution—i.e., how income is shared between three basic factors of production, land, labour and capital, and the corresponding returns, rent, wages and profits, respectively. The second is how income is distributed among individuals/households.

In practice, examination of the functional distribution of income generally focuses on the share of wages relative to profits, with a rising wage share denoting less inequality. Interpretation of functional distribution becomes more complicated in those countries with large informal sectors where workers earn profits rather than wages, however, it is revealing of the situation of formal sector workers (UNRISD 2010, p. 65-66). Data are scarce, but one recent study of 25 OECD countries between 1973 and 2003 finds a drop in the wage share from the early 1980s in 18 of the countries. In 17, the increase in the functional distribution of income occurred simultaneously with an increase in 'personal' distribution of income (Giovannoni 2010). Further, a recent International Labour Organization (ILO) study examined the experience of 29 developed, 33 developing and 11 transition countries from the early 1980 to the early 2005, and showed that three-quarters experienced a decline in their wage shares (ILO 2008 cited in UNRISD 2010). The highest decline was in Latin America, where the wage share fell 13 percent. In addition, it fell over 9 percent in Asia (1985-2002) and in developed countries (1980-2005) alike. In short, examination of the available data on the functional distribution of income shows a clear worsening from the 1990s through the early 2000s in both developed and developing countries.

Turning to the distribution of income among individuals and households, we first look at inequality among all citizens of the world. One recent estimate suggests a current global Gini coefficient (among all people in the world) of .65, with 85 percent of this amount due to differences among countries (Milanovic 2011). Whether inequality global citizens appears to be rising or not hinges to some extent on whether it is calculated using national growth rates based on gross domestic product (GDP), or on mean incomes, deflated by domestic inflation, in household surveys. The analysis of GDP data suggests a decline in inequality in recent years while a focus on mean incomes typically suggests rising inequality. But a recent meta-review of these studies argues there is no clear trend one way or the other.[13]

There is more agreement on two aspects of inequality. Inequality *among* countries has fallen, where the data are weighted to reflect country populations, owing notably to growth in China but also in India (Boltho and Toniolo 1999, Melchior 2000, Firebaugh 2003, Ravallion and Chen 2012). If the data are unweighted, however, the evidence suggests a lack of convergence among countries on income, but convergence on health or education (UNDP 2010, 2011).

At the same time, inequality *within* countries has risen, particularly in middle-income countries (Ortiz and Cummins 2011, Ravallion and Chen 2012). This is a cause for concern, because it relates to the many government decisions made on the national level, and because of the negative impacts on many aspects of well-being, apart from inequality being fundamentally unjust. At a regional level, over the past two decades, the general picture is one of diversity. Data for 141 countries since 1990 show that inequality increased most in Eastern Europe and the former Soviet Union as well as Asia, that it declined significantly in Latin America after 2000, and that while sub-Saharan Africa remains highly unequal, its Gini has fallen almost five points on average since 1990 (Ortiz and Cummins 2011). The fall in inequality in most of Latin America (Box 2) has attracted considerable scholarly attention, not least because it has long been considered the most unequal region of the world, and because it experienced a sharp rise in inequality from the late 1970s onward.

Box 2:
A decade of declining inequality in Latin America: Policy and political drivers

The recent experiences of Latin America, long the region with the most unequal income distribution in the world, provide a notable exception to the trend of rising inequality within countries over the last two to three decades. From the early 2000s, there appears a marked fall in inequality. Of 17 countries with enough data, 13 experienced a fall in the Gini coefficient between 2000 and 2009.

Two main reasons explain most of this fall. First and foremost, rising levels of secondary education produced a falling skills premium, such that returns across skilled and unskilled labour became more equal. Second, governments increased and expanded progressive social transfers, leading to a rise in non-labour income, particularly for the poorest. Demographic change, namely increased labour force participation, also contributed, but to a lesser extent.

An examination of education within the region in the 1990s and 2000s suggests in the latter decade that the expansion of education was more equitable owing to greater efforts to extend education to the poor, but also that it had an equalizing impact on income distribution owing to more stable and perhaps increasing relative demand for low-skill labour.

The role of conditional cash transfers should not be understated. Despite their low share in household total income, less than 1 percent, programmes such as Brazil's Bolsa Familia, Chile Solidario and Mexico's Progresa are estimated to account for 15 percent of the decline in inequality in Chile, and 21 percent in Brazil and Mexico. Critics argue that such programmes are providing transfers rather than opportunities, and that they are not addressing the concentration of income in the richest segments of the population. Instead, it is countered, universal social spending and more progressive taxation are needed, as well as the underlying institutional developments that would support these. Indeed, taxes have been ineffectual, accounting for just 1 percent of the fall in the Gini.

To what extent did politics matter? Countries across the political spectrum enjoyed a reduction in inequality across the 2000s—however, some evidence suggests that leftist governments may have performed better, and that a new redistributive politics is at play in countries with Social Democratic regimes such as Brazil and Chile, compared with other countries such as Argentina and Venezuela, where the fall was attributable more to 'good luck' than to sound policy.

Source: Birdsall et al. 2011, Cornia 2012, Cruces et al. 2011, Gasparini et al. 2009, Lopez and Perry 2008, Lustig et al. 2011, Sanchez Ancochea 2009, Soares et al. 2009.

13 Of three recent studies, one finds a rise in the Gini over certain periods (Milanovic 2005) and three others point to reductions in the Gini (Bhalla 2002, Sala-i-Martin 2006, Bourguignon 2011). A recent meta-review of this literature finds little consensus on the direction of shifts in global income inequality over last two or three decades (Anand and Segal 2008): "The measured changes do not appear to be statistically significant on the basis of standard errors estimated in some of the studies" and overall they "cannot tell whether global income inequality has increased or decreased in the recent past on the basis of existing findings" (p. 4).

Elsewhere, the trend has been mostly one of rising inequality: "The tendency is for increasing inequality in growing economies (…) unless actively counteracted by policy" (Kanbur 2011). Among 173 countries between 1980 and 2000, for instance, the Gini coefficient rose in two-thirds, and the increase has been the most acute in middle-income countries, where most of the world's poor now reside (Sumner 2012). Reductions in inequality could potentially help many people living in very extreme situations. Country studies give more concrete support to this pattern of rising inequality, pointing to recent increases in China (Sicular et al. 2006, Shi et al. 2011, Sutherland and Yao 2011); India (Deaton and Dreze 2002); South Africa (Bhorat and Kanbur 2006); Ghana (Aryeetey and McKay 2007); and Bangladesh (Deb et al. 2008).

Limited information is available on the distribution of health and education in recent decades, but the available evidence suggests a considerable decline in inequality. The evidence shows convergence from 1930 on between intercountry and international distributions of life expectancy at birth, and a fall in inequality among individuals.[14] An analysis of educational inequality suggests a substantial fall among individuals from about 1960 through 2000 (Ferreira and Ravallion 2008, p. 15).[15] The fall was shared among all regions and also regions. They also showed a decrease in gender disparities—however, inequalities in achievement appear to have remained "strikingly large" (ibid.).

Additional work suggests considerable reductions in inequality in both health and education in six Latin American countries (Sahn and Younger 2006) and little progress on health and some on education in 23 sub-Saharan African countries (Sahn and Younger 2007). Along similar lines, in Latin America, Cruces et al. (2011) find a large decrease in educational inequality, and in Brazil, Lopez and Perry (2008) find that while income inequality in Brazil increased between 1970 and 2000, inequality in life expectancy declined. The UNDP's Inequality Adjusted Human Development Index (IHDI) represents a first effort to compute inequality across income, health and education for a large sample of countries. Between 1990 and 2011, analysis of 66 countries found an aggregate loss in HDI owing to inequality of 24 percent, and indicated that worsening income inequality offset large improvements in health and education (UNDP 2011, p. 14). Health inequality declined across all regions, but remained particularly acute in sub-Saharan Africa, while educational inequality declined in all regions except for South Asia, where disparities grew despite a huge increase in average performance (UNDP 2011, p. 15). The HDR's Gender Inequality Index (GII) also shows a decline in gender inequality over time: Among 128 countries with data in both 1995 and 2011, the index fell from .474 to .380,[16] though inequalities remained acute in sub-Saharan Africa in particular, followed by South Asia and the Arab States (UNDP 2011, p. 61). Very little work extends the analysis of inequality to dimensions beyond health, education and income, but Samman et al. (2011) examine a range of observable and subjective dimensions for one point in time and find considerable divergence.

INEQUITY AMONG GENERATIONS

The need to address inequity among generations has received a great deal of attention, notably through the two Rio summits on sustainable development (1992 and 2012). But there has been relatively little agreement over respective countries' responsibilities, and because it requires securing political consensus today that would largely benefit people not yet alive. However, the proposal for Sustainable Development Goals in the run-up to the Rio+20 conference could provide a unique chance to integrate the concerns of sustainability and human development into a coherent policy process.

As the 2011 HDR argues, issues around equity and sustainability are fundamentally interlinked:

> "*Concerns with sustainability and equity are similar in one fundamental sense: both are about distributive justice... The current generation's destroying the environment for future generations is no different from a present-day group's suppressing the aspirations of other groups for equal opportunities to jobs, health or education*" (UNDP 2011, p. 19).

Current patterns of production and consumption are degrading the environment and causing the climate to change in a way that threatens to undermine fundamentally the capabilities of people alive today, as well as those of future generations.

14 Average life expectancy (weighted) rose from 53.4 years in 1960 to 64.8 years in 2000, while the coefficient of variation fell from .233 to .194.

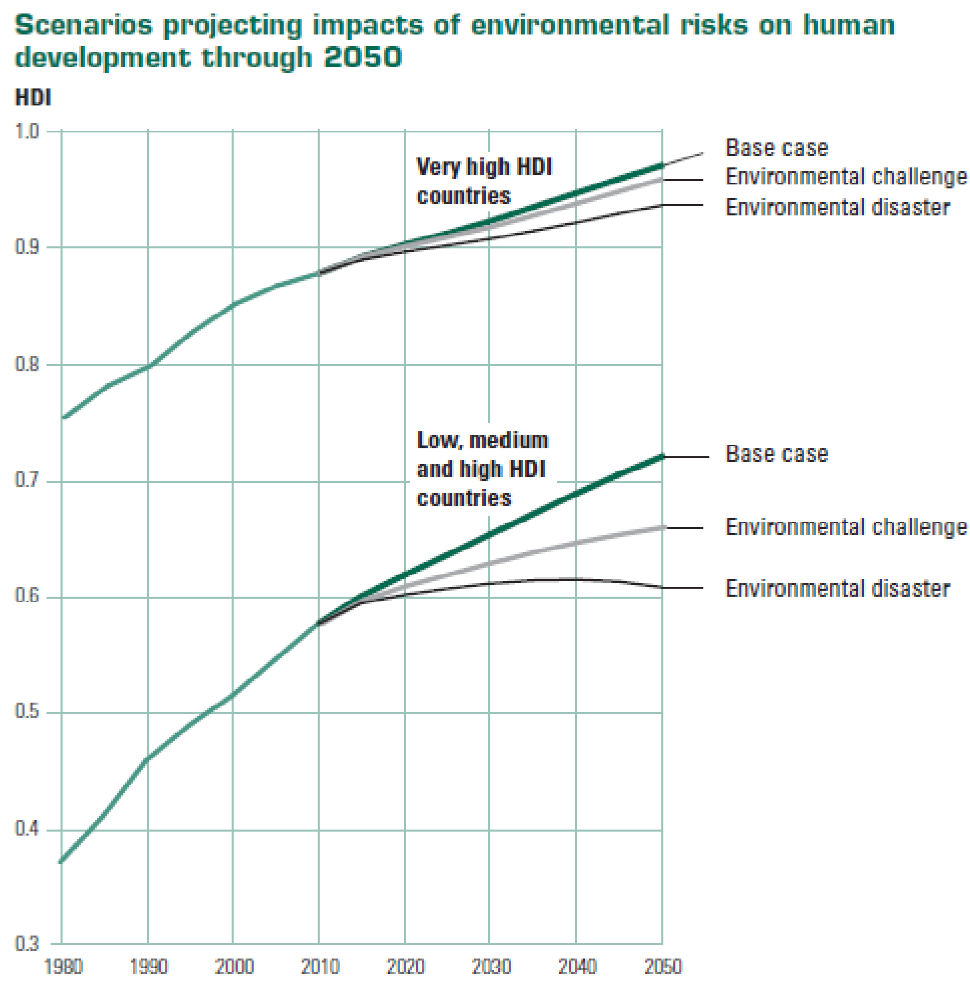
15 Average years of schooling increased from 3.4 to 6.3 years, while the coefficient of variation fell from .739 to .461.

16 Computed from unweighted, country-level data at http://hdr.undp.org/en/statistics/gii/.

People living in poor countries, as the 2011 HDR illustrates, are experiencing a "double burden of deprivation": "More vulnerable to the wider effects of environmental degradation, they must also cope with threats to their immediate environment posed by indoor air pollution, dirty water and unimproved sanitation" (p. 44). Poor people are also more vulnerable to the effects of climate change. Threats are particularly acute in those countries closer to the equator, as well as those that depend on agriculture (Cline 2007, cited in Birdsall et al. 2011), which tend to be poorer.

This not only holds among people and countries, but also over time. Background work for the 2011 HDR shows the effects three environmental scenarios could have on future HDI values, looking forward as far as 2050, and separating very high from low, medium and high HDI countries. Under the worst of the three scenarios, for the latter group, there is a turning point before 2050 at which HDI gains begin to reverse as does convergence with the very high HDI countries. The links with inequality—and inequity—are clear.

Figure 1
Environmental threats to HDI



Source: HDRO calculations based on data from the HDRO database and B. Hughes, M.Irfan, J. Moyer, D. Rothman, and J. Solórzano, 2011. «Forecasting the Impacts of Environmental Constraints on Human Development,» Human Development Research Paper, United Nations Development Programme, New York, who draw on forecasts from International Futures, Version 6.42.

Source: UNDP 2011, p. 31, Figure 2.5.

Indeed it can be argued that any environmental degradation that threatens the life chances of future generations is inequitable because it clearly emerges as a constraint on their substantive freedoms. No one would reasonably prefer to have fewer choices rather than more. The difficulty emerges when the need to preserve resources for future generations comes into conflict with the needs of people alive today, particularly those living in disadvantaged circumstances. The 2011 HDR argues, however, that redressing inequalities in the world today is part of the solution. Win-win solutions can be pursued that promise both to improve equity and more sustainability.

The Report finds that income growth tends to provoke rising carbon dioxide emissions, but the link was not deterministic. Indeed, it contrasts the experiences of two high-income countries: Norway, with per capita carbon emissions of 11 tonnes, and United Arab Emirates, with per capita emissions of 35 tonnes (UNDP 2011, p. 27). Ffor natural resource use, it draws similar comparisons. Between 1990 and 2008, for example, Indonesia deforested by nearly 20 percent a year, while the Philippines, with a similar per capita income, reforested by 15 percent over the same period (ibid.). In terms of consumption, patterns vary greatly too, not only among countries of different income levels, but also among those with similar capacities to consume. Though the United Kingdom and Singapore have nearly the same HDI level, consumption accounts for 79 percent of GDP In the former, and just 34 percent in the latter (ibid., Box 2.3). In sum, underlying general tendencies among development levels, growth and environmental degradation are a host of diverse country experiences. A closer study of these, as undertaken in the Report, reveals numerous possible programmes and policies that offer the possibility to foster both equity and sustainability.

IV SOURCES OF INEQUALITY

Sources of inequality can be analysed at several levels: in the circumstances that individuals and households face, in the effects of government policy and structures upon different groups within a society, and in the impacts of global governance and economic relations upon countries. The older suggestion of a structural relationship between levels of development and income inequality (e.g., Kuznet's curve, the Lewis dual sector economy) has been supplanted by the idea that there is no such relationship among countries at different levels of development nor within countries over time, and that rather, policy is what matters (see Kanbur 2011). More fundamentally, inequality is not just a matter of economic policy, but also of the interaction of economic factors with politics, place, social structures, and distances among people (both actual and perceived).

MICRO-SOURCES OF INEQUALITY

At the individual and household levels, the evidence suggests profound disparities that are often linked to group-level characteristics and associated historical patterns of discrimination. Two recent studies measure equality of opportunity - in other words, the combined effect of gender, race or ethnicity, birthplace, mother and father's education, and father's occupation on inequality in consumption. In six Latin American countries (Brazil, Colombia, Ecuador, Guatemala, Panama and Peru), these characteristics explained between 25 percent (Colombia) and 51 percent (Guatemala) of inequality (Ferreira and Gignoux 2011a). Moreover, on the basis of an exercise that served to identify the worst off 'types' in society, in three of the six countries, 100 percent of the most opportunity deprived groups were of indigenous or African descent. A related study explores the effect of inequality of opportunity on educational outcomes—measured by PISA test scores—in 57 countries and finds that it accounted for up to 35 percent of overall disparities in achievement (Ferreira and Gignoux 2011b). In the United States, ongoing work by Robert Putnam points to acute class-based disparities. For instance, he shows that while decades ago, college and high school graduates invested equally in their children, more recently more affluent parents have invested much more time and money—such that richer children have become more engaged in society, and poorer children more pessimistic and detached.[17] In related work, he argues that while racial disparities in the United States are narrowing, class disparities—controlling for race—are widening dramatically such that, "The prosperous and the poor, regardless of race, are living in increasingly separate worlds."[18]

Kabeer (2010b, p. 1) points to the effects of the 'systematic social exclusion' that certain groups of people face 'as the result of multiple inequalities that constrict their life chances'. In this she includes: cultural inequalities (forms of discrimination and 'devaluation' that affect status and self-worth);[19] spatial inequalities; economic inequalities (arising from an unequal distribution of assets and opportunities); and political inequalities (namely a lack of voice and influence). She argues that while each of these inequalities is a source of injustice, "It is their mutual—and intersecting—nature of these inequalities that reinforces the persistence of social exclusion over time."

Patterns of migration and urbanization also are influential, though the net effect will depend on the characteristics of the sending and receiving community and their relative shares in the population. Existing studies of the impact of migration on income inequality are scarce, and the results are equivocal. On the one hand, the movement of poorer people to richer countries might exacerbate disparities within the recipient country and between countries (depending on where migrants fall in the income

17 www.nytimes.com/2012/07/10/opinion/brooks-the-opportunity-gap.html?_r=1.

18 http://www.theatlantic.com/politics/archive/2012/07/arthur-brooks-robert-putnam-and-the-opportunity-society/259283/.

19 For instance, on the effects of discrimination on wage inequality in the United States see Darity and Mason 1998, Moro 2003, and on the effect on educational outcomes in Brazil, Leite 2005.

distribution in emigrant and receiving countries). In the United States, for instance, Card (2009) finds that immigration accounted for 5 percent of the increase in wage inequality between 1980 and 2000. And although researchers have long contemplated a Kuznets-like pattern between migration and inequality in the sending communities - that is, inequality rises in the beginning of the migration process and drops after migration becomes more established - the literature has little to offer in terms of solid empirical evidence. Selected evidence for this hypothesis is provided by Ha et al. (2009) on Chinese rural communities. On the other hand, migration is most likely to reduce income inequality among global citizens by providing more opportunities to those who are more deprived, and among countries, given that the value of remittances is likely to exceed what those workers would have earned in the emigrant country.[20] Because most global income inequality is among countries, Milanovic (2011) argues compellingly that migration will result in a reduction in global poverty and global income inequality.

MESO-LEVEL SOURCES

At the level of countries (and to some extent, subnational units), government policy exerts different impacts upon different groups within society. This can be the result of the structure of the economy (for instance, ownership of land and other assets, labour intensity of production in different sectors and the resulting functional distribution of income). Specific macroeconomic policies can also have an effect, though this is often mediated by country-specific circumstances. Take the example of trade openness. Cross-country studies have reported that it depresses inequality (Bourguignon and Morrisson 1990, Calderon and Chong 2001, Dollar and Kraay 2002); that it has no effect on inequality (Edwards 1997, Li, Squire and Zou 1998, Vivarelli 2004, Roine et al. 2009); and that it heightens inequality, at least in developing countries (Barro 2000, Ravallion 2001, Cornia and Kiiski 2001, Lundberg and Squire 2003, Easterly 2005, Milanovic and Squire 2005, Meschi and Vivarelli et al. 2009), possibly by increasing demand for relatively skilled workers. However, Meschi and Vivarelli (2009) observe that "the evidence from cross-country empirical papers is mixed and has failed to reach a clear-cut conclusion about the sign and the strength of such a relationship" (p. 3). The experiences of particular countries are likely to be more illustrative—and indeed show that where trade favours capital intensive industry or more skilled workers it tends to be disequalizing, but that the converse is also true.

20 In 22 countries, remittances accounted for 10 percent or more of GDP in 2009. In Lesotho, they accounted for 25 percent of GDP, and in Tajikistan, for 35 percent (World Bank 2011, p. 14).

Other types of policy can also be influential—e.g., towards the balance of payments, interest rates, inflation or financial sector development—but the effect is rarely straightforward and uncontested. Such policies may affect not only inequality among individuals but also among groups. For example, Braunstein and Heintz (2006) find that interest rate policy can have a gendered effect on employment—in particular, in 17 low and middle income countries, higher interest rates and reductions in money supply tended to disproportionately reduce female employment relative to that of men.

The reach and progressivity of investments in infrastructure, the efficacy of the tax system, and the level and coverage of social spending are also notable determinants of inequality. Studies of determinants of growth highlight the effects of public investment in infrastructure that benefits rural people in particular (Grant 2005). More generally, cross-country evidence suggests that government spending overall tends not to affect the richest members of society, to be negative for the upper middle class and to positively affect the rest of the population (Roine et al. 2009). Low levels of tax collection throughout the developing world are well known as are the large potential gains that could accrue from small improvements in collection levels (see UNDP 2011).

The literature on cash transfers shows the large gains that can accrue from devoting very small amounts of GDP to this end—the notable impact of conditional cash transfer schemes in Latin America has already been discussed (Box 2). To the extent that cash transfers (and social spending) improve the position of the poorest members of society, they are likely also to mitigate inequalities among countries and between global citizens. Institutions and regulations that support the incomes of the poor, such as labour unions and minimum wages, can also be significant mediators of the effect of a given growth model.

Political structures are intimately linked with economic policy and social norms. Writing on the United States, Stiglitz (2011) eloquently describes these interrelations:

> "Politics have shaped the market, and shaped it in ways that advantage the top at the expense of the rest. Any economic system has to have rules and regulations; it has to operate within a legal framework. There are many different such frameworks, and each has consequences for distribution as well as growth, efficiency and stability. The economic elite have pushed for a framework that benefits them

at the expense of the rest, but it is a system that is neither efficient nor fair (…) Given a political system that is so sensitive to moneyed interest, growing economic inequality leads to a growing imbalance of political power, a vicious nexus between politics and economics. And the two together shape, and are shaped by, societal forces—social mores and institutions—that help reinforce this growing inequality" (n.p.)

Palma (2011) makes a similar argument, focusing particularly on Latin America. His analysis finds that most inequality in the world is in fact accounted for by the heterogeneous share accruing to the richest decile of country populations (and likely, the richest fraction of that share), and to the bottom 40 percent. The middle 50 percent, in contrast, receives a relatively constant share across countries. He argues that differences in distributions in countries arise not primarily because of differences in education or in returns to labour but because of the political alliances that are forged—notably, for instance, in Latin America, the middle classes make common cause with the rich, whereas in other countries, they may do so with the poorer segments of society.

The question of political structures warrants particular mention given the responsibility of the state to redress power imbalances. As stressed in the 2010 HDR (UNDP 2010), it is not enough for governments to be formally representative, as democracies embrace an array of institutions and power configurations, and authoritarian states are not monolithic either. States have sought to enable engagement by establishing institutional mechanisms to enable representation. However, as has been argued in the case of female Somali refugees, a particularly disenfranchised group, formal consultative mechanisms are often inadequate to reflect and articulate claims as they typically seek feedback on predetermined themes, rather than allowing meaningful participation in the construction of context (Bassel 2012).

MACRO-SOURCES OF INEQUALITY

At a global level, the structure of economic relations among countries is a key driver of inequality—both among and within countries. On the one hand, a series of changes associated with liberalization and globalization have been widely implemented across countries in recent decades, and these have had documented dis-equalizing effects. Such policies include financial liberalization, regressive taxation, privatization accompanied by weak regulation, public expenditure that fails to protect the poor, and labour market policy that promoted flexibility, informalization, and a decline in minimum wages and the power of unions (UNRISD 2010, p. 59).

Moreover, inequalities among countries are shaped and reinforced by the nature of the international economic system and the structures that govern these relations. As noted, the impact of free trade on countries tends to depend on their specific circumstances, though there are concerns about countries' bargaining away labour, social and environmental protections in a 'drive to the bottom' to secure investment. At a systemic level, however, structures would seem to discriminate against poorer and more agricultural countries. A prime example comprises agricultural subsidies in the United States and Europe. Another is the international trade regime—in particular, the Doha Round of multilateral trade negotiations, stalled in 2008, "owing in no small degree to a lack of agreement on the terms of substantially reducing trade-distorting support for agricultural products and to what extent this would be beneficial to developing countries" (Sanchez and Vos 2009, p. 1). Research on the effects of aid flows has found that they do not reduce prevailing inequalities (Calderon and Chong 2006) and indeed can accentuate them (Herzer and Nunnenkamp 2012).

At a global level, political imbalances continue to reinforce disparities among countries despite signs of change. In particular, the rise of the BRICS (Brazil, Russia, India, China and South Africa) has a clear impact as does the increased political weight of populous countries such as Indonesia, Mexico, and Turkey. Global governance structures have yet to reflect this mutlipolar reality. The structure and representation of international financial institutions, namely the IMF and World Bank, remain highly unequal—"each is run by a small directorate of industrialized countries" (Woods 2008, p. 2). There has been some movement in the direction of greater inequality, namely the emergence of the G-20 in place of the G7, which was evident in the response to the recent global financial crisis (Birdsall 2011). Similarly, debate surrounded the recent elections of the IMF and World Bank heads—though the fact that in the end a European and a North American were selected, respectively, reinforced the status quo. It is argued that further reforms are needed, and that these institutions need to be more accountable to their stakeholders (see UNDP 2011, Chapter 5).

V EQUITABLE HUMAN DEVELOPMENT IN A POST-2015 FRAMEWORK

Inequality and inequity are hugely complex and multi faceted problems. Historical patterns of exclusion combine with more recent trends within and among countries to create the overlapping and interlocking patterns of inequality among individuals and groups that characterize the world today.

Notwithstanding this complexity, there is a growing consensus that one of the most simple global agreements—the eight goals that together make up the 'Millennium Development Goals'—should in future play a role in overcoming the inequities.

The current MDGs expire in 2015, and it is not yet clear what type of agreement will replace them. However, it seems likely that a new post-2015 global framework will have two characteristics. It will, if it draws from the success of the current MDGs, be short (the whole MDG framework, goals, targets and indicators, fits on two sides of A4 paper). And it will, if it is to tackle the most serious barriers to human development in today's world, address equity with all its complexities. How can simplicity and complexity be reconciled?

Tackling inequalities through an agreement will not be a straightforward technical matter of establishing the key inequalities that hinder progress and maintain exclusion, and then creating an agreement around them. Central to this challenge will be domestic and multilateral politics. Some issues may assume a more central place in a new framework simply because the politics are more favourable, while others, equally important, cannot be tackled head on because the politics are not right. In the discussion below, we suggest different ways of inserting inequality concerns into a new agreement depending on the issue, the objective and the politics.

For any future framework, data on inequalities are likely to present a major constraint—such data are very poor in many countries, particularly for dimensions of well-being that go beyond income and consumption, and for social groups. However, the current MDGs have had an effect on the quality and quantity of data collected across the range of issues they cover. Well-designed targets on inequality, with appropriate resources to enable National Statistical Offices to meet the new requirements, could have a similarly galvanizing effect. The lack of data and baselines at the beginning of the period of any new goals could make tracking progress difficult, but the gains in terms of new data collection and availability to track progress in future years could be considerable. For this reason, lack of data should not in itself be seen as a barrier to agreeing on new targets which more explicit indicators on inequalities.

HOW COULD A FRAMEWORK HELP TO MEASURE AND REDUCE IN-COUNTRY INEQUALITY?

Reducing inequality is mostly a domestic problem for individual governments. The 'Arab spring' and the 'Occupy' movement have propelled inequality close to the top of political agendas in many countries, and the World Economic Forum argued in 2013 that "severe income disparity" was the most likely global riskthat governments should consider. Certain countries have taken deliberate efforts to reduce inequality in recent years, with some notable successes, as documented above.

A post-2015 agreement would help to reduce in-country inequality if it encouraged governments to take actions that redistribute crucial resources or opportunities within societies. Making this happen is a matter of domestic politics and accountability, and a post-2015 framework will be helpful if it can be used by domestic political parties, NGOs and others to drive progress on inequality-reducing policies.

Government action on inequality tends to fall into three categories of action. The first involves redistributive spending and other types of policies that seek to improve the services available to the most disadvantaged, e.g., by redressing health and educational inequalities, or distributing cash directly in the form of transfers. Redistributive public spending can improve both equality of opportunities, through investment in education and health, and equality of outcomes, through cash transfer schemes. Developing country governments are increasingly using these policies to tackle poverty, and increasingly funding them through their own domestic resources. Cash transfer schemes and educational opportunities were an important part of the story of falling inequality rates in Brazil and a number of other Latin American countries over the last 10 years, and illustrate the impact that social spending can have in promoting equity (Lustig et al. 2011).

The second category of actions focuses more on inequalities in the pace or pattern of economic growth. It addresses labour market, regional development or other policies in an attempt to make the pattern of economic growth and the opportunities that flow from it more equitable.

A third set of actions entails policies that aim to promote the status of disadvantaged groups politically and culturally, as well as economically. Such policies could outlaw discrimination, for example, or recognize the rights of culturally excluded groups.[21]

The task for a post-2015 framework will be to provide incentives for governments to implement policies to promote equity, and adopt indicators to show if they are working. At a national level, these incentives are most likely to be created by an agreement that civil society and other organizations can use to monitor the impact of policies and advocate for greater attention to equity—in the way that the current MDGs were used by campaigners at national level to argue for more spending on education or health, or more attention to HIV or malaria.

The question is how a global agreement can be sufficiently responsive to local realities to accommodate different choices by governments, yet sufficiently universal to ensure that even reluctant governments have incentives to address different problems related to equity. There will be two crucial dimensions for a new agreement: the choice of objectives and the choice of metrics.

OBJECTIVES

Whatever the framework, choosing the correct objectives will be crucial in using it to improve equity in human development outcomes. Promoting more equal educational outcomes will, for example, have a much greater impact on the underlying political and social relationships that drive inequality than focusing on greater equity in the distribution of anti-malarial bed-nets (important though that might be). The choice of objectives will be something of a dialogue between what is most important from the perspective of tackling inequality, and what is politically feasible in the given context.

Experience with the current MDGs shows how the targets in the framework have to address the actual source of inequalities if they are to be effective. For example, the education goal specifies a target of 100 percent enrolment in primary schools. However, 100 percent enrolment does not mean 100 percent completion or attendance, nor does it mean equal outcomes in terms of the quality of the education received, and the skills and knowledge attained. So reaching gender parity in educational enrolment as a means of promoting gender equality is a step forward, but does not take into account the fact that in many countries girls' attendance is worse than boys' owing to their family responsibilities among many other issues (Woodroffe and Esplen 2012).

If one overarching goal of a new framework were to reduce inequities, one criterion for choosing the very limited set of goals and targets that can be included should be the extent to which they represent significant dimensions of inequality that are causally linked to other outcomes. So, for example, a goal around providing quality health services might help more to reduce inequalities in health outcomes overall than goals focused on specific health conditions. However, there are likely to be political limits to this—tackling inequality in service provision, or even in incomes, is in most cases more politically acceptable than tackling inequalities in wealth, for example. The objectives of a post-2015 framework are likely to be something of a compromise between what is most important and what is politically feasible.

21 Stewart (2010) provides a very useful typology of the different types of policies that could be used to tackle 'horizontal inequalities' in the political, socio-economic and cultural spheres.

METRICS FOR TRACKING PROGRESS AMONG THE POOREST

Whatever the eventual outcome measures chosen as goals and targets in the areas of health, education and other aspects of human development, the indicators used to measure achievement of those outcomes will be the crucial tool for organizations tracking progress and trying to encourage governments to do better. The indicators therefore have to be rigorous enough to be persuasive, but simple enough to provide an effective communications and advocacy tool for civil society and other organizations holding governments to account for their promises.

The metrics have to provide the right information in the right form to make inequality and progress on tackling it visible to domestic policy makers. Two ideas have been proposed for this: either using a weighting system to give extra importance to progress on a given indicator among the poorest when determining a country's overall progress (Vandmoortele 2009) or, more simply, by monitoring progress among the poorest decile (or quintile) of the population as a separate indicator (CIGI/IFRC 2011). Among the indicators for monitoring progress on the current MDG 1 is the 'share of the poorest quintile in national consumption'.

Whether or not this is entirely successful as an indicator, it does provide some useful information about the gap between the poorest and the rest, which is the dimension of inequality arguably of most concern from a poverty perspective. However, while important, this may not be sufficient to capture equity issues in a post-2015 framework. Progress for the poorest could go hand in hand with even faster progress among wealthier groups and therefore increases in inequality. The question is whether this matters.

To measure inequality among social groups, various metrics have been proposed (see Stewart and Samman forthcoming) for a review. In the context of the post-2015 debate, one idea that is gaining currency is to mainstream key sources of inequality by insisting that data to monitor targets be disaggregated, where appropriate, by social group—such as age, gender, disability status, race/ethnicity, etc..[22]

In any event, having a framework that made key dimensions of inequality visible as part of monitoring would, in the right circumstances, provide the information for civil society organizations and others to campaign and advocate on behalf of and with the most excluded, and hopefully in this way to improve policies on equity and inclusion.

PROVIDING INCENTIVES TO DEVELOP ROBUST AND UNIVERSAL PUBLIC SOCIAL SERVICE SYSTEMS

Tackling inequalities through a focus on progress among the most disadvantaged encourages an approach to overcoming inequality based on targeting interventions. In some cases, as with cash transfers, this might be a useful strategy. But there is a risk in making this the basis for public service provision.

It has become something of a truism in social policy circles that 'services for the poor are poor services'. The danger of using a post-2015 framework to focus attention specifically and only on particular groups is that parallel systems develop that meet their minimum needs, but are of low quality. In the meantime, greater inequalities can be developing as the better-off in society use different services, funded from their own resources. To some extent this is inevitable, and preventing any and all private provision may result in too great an infringement on individual freedoms.

However, and in particular in some of the middle-income countries with a rapidly growing middle class, creating a system in which the middle classes also have a stake is one tactic to ensure greater political buy-in to the idea of publicly funded services, and therefore greater acceptance of the tax burden involved in funding them. As described above, Palma (2011) has shown that increasingly, shifts in intra-county inequality are a consequence of movements of resources from the very rich to the very poor. The middle classes in most countries control about half of the resources, a proportion which has remained surprisingly static even when overall levels of income inequality have risen or fallen. Politically, therefore, getting middle class buy-in to public policies to reduce inequalities—in other words, to align their interests with the poorest rather than the richest—will be a key part of maintaining publicly funded services. And at the user end, the involvement of better educated and more confident consumers can also be a factor in driving up the quality of services, which can in turn improve outcomes for every user.

22 Samman and Rodriguez (forthcoming) propose this approach to monitor inequalities among older people and people with disabilities.

There may therefore be value in thinking through an approach to the post-2015 framework that is more likely to provide incentives for the development of robust, widely supported systems as a means of promoting equity and tackling exclusion, than to target specific groups of service users. The proposal for universal targets—the so-called 'getting to zero' approach—is one idea along these lines.[23]

In response to the concern that the use of averages allows for inequalities in MDG attainment to go unnoticed, the idea is to make future targets universal, so that there is no possibility of any group being 'left behind'. The current target on education, for 100 percent enrolment, already takes this approach. While it has very clearly not eradicated inequalities in enrolment (children from certain groups are still much less likely than others to go to school), it does mean that such inequalities will prevent achievement of the target and perhaps increase incentives to tackle them. Such a target could focus attention on service provision and on ensuring universal access, rather than on individual groups of excluded people.

The 'getting to zero' approach would have the advantages of reducing some of the difficult politics involved in tackling inequality directly, and of creating broader constituencies around progress, which could involve more than just the very poorest or those advocating for them. It would also focus attention on the issue of access, and if, for example, people from different ethnic groups were treated the same by health care providers, or if people in rural areas were well-served by health clinics.

The targets would have to be carefully chosen to avoid the creation of new dimensions of inequality, as happened, for example, following the introduction of free education in Kenya. This was intended to reduce inequalities in access to education, and reach the MDG target of getting every child into primary school. However, quality in state schools then started to decline with the increase in numbers, and those who could afford it paid for private education for their children. A new dimension of inequality opened up—from a gap between attenders and non-attenders, to a gap between attenders of high- and low-quality schools.

The key question for implementation of this type of target would be whether it is feasible to provide public services that are of sufficient quality to retain a significant number of those who have a choice between public and private provision. This in turn would depend on the quality of public financial management and the domestic tax system. Making this happen might be prohibitively expensive in some countries, and a universal target for access to quality services might not prove a sufficient spur to overcome the many challenges on the way to this goal. However, if combined with targets for progress among the most disadvantaged, it could prove a useful suite of targets and goals to tackle different equity issues in different contexts.

PROVIDING INCENTIVES TO FOCUS ON THE EQUITY IMPACT OF ECONOMIC GROWTH

The pattern of growth is one of the key drivers to changes in inequality at the national level. New opportunities created, changes in relative prices and long term shifts in the structure of the economy all combine with social structures and existing inequalities, and produce a pattern of outcomes that are very different for different people, groups and geographical regions. The post-2015 discussion offers an opportunity for considering proposals to measure and address the varied impacts of growth on equity and therefore on human development outcomes for different groups.

Inclusive growth has emerged as a key issue in early debates on what a post-2015 framework should address (see, for example, Vandermoortele 2009; 2009, UN 2012 (UN System Task Team on the post-2015 UN development agenda, Realising the future we want for all, report to the Secretary General, New York, June 2012)). This is partly a reflection of growing political concerns about job creation at the global and national levels. The ILO has estimated that 440 million jobs will be necessary in the coming decade to satisfy the employment demands generated by population growth and demographic change (ILO-IMF 2010 in Melamed et. al. 2011). Of course, the employment challenge goes further than the quantity of jobs; almost half of workers worldwide continue to live below the US $2 per day poverty line.[24] As with all inequalities, the unemployed or working poor tend to be drawn from groups who are already excluded or marginalized. Young people are disproportionately likely to be unemployed in

23 See, for example, Raworth 2012.

24 In recognition of the extent of challenges to decent employment, the ILO launched a 'Global Jobs Pact' in 2009 to promote jobs and protect workers and their families (Melamed et. al., 2011).

almost every country, and women often find their pay and conditions to be worse than men's (ibid.).

The current MDG framework has a target on employment under the overall goal of reducing income poverty. If employment is to be seen in this instrumental way, then one possible way of incorporating a greater equity focus would be to have a target for reducing the Gini coefficient of income inequality in every country, either to a certain level or by a certain amount.[25] This could help to focus policy attention on the impact of growth on income inequality and provide an incentive to tackle it. The key question, as with all the proposed targets for a post-2015 framework, is the extent to which a globally agreed target provides sufficient incentives for changes in government policies, and under what circumstances this is most likely to happen.

If such a target did attain sufficient traction to lead to changes at the national level, these could include polices to steer the pattern of growth—through, for example, incentives for companies to invest in certain regions, or minimum wage legislation, progressive taxation or cash transfer programmes to encourage the distribution of gains from growth.

The advantages to this approach would be the simplicity and the universality of the Gini—at least in theory. In practice, actual measurement would depend, as always, on the quality of the data—and income data are notoriously poor in many countries. There are also technical issues with the Gini coefficient that could make it an unreliable indicator: It is sensitive to changes at the top and middle of income distribution, so that reductions may not reflect any actual improvements in the lives of the poorest. Like any summary statistic, similar Ginis can mask very different distributions, and the overall figure is not necessarily telling as to where the concentration of wealth lies.

Alternative indicators, directly analogous to the discussion on other outcome measures above, would be to weight a country's progress on GDP according to income growth in the bottom quintile, or to track income and/employment growth in the bottom quintile or decile, or among other disadvantaged groups. Such approaches have the merit of simplicity. A focus on the bottom of the distribution relative to the societal average, however, overlooks the concentration of incomes at the top and the potential of redistribution.

25 See for example, Langford 2011.

ISSUES FOR A POST-2015 AGENDA FOR ADDRESSING AMONG COUNTRY INEQUALITY

The drivers of inequality do not only operate at a national level. Relationships among countries—trade, investment, financial flows, migration and technology transfer—all have a bearing on inequality both within and among countries. Trade rules that restrict a given country's opportunities to diversify the economy might, for example, restrict incomes in that country compared with another facing a different global market environment.

However, while at a national level it is clear how a post-2015 agreement might be used to drive accountability between governments and citizens, the mechanism through which an agreement could drive reductions in inequalities among countries is less clear. The poorest in one country cannot hold the rich in a different country accountable for policies that affect them, as there is no political mechanism to do so. An agreement would be most effective if it encouraged the creation of groups with common interests sufficient to develop international campaigns, or if the content of an agreement were to develop a system of mutual accountability among governments, such as, for example, agreements in the area of trade or the environment.

Given the very different contexts in which an agreement might be used at the national level, a 'broad but shallow' agreement might be most appropriate to allow for flexibility. At an international level the situation is likely to be very different. The difficulties of creating and using a new framework suggest a tighter, 'narrow but deep' agreement might be more useful in creating movement in key areas.[26]

A post-2015 framework could be used to drive progress on some issues where agreement among countries has so far proved difficult, such as trade, tax reform or intellectual property. However, there are good reasons why consensus on many of these issues has proved elusive, and the challenge of building it in these areas is not to be underestimated.

The existing MDG8 – which aims to establish 'a global partnership for development' – could be reformulated to drive new global relationships in specific areas of

26 The typology of 'broad and shallow' or 'narrow but deep' comes from a review of successful multilateral agreements, and lessons to be drawn for the post-2015 agreement (O'Brien and Gowan 2012).

particular significance for reducing inequality between countries. It may be possible to design goals aimed at incentivizing progress on a few limited aspects of the wider agendas (market access for low-income countries, for example, or agreements in specific areas of new technologies), if consensus can be found, so that a post-2015 agreement might achieve some progress while avoiding core sticking points.

As with goals that work through national politics, key dimensions of an agreement will be the choice of objectives: Does the framework tackle an issue that is core to reducing inequality, but where there is reasonable chance of movement. Metrics will also be crucial: Does the framework provide the information needed for the different parties to the agreement to hold each other to account?

The choice of objectives and indicators for monitoring efforts to tackle inequality among countries will mainly be influenced by what is politically feasible at a global level. This will be evident during the course of any future negotiations, and it is difficult to predict. However, some specific ideas for global reforms in different areas could be:

FINANCE

The global financial system is a key driver of inequality among countries, as described above. A complicated system of products, institutions, markets and regulations governs the global flow of financial resources, and a post-2015 agreement could not try to tackle all of these. However, it could help to encourage governments to take action in a number of ways which might encourage a greater policy focus on financial reforms.

Increasing the pressure on countries to address tax reforms to promote inter-country inequality

The current MDGs were framed in an era where most poor people lived in extremely poor countries. Thinking about resources for development was focused on aid flows. Many countries are less dependent now on aid than they were; many share an aspiration for further reducing dependence.

In order to do this, they will have to raise more resources from domestic sources. From an equity perspective, it is important that these are raised progressively. Currently, the wealthiest individuals and companies within countries are most able to take advantage of various mechanisms for avoiding or evading taxes, thus increasing inequality within countries and reducing the domestic tax base.

At a global level, illicit financial flows (tax evasion in the form of transfer pricing or other illegal practices) tend to draw money money out of the poorest and towards the richest countries. International cooperation to reduce gaps in tax regulation, for instance by clamping down on tax havens or introducing global accountancy rules to increase transparency in the private sector (so-called 'country by country reporting'), would both increase the domestic resources available for development in many countries in a progressive way, and reduce global inequalities.

A post-2015 agreement could include a specific target focused on national governments on one aspect of the broader tax avoidance and transparency agenda, such as tax haven transparency or country-by-country reporting, under a wider goal on promoting a more equitable global system. Alternatively, the target could be a less specific 'fairer global tax system', and the indicators could include measures of accountancy standards and data transparency at the national level. While these might not in themselves appear to be promoting equity directly, the impact would be to shift global financial flows slightly in the direction of a fairer distribution.

Indicators could then be used by civil society actors to monitor the performance of individual governments, and by governments themselves to assess the extent to which progress was being made.

Direct global redistribution through taxation of financial flows

A more direct proposal to make financial systems contribute to greater equality would be the introduction of an international financial transaction tax (FTT)—either at the global level or on a country by country basis—in order to raise resources for social spending domestically and internationally (see, e.g., UNDP 2011, Chapter 5). While the political difficulties mean that such a tax would be unlikely to make it into a post-2015 agreement directly at this point, there is some momentum in some countries towards it. An agreement could encourage a 'coalition of the willing' to establish financial transaction taxes of different types, for example by having an 'opt-in' target on establishing and maintaining such a tax. Alternatively, should the political climate change, a financial transaction tax target could be added later.

TRADE AND INVESTMENT

Trade can both reduce and increase inequalities within countries, depending on the particular markets involved.

While the current MDGs have a rather vague target to reduce tariffs for products from low-income countries, this has not had any demonstrable effect on the fairness of the global trading system. Inequalities in the gains from trade are driven by long histories of economic development, resource endowments and by political factors. But regulations can help to equalize this situation, or to make it worse, and it is there that a post-2015 agreement might have the most success in driving changes to tackle inequalities among countries.

Increasing equity in goods markets

The existing MDGs focus on tariffs as the key area of trade reform. However, tariffs may no longer be the main instrument through which trade drives inequality. While trade tariffs continue to fall in most countries, non-tariff trade barriers are becoming a major factor undermining developing countries' market access. Rules of origin and sanitary standards are particularly problematic for developing countries. A global equity agenda would demand that these policies be simplified, harmonized and made more transparent to better integrate developing economies in global trade.

A post-2015 framework that included the goal of a more equitable trading system could include, as a target, much greater transparency in non-tariff barriers, including requirements that companies trading internationally should publish their sanitary standards, and provide support for companies from the poorest countries to meet those standards.

Increasing equity in global knowledge

The production of new knowledge and the distribution of rights to use intellectual property are becoming increasingly important determinants of economic advantage as the global economy evolves. While again a post-2015 agreement could not tackle the whole global intellectual property agenda, from a human development point of view reforming international property rights in favour of enhanced technology transfer, particularly in medicine and agriculture, would be of particular benefit to low-income countries' social and economic development. It could also reduce some of the global inequities in the distribution of knowledge and access to technology.

A post-2015 agreement could better support achieving all the other goals within an agreement. Building on some of the innovative public-private partnerships that are developing in specific areas such as health, the mechanism could be focused on mediating between the very different interests of governments and companies in this area, within a framework of the new agreement.

MIGRATION

There is a compelling economic case for increasing global labour mobility, which would have major implications for global inequalities. Increasing labour mobility has the potential to result in sizable developing country resource gains from increased remittances, and the benefits may be much larger than those of fair or favourable trade and investment policies (Clemens 2011). The benefits are not all one-way - increasing labour mobility can be mutually beneficial to both developed and developing economies, such as by filling key labour shortages and solving mismatching problems in the labour market. It can also help to cope with demographic imbalances between active and inactive populations, and the related fiscal consequences (OECD 2011).

However, labour mobility remains heavily restricted, and the political barriers to reducing the restrictions on global migration are huge. Economically, despite the larger benefits *overall* that could be generated by freeing the movement of people, individual workers and households could win or lose in the process. Therefore, migration carries potentially intractable political obstacles, as local workers in recipient countries fear increasing competition with migrant workers, and the prospects of lower wages. Although high-skilled migration tends to be met with less resistance (perhaps due to its link with domestic productivity gains), low-skilled migration is particularly controversial, and evidence on the actual impacts of migration on employment and wages in recipient countries is mixed (ibid).[27]

While developing countries have consistently called for migration to feature in a post-2015 global development agenda, there are few signs of sufficient consensus to allow a meaningful goal or target in this area to be developed. A more useful approach might be to incorporate a migration target or indicator—something fairly limited such as the use of visa policies—in a goal on income poverty or wider economic justice. This would address one of the, admittedly minor, ways in which restrictions on migration can increase global inequalities. More importantly, it would provide an example of how migration can

27 Evidence referred to by UNDP (2009) suggests low-skilled migrants can have a relatively small negative effect on unemployment and wages in recipient countries. See also OECD 2011.

be tackled politically and remove some of the hostility surrounding the subject.

HOW COULD A POST-2015 AGREEMENT PROVIDE INCENTIVES TO REDUCE INEQUALITY AMONG GENERATIONS?

The 2011 HDR outlined how environmental sustainability is also a question of inequality. Sustainability has been high on the post-2015 agenda too, since the proposal for 'Sustainable Development Goals' (SDGs) has increased the pressure for a greater focus on environmental issues in any future framework. Intergenerational inequality is embedded in the idea of sustainable development: The 1987 Brundtland Report, *Our Common Future* the foundation of much current thinking on 'sustainable development', defines it as:

> *"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs."*

A stronger focus on environmental sustainability has a bearing on current inequalities, as the consumption of finite resources in the present limits their use both for other groups in the present and for future generations too. For future generations, there is the additional inequality where the environment is degraded in the present, limiting their opportunities to enjoy, for example, clean water or air, or fertile soils. The outcome document of the Rio+20 conference contained numerous references to the necessity of considering the needs of future generations.

However, the politics of trying to develop global agreementon this issue have to date proved even more difficult than trying to develop systems of accountability among countries. The proposal made in the run up to the Rio+20 conference for an 'Ombudsman for future generations' marked an attempt to incorporate a way of incorporating the interests of the future into present-day policy making, but even that did not meet broad agreement.

As with inequality among countries, a post-2015 agreement can help to alter these politics if is framed in such a way as to be useful to global coalitions trying to push national level policies in a common direction, or if it can be part of a system of mutual accountability among governments, where each perceives it as in their interests that other countries meet their commitments.

One strength of the MDG framework, compared to existing environmental agreements and negotiations, is the way in which human development is placed firmly at the core. This gives a moral urgency to the MDGs that some more technical environmental agreements lack, and which could provide the basis for gaining traction on some issues of inter-generational equity.

Retaining this focus on human development, but incorporating incentives to do this in a more sustainable way, could provide a useful framework for using the moral force of the human development argument to create a system of accountability around the use of resources in achieving global progress.

The 'Sustainable Energy for All' proposal stands as a good example of this approach Ban 2011. The single goal, which fits squarely into a human development paradigm, is followed by global targets relating directly to both poverty (universal access to modern energy sources) and sustainability (doubling the rate of improvement of energy efficiency and the share of renewable energy in the global energy mix). This creates a metric for monitoring global progress on resource use that could be used by civil society groups and governments to encourage national level policy changes contributing to the global target. As with the current MDGs, the translation of that global target into national targets and monitoring would be key to success.

Other possible areas that might be politically ready for the development of similar goals and targets could be water and sanitation, or food and nutrition. In both cases, a target for universal access could be combined with a target for staying within the relevant planetary boundary (see Raworth 2012).

Developing goals using this model would depend both on on available information on which to base the targets and indicators, and on being available, and on the possibility of a political consensus. Natural wealth accounting would help to develop the informational base on trends, and the work of institutions like the Stockholm Resilience Centre on planetary boundaries (Rockstrom et al. 2009) and other key thresholds could help to establish the level of ambition that would be needed to avoid irreparable environmental damage. Box 3 provides an example of the proposed approach.

If the political consensus did not exist in 2015, universal access targets could be agreed upon, with sustainability targets added in subsequent years. There is precedent for this—the MDGs contain several targets that were added after the initial set of goals and targets were agreed in 2001 (see Melamed et al. 2012).

Box 3
Possible goals to integrate sustainability and development, modelled on the Sustainable Energy for All proposal

Eventual goals and and targets for poverty and remaining within environmental limits could be:

Sustainable water and sanitation for all by 2030

- ☐ Ensuring universal access to improved drinking water sources
- ☐ Ensuring universal access to improved sanitation
- ☐ X% reduction in per capita global freshwater use by 2030

Sustainable nutrition for all by 2030

- ☐ Zero incidence of child stunting by 2030
- ☐ X precent reduction in rate of biodiversity loss by 2030
- ☐ X precent reduction in nitrogen levels in the world's oceans by 2030

Source: Melamed et al. 2012, p. 7, Box 1.

A second possible type of goal in the area of intergenerational equity would move away from the human development framework and focus directly on reducing environmental damage in relation to specific resources. The original proposal for SDGs from the governments of Colombia and Guatemala, for example, suggested the possibility of goals on 'oceans' and on 'biodiversity and forests'.

There is a political risk in this. While there exists considerable global consensus around the need to deliver human development, and that there should be some level of shared responsibility for those living in extreme poverty, there is far less consensus on how global resources such as oceans should be managed and what principles should inform the overall distribution of rights to use common resources. The inability to agree on a strong and binding climate change deal under the UN Framework Convention on Climate Change (UNFCCC) gives an illustration of this difficulty. Attempting to use a goal-setting processes to resolve these issues could jeopardize or at least dilute the commitment to poverty reduction that gave the MDGs their impact. For that reason, attempting to resolve difficult issues of intergenerational equity in resource use directly through a goal-setting process, rather than putting it in the context of human development, might be a challenge.

A third possibility might lie in the area of goals adopted by the private sector. Some steps to implement intergenerational equity have been taken in the business world. Puma has introduced environmental accounting alongside financial accounting in order to recognize "the immense value of nature's services that are currently being taken for granted but without which companies could not sustain themselves," according to executive chairman Jochen Zeitz. Unilever has adopted long-term targets to decouple growth from resource consumption as part of its Sustainable Living Plan. It might be possible for a new framework that also included provisions for the private sector to adopt targets and indicators towards agreed-upon goals to drive other companies to change their practices and achieve greater sustainability.

A POST-2015 AGREEMENT THAT TACKLES INEQUALITY

The final shape of that framework will depend as much or more on political negotiations as on an academic understanding of inequalities and their drivers. Its final shape will depend as much on political negotiations as on an academic understanding of inequalities and their drivers. However, a number of principles could be useful in understanding the trade-offs and compromises that will undoubtedly emerge once negotiations start in earnest.

GET THE OBJECTIVES RIGHT.

While politically a post-2015 agreement might not be able to tackle some key underlying sources of inequality, such as the distribution of wealth within a society, what it does tackle should still have significance. Focusing on the quality of education or of health systems might be both politically feasible and useful in reducing inequity, while a focus on inequalities in access to, for example, hospital beds, would be unlikely to be as effective in reducing inequality overall.

GET THE ACCOUNTABILITY RIGHT.

While all agreements will eventually be operationalized through national level policy change, for some aspects the drivers of that change will be mainly national politics and accountability, while for others the drivers are more likely to be coalitions and pressure coming from the global level. Which it is can have a bearing on the type of agreements most likely to be effective. For driving national campaigns for better public services, a fairly broad agreement adaptable to particular country contexts might be most useful. However, for getting politically difficult global changes to, say, migration or trade policy, a much more specific agreement that can be used for mutual accountability among governments is more likely to be effective.

GET THE METRICS RIGHT

A post-2015 framework for human development will stand or fall by the quality of the indicators it uses to *measure* progress. For tracking equity, these must be simple enough to be used for communications with a wider variety of stakeholders, but contain enough information to be persuasive to the hard-to-convince. The choice of indicators will also have a role in encouraging new investments in data collection, and will affect the quantity and quality of data on inequalities available to researchers and policy makers for years to come.

It cannot be stressed enough that politics is crucial to all of this. A post-2015 framework is not a wish-list nor an opportunity to write 'fantasy policy'. To be worth the investment of time and money that will be required to design and negotiate a new agreement, it has to be useful—to governments looking for a guide to policy, to activists looking for a common agenda for change, and to researchers looking for a common way to measure progress. Ultimately, it must be useful in driving the changes that will make people's lives better. It is this final consideration that must guide the trade-offs that will be required in the years to come, and it is on this criterion that a future agreement should be judged.

VI CONCLUSION

PROSPECTS FOR A POST-2015 AGREEMENT THAT PROMOTES EQUITABLE HUMAN DEVELOPMENT

The story of equitable human development in today's world is both positive and negative. Huge progress has been made in most areas—even if not quite enough to achieve all the MDGs. Current data suggest that three have already been met (on income, water and slums), and others are not far behind. The difference this makes to millions of lives should not be underestimated.

At the same time, inequalities persist and even worsen. As huge numbers escape from poverty, those who remain are trapped by a series of intersecting social, economic and geographic exclusions. Inequalities among countries and generations are sustained by patterns of production, consumption and trade that, while generating a better life for many, are at the same time depriving others of the jobs and resources they need to survive and thrive.

A new post-2015 development agreement can be part of the solution to this conundrum, by finding ways amplifying the good progress being made, including through new measures that break down more of the barriers faced by disadvantaged people and countries, and by future generations as they try to improve their lives.

A consensus seems to be slowly building around an agreement that contains greater incentives to reduce inequality between the poorest, in terms of income, and the rest. Moreover, an effort is needed to be sensitive to inequalities related to age, gender, race/ethnicity and disability. A range of possible frameworks exists to monitor progress towards bringing the most disadvantaged up to a minimum level of human development, in every country.

Tackling inequalities among countries and generations is likely to be much harder. While possible frameworks to address both can certainly be imagined, and while some of the indicators required to track progress are or could be measured, political obstacles remain. Lack of progress on trade negotiations, on climate talks, and at the recent Rio+20 conference indicates the scale of the task. But that does not mean it should be abandoned altogether. As part of framing ambitious targets for human development that embed a strong focus on equity, thought should be given to the resource implications of those targets and to the global partnerships and forms of cooperation required to meet them. Even if agreement on these more difficult issues cannot be had by 2015, this thinking can inform the slower development of targets to drive a broader inequality agenda when the time is right.

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