Chapter 1

Inequality in human development: Moving targets in the 21st century
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This chapter considers two main questions: Where do human development inequalities stand today and how are they changing? Many inequalities in human development embody unfairness. To see how, take two babies, both born in 2000—one in a low human development country, the other in a very high human development country (figure 1.1). What do we know about their prospects for adult life today? We know that they are vastly different. The first is very likely to be enrolled in higher education, along with the majority of 20-year-olds in more developed countries today. She or he is preparing to live in a highly globalized and competitive world and has chances do so as a highly skilled worker.

In contrast, the child from the low human development country is much less likely to be alive. Some 17 percent of children born in low human development countries in 2000 will have died before age 20, compared with just 1 percent of children born in very high human development countries. And those who survive have an expected lifespan 13 years shorter than their counterparts in the group of more developed countries. The child born in the low human development country is also unlikely to still be in education: Only 3 percent are in higher education. Both of these young people are just beginning their adult lives, but circumstances almost entirely beyond their control have already set them on different and unequal paths in terms of health, education, employment and income prospects—a divergence that can be irreversible.

Some inequalities within countries—whether developing or developed—are no less extreme than those in the between-country example above. In the United States average life expectancy at age 40 between the top 1 percent of the income distribution and the bottom 1 percent is estimated at around 7 years. The child born in the low human development country is also unlikely to still be in education: Only 3 percent are in higher education. Both of these young people are just beginning their adult lives, but circumstances almost entirely beyond their control have already set them on different and unequal paths in terms of health, education, employment and income prospects—a divergence that can be irreversible.

FIGURE 1.1

Children born in 2000 in countries with different incomes will have severely different capabilities by 2020

Note: These are estimates (using median values) for a typical individual from a country with low human development and from a country with very high human development. Data for participation in higher education are based on household survey data for people ages 18–22, processed by the United Nations Educational, Scientific and Cultural Organization Institute for Statistics in www.education-inequalities.org (accessed 5 November 2019). Percentages are with respect to people born in 2000. People that died before age 20 are computed based on births around 2000 and estimated deaths for that cohort between 2000 and 2020. People in higher education in 2020 are computed based on people estimated to be alive (from cohort born around 2000), and the latest data of participation in higher education. People not in higher education are the complement.

1 percent differs by 15 years for men and 10 years for women. Such disparities are widening.

The 21st century presents an unprecedentedly broad range of human experiences. See, for instance, how the distribution of nonincome indicators of the Human Development Index for subnational areas covers a huge spectrum of outcomes in health and education. Extreme deprivations still exist, not only among low human development countries (figure 1.2). Global elites, including people in low human development countries, enjoy more knowledge, more years of healthy life and more access to life-changing technologies.

Why do striking inequalities persist? Partly because of social structures—many with historical roots—that remain entrenched in formal and informal institutions, adamantly resisting change. To shift the curve of human development inequalities, it is not enough to improve just one or two particular indicators. Instead, the social structures that perpetuate inequity need to change.

Portraying the scope of inequalities in human development and their evolution is a daunting challenge because they are dynamic, complex and multidimensional. Which to include? How to measure them? How to aggregate them? How to analyse them? And at what level: globally, nationally, subnationally, within social groups or even in the household? Amid this complexity, however, it might be possible to discern broad patterns of evolution in inequalities that are widely shared. This is the task that the rest of this chapter explores.

**Understanding inequality in capabilities**

Human development means expanding the substantive freedoms to do things that people value and have a reason to value. What people actually choose to be and do—their achieved functioning—is enabled by income and wealth but is distinct from it. And while the achieved functioning matters, human development is not defined merely by the choices that people actually make; it is also defined by “the freedom that a person has in choosing from the set of...”

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**FIGURE 1.2**

Still massive inequality in human development across the world, 2017

![Graph](https://example.com/graph.png)

feasible functionings, which is referred to as the person’s capability.76 Thus, the analysis of inequality in this chapter considers inequality of capabilities (box 1.1).

But what capabilities to consider? Sen argued that one must adjust in response to evolving social and economic conditions. For example, in India at the time of independence in 1947, it was reasonable to concentrate “on elementary education, basic health, […] and to not worry too much about whether everyone can effectively communicate across the country and beyond.” Later, however—with the internet and its applications, as well as broader advances in information and communication technology—access to the internet and freedom of general communication became an important capability for all Indians. Whereas one relevant aspect of this insight is strictly linked to capabilities (access to the internet), another intersects with human rights and specifically with the right to freedom of opinion and expression.8 Moreover, capabilities evolve not only with circumstances but also with values and with people’s changing demands and aspirations.

The capabilities approach is thus open-ended, which some observers see as a shortcoming.9 One objection is that it does not lend itself to specifying a standard and fixed goal for evaluating social welfare because capabilities are continuously moving targets. This Report takes a different view: It considers that the inequalities we care about may indeed be moving targets and thus aims to identify patterns and dynamics of inequality in a wider set of capabilities that may be increasingly relevant during the 21st century.

Another challenge is how to measure capabilities—that is, how to move from concepts to the empirical assessment of how capabilities are distributed. Here the Report follows the approach taken when the Human Development Index (HDI) was introduced and identifies a few observable achieved functionings to capture broader capabilities (for instance, in the HDI, having the option to live a long and healthy life is associated with the indicator of life expectancy).

BOX 1.1

Inequality of capabilities

In keeping with previous Human Development Reports, this Report assumes, from a normative perspective, that the inequalities that matter intrinsically are inequalities in capabilities. Capabilities—broadly defined as people’s freedom to choose what to be and do—cannot be reduced to income and wealth alone, because these are instrumental.7 Nor can they be defined as utility and measured by people’s actual choices, for that would obscure real differences in how individuals use income for achievements that they value.2 Instead, capabilities are people’s freedoms to choose what they want to be and do—regardless of whether they actually make those choices. Thus, capabilities are closely related to the concept of opportunities. It is not enough to know that someone has not travelled to a foreign country; we need to know whether that was a free choice or whether the person wanted to travel but either could not afford it or was denied entry.3

The first Human Development Reports used the capabilities approach to intervene in the development discourse of the time, when debates centred on basic needs,4 leading to the introduction of the Human Development Index (HDI)—measuring the capability to live a long and healthy life, to acquire knowledge and to earn income for a basic standard of living.5 The HDI was meant to be a metric of a very minimal list of capabilities, “getting at minimally basic quality of life.”6 It was never a statistic to be maximized, as in aggregate utility. It was computed at the country level, mostly because of data availability, and was meant to enrich the assessment of countries’ development performance.7

Notes
1. Sen (1980) went further than Rawls’s social primary commodities, with essentially the same argument—that these are, at best, instrumental. 2. More precisely, Sen (1980) was showing the limitations of utilitarianism as a normative principle to adjudicate welfare. In utilitarianism, social welfare is assessed based on the actual choices that people make. People are assumed to maximize their individual utility—an increasing function of income, but one that yields less utility the higher the income. So achieving the ideal social welfare implies maximizing the sum total of utility in a society. That, in turn, can happen only if income is distributed so that individual marginal utility is equalized. Sen used a well known and compelling illustration to show how this principle could result in outcomes that violate our sense of fairness. Consider two individuals: One, who lives with a disability, is not very efficient in turning an additional dollar of income into utility; another, in contrast, derives satisfaction from every single additional dollar. Utilitarianism would dictate giving more income to the second person, an outcome that violates our sense of fairness. 3. Basu and Lopez-Calva 2011. 4. Stewart, Ranis and Samman 2018. 5. Sen (2005) credits joint work with Mahbub Ul Haq to develop a general index for global assessment and critique, going beyond gross domestic product (GDP). 6. Sen 2005. 7. Perhaps more important, quoting Klasen (2018, p. 2), “Many of the battles of the 1990s that came to define the Human Development Reports have been won. Today, the entire development community accepts that development is more than increasing per capita gross domestic product (GDP). The HDI has been canonized in all standard textbooks on development economics or development studies … and is considered the most serious and comprehensive alternative to GDP per capita. […]”

Inequalities we care about may indeed be moving targets
Initial stepping stones, such as surviving to age 5, learning to read and doing basic math are crucial to further development: These basic achievements present some of the necessary conditions for creating further capabilities in life.

The enhanced achievements that follow, such as a long and healthy adult life or tertiary education, reflect more advanced access to opportunities.

While these observable achievements are what can be measured (and compared across countries in a global report), they are taken to represent a wider set of capabilities that also range from basic to enhanced. Emphasis should be placed on the underlying concept of basic and enhanced capabilities over the specific measurements, which can evolve and change from country to country. Here the inspiration is Amartya Sen’s definition of a basic capability as “the ability to satisfy certain elementary and crucially important functionings up to certain levels.” Basic capabilities thus refer to the freedom to make choices necessary for survival and to avoid or escape poverty or other serious deprivations.

The differentiation between basic and enhanced capabilities is valid also for other human development dimensions that are not necessarily tied to an individual lifecycle—for example, in the progression from basic to frontier technologies and in the ability to cope with environmental shocks, from frequent but low-impact events to large and unpredictable hazards.

This distinction between basic and enhanced capabilities resembles the analysis of practical needs and strategic needs in the context of gender empowerment, pioneered by Caroline Moser. Associated with the distinction is a cautionary message: While investment in basic needs is essential, to focus on them exclusively is to neglect inequalities in strategic aspects of life, those that change the distribution of power.

Thus, the next section presents a stylized analysis along two key dimensions beyond income: health and access to knowledge—both core dimensions of the human development approach since the first Human Development Report. The sequence from basic to enhanced capabilities can be framed in the context of a lifecycle analysis (which is also used in chapter 2 when analysing the mechanisms leading up to the emergence of inequalities in capabilities). Later in the Report the same patterns will be illustrated in two other dimensions: human security in the face of shocks linked to trends on climate change (chapter 5) and technology (chapter 6). These drivers of the distribution of capabilities in the 21st century are considered without implying that others, such as demographic changes, are unimportant or that they are the only two that matter, but to allow for a treatable elaboration of the arguments showing the relevance of analysing the inequality dynamics in both basic and enhanced capabilities.

Admittedly, constraining the analysis to these four dimensions is arbitrary. And in no way should these aspects be regarded as the most important or have any normative meaning. But it is plausible to claim that the distribution and evolution of capabilities across these four dimensions will be paramount in determining people’s agency over the 21st century—that is, “the ability to decide on and the power to achieve what they want.” These capabilities, while essential for agency, are not their sole determinants because human motivations are not driven exclusively by improvements in one’s own well-being; “people’s sense of fairness and concern that they and others be treated fairly” also matter. While a full treatment of the implications of these broader determinants of agency is beyond the scope of the Report, this chapter concludes with a section that looks at perceptions of inequality (which could indicate how a sense of fairness, or lack thereof, is evolving) as well as some of the social and psychological underpinnings of how these perceptions may emerge and how they connect with human dignity.

**Dynamics of inequality in human development: Convergence in basic capabilities, divergence in enhanced capabilities**

On each of the four dimensions considered in the Report, it is possible to identify a differentiation in capabilities, from basic to enhanced (figure 1.3):
Inequalities and unfairness persist. Human development inequalities remain widespread.
Convergence appears in basic capabilities. Those at the bottom are catching up in the basics. Divergence appears in enhanced capabilities. Gaps in enhanced capabilities exceed those in the basic ones or are rising.
FIGURE 1.4
The world remains deeply unequal in key areas of human development in both basic and enhanced capabilities

**Health**

- **Life expectancy at birth, 2015** (years)
  - Low: 59.4
  - Medium: 66.6
  - High: 72.9
  - Very high: 78.4

- **Life expectancy at age 70, 2015** (years)
  - Low: 9.8
  - Medium: 11.1
  - High: 12.6
  - Very high: 14.6

**Education**

- **Population with a primary education, 2017** (percent)
  - Low: 42.3
  - Medium: 66.5
  - High: 84.9
  - Very high: 93.5

- **Population with a tertiary education, 2017** (percent)
  - Low: 3.2
  - Medium: 13.7
  - High: 18.5
  - Very high: 28.6

**Access to technology**

- **Mobile-cellular subscriptions, 2017** (per 100 inhabitants)
  - Low: 67.0
  - Medium: 90.6
  - High: 116.7
  - Very high: 131.6

- **Fixed broadband subscriptions, 2017** (per 100 inhabitants)
  - Low: 0.8
  - Medium: 2.3
  - High: 11.3
  - Very high: 28.3

Inequality-adjusted Human Development Index (IHDI), which adjusts the HDI value for inequality within countries in each of its components (health, education and income). According to the IHDI, the global average loss in human development due to inequality is 20 percent.

While there is catching up in the basics, this is happening years after the wealthier segments of society exhausted the space to make further progress on the same fronts. People at the top of the distribution typically have reached the limit of progress in basic capabilities: Universal coverage in primary education and secondary education, very low infant mortality rates and access to basic technology are now taken for granted among better-off segments of most societies. They are looking towards more advanced goals. What is happening in these enhanced areas?

Third, there is divergence in enhanced capabilities. Inequality is typically higher across enhanced capabilities, and when it is not, it is growing. In each of the key dimensions of human development considered—health, education, living standards, access to technology and security—groups converging in basic capabilities lag behind in access to enhanced capabilities. Greater ambitions are defining moving targets. Yet this set of enhanced achievements will increasingly determine people’s lives in this century, in part because they are linked to some of the most consequential change drivers of our time: technology and climate change.

While there is catching up in the basics, this is happening years after the wealthier segments of society exhausted the space to make further progress on the same fronts.

**FIGURE 1.5**

In all regions of the world the loss in human development due to inequality is diminishing, reflecting progress in basic capabilities.

![Graph showing the loss in human development due to inequality in percent for different regions of the world in 2010 and 2018.](image-url)

FIGURE 1.6

Convergence in basic capabilities, divergence in enhanced capabilities

**Health**

- **Declining inequality**
  - Life expectancy at birth
    - Change between 2005 and 2015 (years)
  - Low: 5.9, Medium: 4.9, High: 2.7, Very high: 2.4

- **Increasing inequality**
  - Life expectancy at age 70
    - Change between 2005 and 2015 (years)
  - Low: 0.5, Medium: 0.7, High: 0.8, Very high: 1.2

**Education**

- **Population with a primary education**
  - Change between 2007 and 2017 (percentage points)
  - Low: 5.3, Medium: 9.2, High: 8.6, Very high: 3.0

- **Population with a tertiary education**
  - Change between 2007 and 2017 (percentage points)
  - Low: 1.1, Medium: 6.2, High: 5.9, Very high: 7.1

**Access to technology**

- **Mobile-cellular subscriptions**
  - Change between 2007 and 2017 (per 100 inhabitants)
  - Low: 49.3, Medium: 59.5, High: 49.3, Very high: 26.1

- **Fixed broadband subscriptions**
  - Change between 2007 and 2017 (per 100 inhabitants)
  - Low: 0.8, Medium: 2.0, High: 8.9, Very high: 12.3

People born in very high human development countries are expected to live almost 19 more years (or almost a third longer) than people in low human development countries.
Inequality in healthy life expectancy

While the length of life is important for human development, equally essential is how those years are lived. Are they enjoyable? Does health remain good? The indicator of healthy life expectancy suggests large discrepancies. Healthy life expectancy for very high human development countries is about 68 years, compared with only about 56 years for low human development countries.

A look at some specific diseases can shed some light on causes of inequalities in life expectancy and healthy life expectancy. The prevalence of tuberculosis, for example, is only 0.8 per 100,000 people in the United Arab Emirates but 724 per 100,000 in Lesotho. The HIV prevalence rate among adults is 27.2 percent in the Kingdom of Eswatini but only 0.1 percent in many very high human development countries, among them Australia, Bahrain, Kuwait and Romania. Malaria has been defeated in Sri Lanka and is projected to be defeated in 2020 in Argentina, Belize, Costa Rica, Ecuador, El Salvador, Mexico, Paraguay and Suriname. But prevalence is still high in Mali, with 459.7 cases per 1,000 people at risk, and Burkina Faso, with 423.3. In May 2019, 1,572 people in the Democratic Republic of Congo suffered from Ebola.

Source: Human Development Report Office calculations based on data from the United Nations Department of Economic and Social Affairs.

Notes
Catching up in the basics: Global convergence in life expectancy at birth, especially through reduced infant mortality

The increase in life expectancy at birth—from a weighted average of 47 years in the 1950s to 72 years around 2020—portrays the extraordinary progress in health.\textsuperscript{23} In 2000 several countries still had life expectancy at birth below 50 years, a category expected to disappear from every country average by 2020.\textsuperscript{24} The improvement has been observed across human development groups (see figure 1.7). Moreover, low human development countries gained almost 6 years of life expectancy at birth between 2005 and 2015, compared with 2.4 years for very high human development countries (figure 1.8, left panel). This is consistent with a reduction of more than 4 percentage points in under-five mortality rates in low human development countries. Another area with significant reduction is maternal mortality, which fell 45 percent between 1990 and 2013.\textsuperscript{25}

A detailed look at the situation within developing countries confirms these trends. To facilitate meaningful comparability, figure 1.9 groups the within-country results (information per quintile in 54 countries), according to their human development level. Consider infant mortality rates, an important determinant of life expectancy at birth. They have been declining everywhere, but significant gradients remain: Children born in poorer quintiles have a much higher probability of dying during the first year of life than those born in wealthier quintiles. This is the case across all human development groups.

The convergence in mortality rates at younger ages is also confirmed within countries: Infant mortality appears to be falling for all segments of the population, and in most countries the greatest reductions in infant mortality are in the poorest three quintiles. This result is consistent with the decline in the dispersion of life expectancy at birth documented in an analysis of more than 1,600 regions in 161 countries, covering more than 99 percent of the world population.\textsuperscript{26}

Growing inequalities in enhanced capabilities: Divergence in life expectancy at older ages

Consider the levels and the evolution of average mortality rates for different groups of countries, both at young ages (ages 0–5) and at older ages (ages 70–79) (figure 1.10). While the level of inequality in mortality rates is much higher at young ages than at older ages, the changes in mortality rates reflect different patterns. Child mortality rates converge—dropping faster for lower human development countries—just as mortality rates at older ages diverge.

If the countries performing poorly in 2005 are the ones with greater progress over 2005–2015, there is catching up or convergence. But if the countries with worse performance in 2005 are the ones with less improvement over 2005–2015, there is divergence. Different patterns can be observed with different definitions of life expectancy: going from clear convergence in life expectancy at birth to clear divergence in life expectancy at age 70 (see figure 1.8, right panel).\textsuperscript{27}

Inequalities in life expectancy at older ages are an emerging form of inequality in human development in the 21st century. Divergence in life expectancy at older ages is much stronger today than during the second half of the 20th century.\textsuperscript{28} And since the turn of the century, life expectancy at older ages has been increasing much faster in very high human development countries than elsewhere. During 2005–2015 life expectancy at age 70 increased 0.5 year in low human development countries and 1.2 years in very high human development countries.

Improvements in technologies, enhanced social services and healthy habits are moving the frontiers of survival at all ages. While the space for reducing mortality under age 5 is shrinking fast, it remains large at older ages (under age 80).\textsuperscript{29} An important factor behind different mortality rates at older ages are variations in noncommunicable disease rates across different groups. People with lower socioeconomic status or living in more marginalized communities are at higher risk of dying from a noncommunicable disease.\textsuperscript{30}

The world is getting older fast. People over age 60 are the fastest growing age segment of the global population. By 2050, one person in five worldwide is expected to be in this age group; in more developed regions the proportion is expected to be one in three.\textsuperscript{31} Therefore, the relevance of inequalities linked to older people will grow.

These between-country results are consistent with emerging evidence from within-country
The changing inequality in life expectancy, 2005–2015: Low human development countries catching up in life expectancy at birth but lagging behind in life expectancy at older age

Note: Convergence and divergence are tested for in two ways: by using the slope of an equation that regresses the change over 2005–2015 with respect to the initial value in 2005 (with ordinary least squares, robust and median quantile regressions) and by comparing the gains of very high human development countries and the gains of low and medium human development countries. For life expectancy at birth there is convergence according to both metrics (p-values below 1 percent). For life expectancy at age 70 there is divergence according to both metrics (p-values below 1 percent).

Source: Human Development Report Office calculations based on data from the United Nations Department of Economic and Social Affairs.
**FIGURE 1.9**

Infant mortality rates, an important determinant of life expectancy at birth, have been declining everywhere, but significant gradients remain.

<table>
<thead>
<tr>
<th>Human Development Group</th>
<th>Quintiles</th>
<th>2007</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Q1</td>
<td>103.6</td>
<td>79.6</td>
</tr>
<tr>
<td>Medium</td>
<td>Q2</td>
<td>102.0</td>
<td>85.6</td>
</tr>
<tr>
<td>High/very high</td>
<td>Q3</td>
<td>93.4</td>
<td>90.5</td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>81.2</td>
<td>72.4</td>
</tr>
<tr>
<td></td>
<td>Q5</td>
<td>63.9</td>
<td>54.0</td>
</tr>
</tbody>
</table>

Note: Data for 2007 refer to the most recent year available during 1998–2007, and data for 2017 refer to the most recent year available for 2008–2017. Data are simple averages across human development groups. Only one very high human development country (Kazakhstan) is included in the sample. Quintiles reflecting within-country distribution of assets are grouped by human development groups.

Source: Human Development Report Office calculations based on data from the United Nations Department of Economic and Social Affairs.

**FIGURE 1.10**

Mortality: Convergence in basic capabilities, divergence in enhanced capabilities.

Education is expanding in most countries, across all levels of development. But inequality remains in both enrolment among younger generations and adults’ education attainment.

Inequalities in education are widespread

Education is expanding in most countries, across all levels of development. But inequality remains in both enrolment among younger generations and adults’ education attainment. On average, the lower a country’s human development, the larger the gap in access to education (figure 1.11). For low and very high human development countries the gaps in enrolment ratios range from 20 points for primary education to 58 points for secondary and tertiary education to 61 points for preprimary education.

Gaps in access to education among children and youth are also large within countries (figure 1.12). Across levels of human development, the bottom income quintiles nearly always have less access to education, except for primary education in high and very high human development countries, where access is already universal.

Catching up in the basics: Convergence in primary education but not fast enough

Inequality is usually smaller in primary and secondary education, and most countries are on track to achieve universal primary education, which represents the potential acquisition of basic capabilities. Enrolment in secondary education is nearly universal in very high human development countries, while in low human development countries only about a third of children are enrolled. The success in reducing inequality is captured by concentration curves, showing equality as proximity to the diagonal (figure 1.13, top panel). Inequality in primary and secondary education has been falling over the past decade. People in countries with initially low enrolment (predominantly low and medium human development countries) have seen the highest increases on average (see figure 1.13, bottom panel). Trends in education attainment are similar: There is a strong reduction in gaps in primary education (figure 1.14). But these are averages, and convergence is not equally strong in all contexts because some groups are being left behind (as discussed later in this chapter).

Education: Increasing access but with widening inequality in capabilities

Through education students from disadvantaged backgrounds can improve their chances of social mobility. But for children who leave the school system early or do not receive a high-quality education, gaps in learning can become a trap with lifetime and even inter-generational implications.33

Studies. In the United States higher income is associated with greater longevity. And inequality of life expectancy has increased in recent years. Between 2001 and 2014 individuals in the top 5 percent of the income distribution gained more than 2 years of life expectancy at age 40, while lifespans in the bottom 5 percent remained nearly unchanged.32 The importance of socioeconomic factors is highlighted by the fact that life expectancy at age 40 among low-income people (the bottom quartile) varies by about 4.5 years across cities: Low-income individuals in affluent cities with highly educated populations and high government expenditures, such as New York and San Francisco, tend to live longer (and to have healthier lifestyles) than elsewhere. Those cities also experienced the largest gains in life expectancy among poor people during the 2000s. Finally, differences in life expectancy limit redistribution because low-income individuals obtain benefits from social programmes for fewer years than high-income individuals do.33

Other studies show increasing inequalities in life expectancy in Canada,34 Denmark,35 Finland,36 Japan,37 the United Kingdom,38 the United States39 and some Western European countries.40 The literature on developing and emerging countries is very limited.41 In Chile the increase in inequalities in life expectancy at older ages between 2002 and 2017 is linked to the socioeconomic status of municipalities (box 1.4).

These emerging inequalities reflect how advances in longevity are leaving broad segments of people behind. More detailed analyses are necessary to identify determinants and policy actions to ensure that the fruits of progress are within reach of everyone. But if these trends are not reversed, they will lead to increased inequality in the progressivity of public policies focused on supporting older citizens.42

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Divergence in life expectancy at older ages in Chile

Chile has historically been an unequal country in terms of income, with a Gini coefficient of 0.50 in 2017 (official figures from the CASEN Survey). For life expectancy at older ages, inequality is significant as well. In Santiago Metropolitan Region, people living in the wealthier comunas (municipalities) have a higher life expectancy at age 65—more than 2 years on average (those at the upper right in the figure). There has been generalized improvement in life expectancy over the last 15 years (between the 2002 and 2017 censuses). However, the differences between comunas are persistent and, indeed, have increased. Today, in terms of life expectancy at older ages, there is little overlap between the situation of the wealthier comunas and the rest.

There are multiple implications of the divergence in life expectancy at older ages. First, they reflect the unevenness of progress in health across the country. Advances in healthy life are taking place, but they are not reaching all social groups and territories equitably. Second, there are potentially regressive distributive effects through the pension system, which ties retirement benefits to the amount of money accumulated in an individual savings account and to the life expectancy after retirement—that is currently common across social groups.

This example shows the importance of comprehensive analysis of inequalities using the human development lens, going beyond income (assessing the health dimension), beyond averages (looking at disaggregated data in different areas) and beyond today (covering inequalities expected to become more important in the years to come). This new look at emerging inequalities is essential for the design of policies.

People living in the wealthiest comunas in the Santiago Metropolitan Region have, on average, increased their already higher life expectancy at older ages more than people living in poorer comunas have increased their lower life expectancy at older ages.
FIGURE 1.11

The lower a country’s human development, the larger the gap in access to education

![Graph showing enrolment ratios for preprimary, primary, secondary, and tertiary education levels across different human development groups (low, medium, high, very high).](image)

Note: Data are simple averages of country-level data.

FIGURE 1.12

Gaps in access to education among children and youth are also large within countries

![Graph showing attendance rates for primary, secondary, and tertiary education levels across different human development quintiles (Q1, Q2, Q3, Q4, Q5) within low, medium, high, and very high human development groups.](image)

Note: Only one very high human development country (Montenegro) is included in the sample. Data are for 2016 or the most recent year available. Quintiles are based on distribution of ownership of assets within countries.
Inequality in primary and secondary education has been falling over the past decade

Inequalities in **basic capabilities** are lower and falling (convergence): This is the case of enrolment ratios in primary and secondary education. Low human development countries are catching up with high and very high human development countries.

But inequalities in **enhanced capabilities** are large and growing (divergence): Inequalities in enrolment ratios in preprimary education and tertiary education are high or growing.

### Concentration curves (2017)

<table>
<thead>
<tr>
<th></th>
<th>Cumulative outcome proportion</th>
<th>Percent of population</th>
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</thead>
<tbody>
<tr>
<td><strong>Primary</strong></td>
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<tr>
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<td>1.0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
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**Note:** Concentration curves are ordered by Human Development Index value.

**Source:** Human Development Report Office calculations based on country-level data from the United Nations Educational, Scientific and Cultural Organization Institute for Statistics.
Dynamics of education attainment, 2007–2017

Note: Convergence and divergence are tested for in two ways: by using the slope of an equation that regresses the change over 2007–2017 with respect to the initial value in 2007 (with ordinary least squares, robust and median quantile regressions) and by comparing the gains of very high human development countries and the gains of low and medium human development countries. For attainment of primary education there is convergence according to both metrics (p-values below 1% in all regressions and below 5% in the comparison between human development groups). For attainment of tertiary education there is divergence according to both metrics, with different significance levels in regressions: the parameter is positive in all cases; it is not statistically significant in the ordinary least squares regression, but it is statistically significant in the robust regression (p-value below 10%) and the median quintile regression (p-value below 1%) and for the comparison between human development groups (p-value below 5%).

Inequalities in preprimary education and post-secondary education are high and, in many places, growing. Concentration curves reflect how these achievements are more unevenly distributed for preprimary and tertiary education (see figure 1.13, right side). Moreover, the gaps are growing on average: Low human development countries—already behind—tend to have slower progress.

These trends—of convergence in basic education and divergence in enhanced education—are not destiny; there is heterogeneity, reflecting space for policies. Taking information about attainment, for instance, East Asia and the Pacific and Europe and Central Asia have made notable progress in expanding tertiary education, closing in on developed countries (see figure 1.14). However, the other regions follow the overall trend, with Sub-Saharan Africa catching up very strongly in primary education and lagging behind in tertiary education.

Data for 47 developing countries show divergence in the acquisition of enhanced capabilities: Quintiles with higher access to post-secondary education 10 years ago have seen the largest gains (figure 1.15).

The unevenness in distribution has consequences for human development. The largest gaps appear in the formation of enhanced capabilities, which are the areas with the highest returns: in preprimary education, with the highest social returns, and in tertiary education, with the highest private returns. This analysis considers preprimary education an enhanced achievement because of its importance and because societies have come to acknowledge its importance only in recent years. The inequalities in the formation of enhanced capabilities pave the way to future inequality throughout the lifecycle, particularly in access to work opportunities and income.

The distinction between basic and enhanced capabilities in education depends on the effect of various achievements on what people can do. The large and widening gaps not only show differentiated access to tertiary education and its direct impact on access to learning; they also determine inequalities in the availability of professionals between and within countries, with effects on multiple areas of human development. For instance, the inequalities in the availability of physicians are widening between countries. High and very high human development countries had significantly more physicians per capita in 2006 and have, on average, increased the gaps between themselves and low and medium human development countries (figure 1.16).

FIGURE 1.15
Inequalities in postsecondary education within countries are growing

Note: Data are simple averages for each human development group. Only one very high human development country (Montenegro) is included in the sample. Quintiles are based on distribution of ownership of assets within countries.

Source: Human Development Report Office calculations based on data from Demographic and Health Surveys and Multiple Indicator Cluster Surveys processed by the World Bank.

Data for 47 developing countries show divergence in the acquisition of enhanced capabilities: Quintiles with higher access to postsecondary education 10 years ago have seen the largest gains.
While more than 90 percent of children in the world today receive some schooling, fewer than half of those in school achieve minimum proficiency in reading and mathematics by the end of primary school.

Growing inequalities in more empowering areas: The learning crisis

Education should mean ensuring that schooling leads to learning. But the great education expansion has not translated into commensurate gains in learning, where large inequalities exist. And much remains to be done—in many countries achievement in learning is disturbingly low. While more than 90 percent of children in the world today receive some schooling, fewer than half of those in school achieve minimum proficiency in reading and mathematics by the end of primary school.48

The rapid expansion of education in developing countries has led to the enrolment of millions of first-generation learners, who lack support from their families when they fall behind in the curriculum. Students who fall behind may struggle if the level of classroom instruction (based on textbooks that follow ambitious curricular standards) is considerably above their learning level.49 These problems are exacerbated at higher grades, if students are automatically promoted to the next grade without having acquired foundational skills. Low skills continue to undermine career opportunities—and earnings—long after students leave school.

In nearly all countries, family background—including parent education, socioeconomic status and conditions at home (such as access to books)—remains the strongest predictor of learning outcomes.50

The learning gradient compounds inequality over inequality: Those from disadvantaged groups not only have fewer opportunities to receive education; they also learn much less once in the classroom (figure 1.17). These socioeconomic inequalities have remained high and stable over the past two decades in countries with a longer history of standard data.51

Convergence in the basics is not benefiting everyone: Identifying those furthest behind

This chapter has documented convergence across basic capabilities. But does that imply that the rising tide is lifting all boats? This section shows that, despite convergence, many people are excluded and remain stuck at the very bottom of society. Convergence in basic capabilities is not absolute—advances in health and education within countries continue to leave many behind.

Average convergence is not a sufficient condition to leave no one behind. Convergence can be characterized into four cases, from the point of view of a particular group:

FIGURE 1.16

Widening inequalities in the availability of physicians between countries

![Widening inequalities in the availability of physicians between countries](image)

**Note:** Data are simple averages for each human development group. **Source:** Human Development Report Office calculations based on country-level data from the World Bank’s World Development Indicators database.

FIGURE 1.17

Harmonized test scores across human development groups

![Harmonized test scores across human development groups](image)

**Note:** Each box plots the middle 50 percent of the distribution; the central line is the median; the extreme lines are the approximate minimum and maximum of the distribution. **Source:** Human Development Report Office calculations based on country-level data from World Bank (2018b).
Today, 5.4 million children, more than half of them newborns, do not survive their first five years of life; at current rates of progress there will be around 3 million child deaths in 2030.

• Absolute convergence: the group catches up with respect to all those above.
• Weak convergence: a group catches up on average with those at the top.
• Simple divergence: a group records very slow progress, so the average gap with those at the top increases.
• Full divergence: there is a setback, with an increasing gap with respect to the rest and the initial situation.

Two indicators from the HDI that are more linked to basic capabilities (life expectancy at birth and mean years of schooling) can illustrate the limits of average convergence. The analysis is based on the share of the population in low, medium and high human development countries converging (or not) to very high human development achievements (table 1.1). Over 2007–2017 there was significant convergence, but it was partial (only half the population) and mostly weak (only 0.3 percent achieved absolute full convergence). The difference between absolute convergence and weak convergence was consequential: the “lost” progress in terms of life expectancy at birth was 2.8 years and in terms of mean years of schooling was 0.7 year. By contrast, 36 percent of the population was in a mixed zone, with convergence in one variable and divergence in the other (yellow cells in table 1.1). And 14 percent of the population was in the divergence zone (red cells in table 1.1).

The partial and weak convergence has implications for the future and for the achievement of the SDGs. Today, 5.4 million children, more than half of them newborns, do not survive their first five years of life; 262 million children are out of school at either the primary or secondary level; and nearly 600 million people around the globe still live on less than $1.90 a day. This suggests that those with low human development face a double challenge. Part of the population has not met the basic set of human development capabilities in their life expectancy, schooling and income. And a larger part is also falling behind the enhanced capability set that revolves around higher thresholds of educational achievement, labour and digital skills.

Despite greater access to immunizations and affordable medical technologies, child mortality rates in the poorest households of the world’s poorest countries remain high (figure 1.18). The highest rates are concentrated in low and medium human development countries. And there are vast disparities within countries: The poorest 20 percent in middle income Guatemala have the same average mortality rate as in low income Senegal.

At current rates of progress there will be around 3 million child deaths in 2030. Most would be the result of eminently preventable causes rooted in poverty and unequal access to quality health care. Around 850,000 will reflect the gap between the SDG target and the outcomes on the current trajectory. Given that the ratio of deaths between the poorest and the richest is more than 5 to 1, accelerating progress for the poorest children would act as a powerful catalyst for overall progress—and this illustrates the power of convergence by moving up those at the bottom, which would save 4.7 million lives between 2019 and 2030 (figure 1.19).

### TABLE 1.1

<table>
<thead>
<tr>
<th>Life expectancy at birth</th>
<th>Mean years of schooling</th>
<th>Full convergence</th>
<th>Divergence</th>
<th>Weak convergence</th>
<th>Absolute convergence</th>
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<tr>
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<td>1.4</td>
<td>1.7</td>
<td>0.3</td>
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</tbody>
</table>

Note: Estimates are population weighted with respect to performance of very high development countries.

About 262 million children and youth were out of school in 2017.

The leading causes of death among children under age 5 remain unaddressed. They include preterm birth complications (18 percent of the global total), pneumonia (16 percent), complications during birth (12 percent), with congenital anomalies, diarrhoea, neonatal sepsis and malaria each accounting for a further 5–10 percent. Targeted interventions in tuberculosis, pneumonia and diarrhoea have some of the highest return for reducing under-five mortality in the developing world. And three-quarters of deaths among those ages 0–14 are from communicable, perinatal and nutritional conditions. Lack of data is also an issue. Targeted interventions benefit from real-time record keeping, using home-based records to supplement health provider registries. Early adopters of electronic medical records—Peru, Kenya, Malawi and Haiti—show how information systems can help with micro-targeting of those furthest behind.

Staying in school remains a challenge at the bottom of the global distribution. About 262 million children and youth were out of school in 2017.

FIGURE 1.18
Child mortality converges with human development, but not for the poorest 20 percent

Note: Colours represent human development thresholds. Each bubble represents a country, and the size of the bubble is proportional to the country’s population. Source: Human Development Report Office estimates.

FIGURE 1.19
Some 846,000 of 3.1 million child deaths are preventable if the bottom 20 percent converge to the country average

school in 2017, 64 million of primary school age, 61 million of lower secondary school age and 138 million of upper secondary age. Sub-Saharan Africa has the highest rates of exclusion. And simply attending school does not guarantee that children are learning. Over half the world’s children cannot read and understand a simple story by age 10. As with mortality rates, there are wide disparities within countries, showing that being at the bottom of the national income distribution sharply increases the chance of dropping out (figure 1.20).58

On current trends the out-of-school rate will drop from 18 percent in 2017 to 14 percent in 2030. A deviation from the target, representing 225 million children59 starting their life with a hardly reversible disadvantage.

The mixed picture of progress can be seen through the lens of the Global Multidimensional Poverty Index, produced by the United Nations Development Programme and the Oxford Poverty and Human Development Initiative. Today 1.3 billion people in developing countries are multidimensionally poor. In a detailed study of 10 countries with comparable data over time, nine saw a reduction in the multidimensional poverty rate in recent years. And in nine of them the improvement of the bottom 40 percent was faster than the improvement of the total population. This suggests overall convergence. However, the situation is heterogeneous when looking beyond the averages. While in India the territories that were lagging behind were able to catch up quite significantly—notably Bihar and Jharkhand—in Ethiopia some of the poorer territories were the ones with the slowest progress, notably Oromia.60

Lack of human security in a broad sense is one of the factors behind divergence in particular territories (box 1.5). Human development for those at the bottom of the distribution is thwarted by shocks—income, health, conflict or disaster—that make already vulnerable households more vulnerable. Risks refer to events possibly occurring that can damage welfare, and vulnerability can be understood as the (ex ante) magnitude of the threat to human development outcomes.61 Individuals and households can reduce their vulnerability—that is, they can strengthen their ability to deal with shocks when they happen—by having access to assets that can soften the blow.

The stakes at the bottom are high. Shocks can affect people’s actions in ways that diminish human development potential over the long run (for instance taking children out of school), but they can also push individuals and households into extreme deprivation without much notice.

**Towards enhanced agency**

The preceding section presented some stylized facts about inequalities in human development—going beyond income. But the analysis of a few dimensions using a limited set of standard indicators is far from exhaustive. Relevant inequalities in human development likely vary across geographies, cultures and time. Indeed, the people-centred human development approach is pluralist—admitting different valuations and priorities—and open-ended.

How best to manage this complexity—the multidimensional and changing nature of inequalities—to explore the inequalities emerging in the 21st century?

This section addresses this question by looking at two aspects that bear on people’s agency, supplementing the aspects linked to

---

On current trends the out-of-school rate will drop from 18 percent in 2017 to 14 percent in 2030. A deviation from the target, representing 225 million children
inequalities in capabilities discussed until now. As noted, capabilities are determinants of well-being and are required for agency—but are not the sole determinants. Thus, this section first considers how inequality, often in the form of discrimination, deprives people of dignity. Inequalities hurt because they restrict access to the fruits of progress, with perverse effects on social mobility and long-term social progress (chapter 2), and because they erode human dignity—and with it social recognition and respect, which may limit agency. Second, since inequality is a social and relational concept, it responds to comparisons across social groups.

BOX 1.5

Crisis and divergence

Economic crises are an important factor behind divergence in economic and social conditions. Countries suffering recessions often take several years to recover. Moreover, within countries, crises tend to hurt the most vulnerable. In a study of Latin American countries all economic crises were followed by an increase in the poverty rate, and most were followed by an increase in inequality.

Disasters linked to natural hazards can have devastating impacts and harm human development, as discussed in chapter 5. And such disasters will become more common as the climate crisis worsens. The effects can be truly devastating. On 14 March 2019 tropical Cyclone Idai made landfall at the port of Beira, Mozambique, before moving across the region. Millions of people in Malawi, Mozambique and Zimbabwe were hit by Southern Africa’s worst natural disaster in at least two decades. Six weeks later Cyclone Kenneth made landfall in northern Mozambique—the first time in recorded history that two strong tropical cyclones hit the country in the same season. The cyclones left around 1.85 million people in Mozambique alone in urgent need of humanitarian assistance.

The cyclones were only the beginning of what has become an education and health disaster. Around 3,400 classrooms had been destroyed or damaged in Mozambique, with close to 305,000 children losing out on lessons at school after the floods. Malaria cases rose to 27,000, and cholera cases to almost 7,000. About 1.6 million people received food assistance, and close to 14,000 people had to live in displacement centres. The cumulative effects of the storms will be fully understood only over the next few years.

Conflicts are also devastating for human development. Before the escalation of conflict in Yemen in 2015, the country ranked 153 in human development, 138 in extreme poverty, 147 in life expectancy and 172 in education attainment. The conflict has reversed the pace of development—with nearly a quarter of a million people killed directly by fighting and indirectly through lack of food, infrastructure and health services. Some 60 percent of those killed are children under age 5. The long-term impacts make it among the most destructive conflicts since the end of the Cold War (see figure) and have already set back human development in the country by 21 years. If the conflict continues through 2022, development would be set back 26 years—more than one generation. If the conflict persists through 2030, the impact grows to nearly 40 years.

Conflict has already set back Yemen’s human development by 21 years

![Conflict has already set back Yemen’s human development by 21 years](image)

Source: Moyer and others 2019.

Notes
1. Unemployment takes more than four years to recover; output, around two years (Reinhart and Rogoff 2009) and in many cases even more (Cerra and Saxena 2008). 2. Lustig 2000. 3. UNICEF 2019b. 4. See UNICEF (2019b).
and between individuals. So, social perceptions can bring information about the social differences that matter to people, given that human actions are also shaped by perceptions of fairness towards what happens to one’s own and to others.

Inequalities and the search for dignity

The search for dignity is crucial in defining the constitutive aspects of development in the 21st century. This is true for both basic and enhanced capabilities and achievements, and it is a powerful insight to explore emerging sources of exclusion—sources hard to capture through indicators typically reported by national statistical offices. The search for dignity is explicit in the “central capabilities” of Martha Nussbaum. Amartya Sen, in turn, emphasizes that, in defining minimally required freedoms, what matters is not only the effect of directly observable outcomes—such as income—but also the potential restrictions in the capability to function in society without shame. He follows Adam Smith’s Wealth of Nations, highlighting the role of relative deprivations—with symbolic social relevance, even if not essential for biological subsistence—as defining basic necessities. This is one of the roots of moving targets in development. And indeed, human dignity has been a central element in the evolution of the global consensus about universally shared ambitions, from the Universal Declaration of Human Rights in 1948 to the Sustainable Development Goals in 2015.

The search for dignity can also be crucial for policymaking, particularly when recognition (in the sense of equal treatment) is required to complement other pro-equity policies, including redistribution. One example is progress in recognition and rights of lesbian, gay, bisexual, transgender and intersex (LGBTI) people. The ability to appear in public without shame is severely undermined when a person’s identity is socially penalized. The exclusion of LGBTI people takes the form of discrimination in work and in communities. An environment hostile to LGBTI people forces individuals to choose between facing oppression and hiding their sexual identity and preferences, limiting their possibilities of open social interaction and personal realization (box 1.6).

Dignity as equal treatment and nondiscrimination can be even more important than imbalances in the distribution of income. In Chile, with its very unequal income distribution, inequality in income appeared high in the ranking of people’s concerns (53 percent of people said they were bothered by income inequality) in a 2017 United Nations Development Programme survey. But they expressed even more discontent with unequal access to health (68 percent), unequal access to education (67 percent) and unequal respect and dignity in the way people are treated (66 percent). Of the 41 percent of people who said they had been treated with disrespect over the last year, 43 percent said it was because of their social class, 41 percent said it was because they are female, 28 percent said it was because of where they live and 27 percent said it was because of how they dress. In this context, progress in policies to advance agency and reduce shame and discrimination appear as important as those to increase material conditions. In Japan the concept and measurement of dignity also signal inequalities that other material indicators cannot capture (box 1.7).

Lack of equal treatment and nondiscrimination are also reflected in inequalities between groups, which are known as horizontal inequalities. Horizontal inequalities are unfair, as they are rooted in people’s characteristics, beyond their control. The SDGs encourage examining horizontal inequalities through disaggregation that spotlights priority groups—those traditionally disadvantaged by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts.

Horizontal inequalities can reflect deliberate discrimination in policies, laws and actions—or hidden mechanisms embedded in social norms, unconscious biases or the functioning of markets. Often the cultural currents that drive horizontal inequality are deep enough to perpetuate it despite policies to ban or reduce it, as in India (box 1.8). In Latin America horizontal inequalities appear connected to a culture of privilege, with roots in colonial times.
Across the globe, lesbian, gay, bisexual, trans and intersex (LGBTI) people continue to face social exclusion in different spheres of life on the basis of their sexual orientation, gender identity, gender expression and sex characteristics. Restrictive legal frameworks, discrimination and violence based on those qualities (perpetrated by state and non-state actors) and the lack of effective public policy are among the main causes behind the exclusion of LGBTI people.¹

**Restrictive legal frameworks**

Criminalization is a major barrier for LGBTI people’s development. As of May 2019, 69 UN Member States still criminalize consensual same-sex sexual acts between adults, and at least 38 of them still actively arrest, prosecute and sentence people to prison, corporal punishment or even death based on these laws.² Moreover, many UN Member States also have laws criminalizing diverse forms of gender expression and cross-dressing, which are used to persecute trans and gender-diverse people.³

The lack of legal gender recognition⁴ is one of the most challenging barriers to trans and gender-diverse people’s social inclusion. When personal documents do not match the holder’s appearance, it becomes a huge obstacle to carry out common activities in daily life, such as opening a bank account, applying for a scholarship, finding a job and renting or buying property. It also exposes trans people to the scrutiny of strangers, distrust and even violence. In many countries legal gender recognition is granted only under pathologizing requirements such as surgeries, invasive treatments/inspections or third-party submissions.⁵ Furthermore, when antidiscrimination laws do not expressly protect people based on their sexual orientation, gender identity, gender expression and sex characteristics, LGBTI people are unable to seek justice against acts of discrimination that may prevent them from accessing vital services, including health care, education, housing and social security, and employment.

**Discrimination and violence based on sexual orientation, gender identity, gender expression and sex characteristics**

Suffering violence and discrimination can deeply affect a person’s ability to lead a productive and fulfilling life. There is abundant research showing how LGBTI people suffer from erasure, negation, discrimination and violence.⁶ A spiral of rejection may start at a very young age within the family and continue in school,⁷ employment,⁸ health care facilities and public spaces.⁹ State officials can be the main perpetrators of violence and abuse against LGBTI people, carrying out arbitrary arrests, blackmail, humiliation, harassment and even forced medical examinations. LGBTI people also face exclusion when seeking access to justice, which contributes to under-reporting of violence against LGBTI people and low rates of prosecution of perpetrators of such violence because LGBTI people are often isolated from state institutions for fear of self-incrimination and further abuses.¹⁰

**Lack of effective public policy**

The third main group of causes of social exclusion of LGBTI people has to do with state inaction on public policy issues of sexual and gender diversity.¹¹ As with other social groups that have been subjected to protracted discrimination, full social inclusion of LGBTI people requires more than removing discriminatory legislation and enacting legal protections. Effective public policies designed and implemented to tackle, reduce and eventually eradicate social prejudice and stigma are required to counter the effects of systemic exclusion, especially among those living in poverty. Affirmative action may also be necessary.

Intersex people also face particular forms of exclusion that differ from those experienced by lesbian, gay, bisexual and trans people. In particular, they are often subjected to unnecessary medical interventions at birth, characterized as intersex genital mutilation.¹² These interventions are often conducted in accordance with medical protocols that allow health professionals to mutilate intersex bodies without consent to modify atypical sex characteristics, usually when victims are infants. Such traumatizing and intrusive experiences can extend throughout childhood and adolescence and can cause severe mental, sexual and physical suffering.¹³ This is usually compounded by the total secrecy about intersex conditions, lack of information among family members and societal prejudice.¹⁴

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**Source:** International Lesbian, Gay, Bisexual, Trans and Intersex Association and United Nations Development Programme.

**Notes**

Uncovering what is behind perceptions of inequalities in the 21st century

The proportion of people desiring more income equality has risen over the past decade (see figure 1.1). Inequality is considered a major challenge in 44 countries surveyed by Pew Research. A median of 60 percent of respondents in developing countries and 56 percent in developed countries agree that “the gap between the rich and poor is a very big problem” facing their countries. Remarkably, these feelings are shared across the political spectrum.

Similarly, according to the latest perception surveys in the European Union, an overwhelming majority think that income differences are too great (84 percent) and agree that their governments should take measures to reduce them (81 percent). In Latin America the perception of unfairness in the distribution of wealth has increased since 2012, returning to levels of the late 1990s, with only 16 percent of respondents assessing the distribution as fair. This is not to suggest that this is the only, or even the most important, issue that people are worried about—but it is clear evidence of the great, and increasing, desire for more equality.

These perceptions matter and may depend on whether the broader context is one of stagnating or expanding incomes. Perceptions of inequality—rather than actual levels of inequality—drive society’s preferences for redistribution. In Argentina people who believed themselves to be higher in the income distribution than they actually were tended to want more redistribution when informed of their true ranking.

The way societies process inequalities is complex. Studies in behavioural economics have quantified how much people tend to underestimate inequalities (see spotlight 1.2 at the end of the chapter). And social psychology has investigated the mechanisms and sociostructural conditions that determine the perception of inequalities, the perception of inequalities as unfair outcomes and the response to those perceptions. This literature gives new insights into why people come to terms with very high inequality from a social perspective. First, people might accept or even contribute to inequality through self-segregation following a desire for harmony. Second, motivational narratives can justify inequality, and stereotypes and social norms have enormous influence (box 1.9). This is a consistent and powerful complement to the theory of adaptive preferences—based on the individual’s tendency to underestimate deprivations to make them bearable—now from a social point of view.

In summary, subjective measures consistently indicate that many people around the world find current inequality too high. Perceptions data—when the limitations are well understood—can complement objective indicators. Indeed, some of the frontier measures of capabilities and agency are subjective indicators. Perceptions of inequality tend to underestimate the actual situation, so at high levels, they have particular value as a red flag. Some of the objective indicators of inequality—such as the...
India is a fast-growing economy. Its gross national income per capita has more than doubled since 2005. Thanks to a mix of fast economic growth and social policies, there has been a sharp reduction in multidimensional poverty. Between 2005/2006 and 2015/2016 the number of multidimensionally poor people in India fell by more than 271 million. On average, progress was more intense among the poorest states and the poorest groups.¹

Despite progress on human development indicators, horizontal inequalities persist, and their dynamics follow the same pattern described in the context of vertical inequalities in human development: significant gaps, convergence in basic capabilities and divergence in enhanced capabilities.

First, the Scheduled Castes, Scheduled Tribes and Other Backward Classes underperform the rest of society across human development indicators, including education attainment and access to digital technologies (box figures 1 and 2).² These groups have suffered from stigma and exclusion for centuries. Modern India has tried to constitutionally redress the disparities through affirmative action, positive discrimination and reservation policies for these groups.³

Second, since 2005/06 there has been a reduction in inequalities in basic areas of human development. For example, there is a convergence of education attainment, with historically marginalized groups catching up with the rest of the population in the proportion of people with five or more years of education. Similarly, there is convergence in access to and uptake of mobile phones.

Third, there has been an increase in inequalities in enhanced areas of human development, such as access to computers and to 12 or more years of education: Groups that were more advantaged in 2005/2006 have made the most gains, and marginalized groups are moving forward but in comparative terms are lagging further behind, despite progress.

Box figure 1 India: Horizontal inequality in education of working-age people (ages 15–49)

<table>
<thead>
<tr>
<th>Population with 5 or more years of education, 2015 (percent)</th>
<th>Change in population with 5 or more years of education between 2005 and 2015 (percentage points)</th>
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<tr>
<td>Scheduled Tribe</td>
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</tr>
<tr>
<td>Scheduled Caste</td>
<td>Women</td>
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<tr>
<td>Other Backward Class</td>
<td>Men</td>
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<tr>
<td>Other</td>
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<thead>
<tr>
<th>Population with 12 or more years of education, 2015 (percent)</th>
<th>Change in population with 12 or more years of education between 2005 and 2015 (percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled Tribe</td>
<td>Men</td>
</tr>
<tr>
<td>Scheduled Caste</td>
<td>Women</td>
</tr>
<tr>
<td>Other Backward Class</td>
<td>Men</td>
</tr>
<tr>
<td>Other</td>
<td>Women</td>
</tr>
</tbody>
</table>

Source: Human Development Report Office calculations based on Demographic and Health Survey data.

(continued)
A shift in people’s aspirations as a result of individual and social achievements can be a natural part of the development process.

Gini coefficient in developing countries—do not yet capture this reality, and it is plausible that those indicators might be missing part of the story. The empirical discussion in this report provides numerous examples showing how going beyond income, beyond averages (and summary measures such as the Gini coefficient) and beyond today in measurement (capturing elements expected to become more important) makes a difference in uncovering the growing inequalities that might be behind those perceptions.

Finally, increasing demand for equality in perception surveys has concrete consequences for society. No matter the degree of subjectivity and potential distortion, these opinions have the chance to become part of the political discussion and to stimulate action. There is an urgent need for evidence-based policy approaches to respond to new demands.

Moving targets and 21st century inequalities

A shift in people’s aspirations as a result of individual and social achievements can be a natural part of the development process. This moving target is inherently relative and, therefore, requires a more flexible way to assess inequality. A definition of inequality from a few decades ago may no longer be relevant. In a world without extreme poverty, for example, the poverty line will inevitably rise—indeed, poverty in developed countries is usually measured in relative terms. For human development a shift in focus from basic to enhanced capabilities may be relevant. And what is considered enhanced is bound to change over time: Think of how the access to electricity and sanitation infrastructure moved from ambitions to basic during the 20th
A social-psychological perspective on inequality

This box is grounded in an emerging social-psychological perspective on inequality, which moves beyond more individualistic perspectives, suggesting that social embeddedness (the experience of social connection within social networks and group identities) and relative deprivation (the experience of being unfairly worse off than others, based in social comparisons with others) have important consequences.

Humans are an ultra-social species, with a need to belong. The psychological bonds that individuals develop with others through social interaction reflect sources of social support and agency and offer targets for social comparison (subjective assessments of whether others are doing better or worse than oneself). This is key to understanding the consequences of inequality because a social-psychological perspective focuses on whether and how individuals subjectively perceive and feel about inequality depending on their network of relationships.

But even when individuals perceive inequality, they may not perceive it as unfair. Social networks tend to be homogeneous because individuals tend to self-segregate (“birds of a feather flock together”). Individuals often compare themselves with those around them, the ones forming a “bubble,” who are thus likely to affirm their opinions about inequality. Contact with others—for instance, between members of advantaged and disadvantaged groups—may increase people’s awareness of inequality, but research also suggests that such contact is often characterized by a desire to maintain harmony rather than to discuss the uncomfortable truth of inequality between groups (the “irony of harmony”). As such, social embeddedness often implies a sedative effect when it comes to perceiving inequality—one cannot act on what one cannot see within one’s bubble.

There is also a motivational explanation for why inequality, even when perceived, is not necessarily perceived as unfair. Specifically, individuals can be motivated to deny or justify the existence of inequality to uphold beliefs about the fairness of the broader system. Income inequality may be viewed as fair by those who endorse a meritocratic belief system (affirming a level playing field for everyone). Indeed, stereotypes are often used to acknowledge inequalities in order to maintain them and thus the broader system in which they are embedded.

Against this backdrop, a social-psychological perspective offers answers to questions such as why people do or do not act against inequality (such as the gender pay gap) and why they often appear to act irrationally (as in voting for a party that does not protect their interests). Such a perspective helps move beyond general correlations in aggregated data (such as between-country indicators of income inequality and public health) and zooms in on the part of the broader relationship that can be explained through such psychological processes as embeddedness and relative deprivation.

A social-psychological perspective of inequality also goes beyond income inequality. Many health inequalities have social antecedents in various forms of inequality, including gender, ethnicity and race. Reference and social comparison groups suggest that it is important to know whom people compare themselves with and thus who is in their network and which group identities they value—and which specific forms of inequality they are likely to perceive as unfair and feel relatively deprived in. These psychological dimensions can be easily lost as the level of analysis and aggregation goes up.

Take education. It is not just an objective factor that affords or inhibits opportunities for social mobility. It can also be a potential bubble and identity factor in political participation. For example, making people aware of the status differences between different education groups only reinforces those differences, likely based in confirmation of the competence stereotypes associated with the lower and higher educated. This is reminiscent of how beliefs in meritocracy can justify inequalities.

Notes

Source: Based on van Zomeren (2019).

century. For development-induced gaps, reductions in inequality are desirable and expected, not from restricting gains of those taking the lead, but from broadly diffusing the newer more advanced dimensions of development.

This chapter has argued for measuring human development based on the formation of capabilities, step by step, from basic to enhanced. It has documented large gaps in human development in all dimensions. But the evolution of inequalities shows two distinct patterns. Overall, the global bottom is catching up in basic capabilities, and inequality appears to be falling. But the global top is pulling ahead in enhanced capabilities, and here inequality is growing. People at the bottom are catching up with 20th century goals and aspirations, while people at the top are enhancing their advantages in those relevant for the 21st century. Between the bottom and the top of the human development distribution is the most diverse global middle class in history. It is diverse in its cultural composition, geographic location and relative position in the dynamics of convergence and divergence. It is also a middle class increasingly fragmented within countries in access to goods and services, as documented in developed countries.

It can be argued that some of the new inequalities are a natural result of progress. Progress has to start somewhere, so some groups go first. Based on gradual progress, the evolution of inequality might follow the shape
of an inverted-U over time, a version of the Kuznets curve. When very few people achieve a “target” (say, access to a new technology), inequality is low: Most people perform equally poorly. Subsequently, as more people obtain access, inequality starts to increase, reflecting the division between the haves and the have-nots. Later on, once a large proportion of people have reached access, inequality starts to decrease: The majority of people are performing equally well. This shows that there are different types of inequalities. There are multiple processes of divergence and convergence taking place at the same time—overlapping Kuznets curves—so the same person could be catching up with basic capabilities and, simultaneously, being left behind in the building up of enhanced capabilities. When these patterns are not random, and some groups tend to be in the lead, while others are consistently behind, this process is bound to be perceived as unfair.

Thus, even if transitory inequality goes along with some forms of progress, that inequality can be unfair if subsequent progress does not spread out widely and fast enough. Inequalities in enhanced capabilities that were already high 10 years ago have been increasing since. This can be changed, and it is a motivation for policies that specifically address equality in capabilities.

These simultaneous patterns of convergence and divergence are likely to play a prominent role in the 21st century. Both trends are important, not only because of their separate effects—reducing extreme deprivations in the first case and concentrating power in the second—but also because of their political implications. Progress might not mean as much if combined with increased inequality in areas people care deeply about, because of the connections with empowerment and agency.

Once most of the population has attained certain goals, other elements become more relevant for how people see themselves in relation to others and how others perceive them. They begin to focus on their place in society and the associated rights, responsibilities and opportunities. Emerging inequalities can trigger perceptions of unfairness to the extent that there is no or slow catching up.

But moving targets could also be a challenge for human development if more efforts and accomplishments are needed to get the same capabilities. People are likely to feel themselves constantly falling behind.

These dynamics pose new and difficult challenges that will affect development paths in the coming decades. Chapter 2 turns to a description of the mechanisms that underpin these dynamics.
Spotlight 1.1

Power concentration and state capture: Insights from history on consequences of market dominance for inequality and environmental calamities

Bas van Bavel, Distinguished Professor of Transitions of Economy and Society, Utrecht University, The Netherlands

The organization of markets, their functioning, their interaction with the state and their broader effects on an economy and society develop slowly. While debates on inequality are dominated by developments spanning a few decades, and often even a few years, observing and analysing how inequality emerges, how it concentrates power and how it can lead to the capture of markets and the state call for a much longer, historical perspective. Such a long-term approach may have seemed irrelevant for issues pertaining to the market economy, since it was widely held that the market economy was a modern phenomenon, having developed only from the 19th century on, closely associated with modernization. Recent economic historical work, however, has changed this idea, by identifying several market economies much earlier in history.

Nine market economies, from antiquity to the modern era, have been identified with certainty, and six of them have sufficient data to investigate them well (table S1.1.1). This is thus not an arbitrary set, but these are all known cases of economies with dominant markets, which can be followed over a long period. This allows a better understanding of how market economies develop, something that theoretical and formal work and short-period cases studies cannot do.

All six market economies displayed a similar evolution. In each of three cases analysed in depth—Iraq, Italy and the Low Countries—markets emerged in an equitable setting and became dominant, with an institutional organization that allowed easy market access to broad groups within society. The opportunities that market exchange offered further pushed up economic growth and well-being, with the fruits of growth fairly evenly distributed. As markets became dominant, and especially the markets for land, labour and capital, inequality also grew in a slow process as ownership of land and capital became more concentrated. Wealth inequality in these cases grew to Gini index of 0.85 or higher from substantially lower levels.

### TABLE S1.1.1

<table>
<thead>
<tr>
<th>Location</th>
<th>Period</th>
<th>Date</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Babylonia</td>
<td>Ur III / old-Babylonian period</td>
<td>c. 1900–1600 BCE</td>
<td>Possible case</td>
</tr>
<tr>
<td>Babylonia</td>
<td>Neo-Babylonian period</td>
<td>c. 700–300 BCE</td>
<td>Limited data</td>
</tr>
<tr>
<td>Athens/Attica</td>
<td>Classical period</td>
<td>c. 600 BCE–300 BCE</td>
<td>Possible case</td>
</tr>
<tr>
<td>Italy</td>
<td>Roman period</td>
<td>c. 200 BCE–200 CE</td>
<td>Limited data</td>
</tr>
<tr>
<td>Iraq</td>
<td>Early Islamic period</td>
<td>c. 700–1000 CE</td>
<td></td>
</tr>
<tr>
<td>Lower Yangtze</td>
<td>Song period</td>
<td>c. 1000–1400 CE</td>
<td>Limited data</td>
</tr>
<tr>
<td>Italy (Center and North)</td>
<td></td>
<td>c. 1200–1600 CE</td>
<td></td>
</tr>
<tr>
<td>Low Countries (especially the West)</td>
<td></td>
<td>c. 1500–1900 CE</td>
<td></td>
</tr>
<tr>
<td>England</td>
<td></td>
<td>c. 1600–</td>
<td></td>
</tr>
<tr>
<td>United States (North)</td>
<td></td>
<td>c. 1825–</td>
<td></td>
</tr>
<tr>
<td>Northwestern Europe</td>
<td></td>
<td>c. 1980–</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bas van Bavel (Utrecht University, The Netherlands).
As inequality grew, economic growth initially continued, but it became ever less translated into broad well-being. With the stagnating purchasing power of large shares of the population, lagging demand and the declining profitability of economic investments, owners of large wealth increasingly shifted their investments to financial markets. They used their wealth to acquire political leverage through patronage and buying political positions or by acquiring key positions in the fiscal regime, bureaucracy and finance and through their dominance in financial markets and their role as creditors of the state. Over the course of 100–150 years markets became less open and equitable, through both large wealth owners’ economic weight and their ability to skew the institutional organization of the markets. As a result, productive investments declined, the economy started to stagnate and economic inequality rose further, coupled with growing political inequity and even coercion.

Each of the market economies started from a very equitable situation, with relatively equal distribution of economic wealth and political decisionmaking. This was the result of a long preceding period of smaller and bigger revolts and forms of self-organization of ordinary people—in guilds, fraternities, associations, corporations, commons and companies (figure S1.1.1). Their organization enabled them to break existing inequities and forms of coercion and to obtain a more equitable distribution of wealth and resources. They also won the freedom to exchange their land, labour and capital without restraints by elite power, thus opening the opportunity to use the market to this end. Their struggles and forms of self-organization were thus at the base of the rise of factor markets—and the rise happened within a relatively equal setting, ensuring that large groups could access the market and benefit from market exchange.

This formative, positive phase was also found in the more familiar, modern cases of market economies: England, where the market became dominant in the 17th century, and the northern United States, in the first half of the 19th century. Both were the most equitable societies of the time, with large degrees of freedom, good access to decisionmaking and relatively equal distribution of land and other forms of wealth. Market economies were thus not the base of freedom and equity, as some theories would have it, but rather developed on the basis of earlier-won freedom and equity. The market subsequently replaced the associations and organizations of ordinary people as the allocation system, a process that sped up when market elites and state elites came to overlap and jointly, and often deliberately, marginalized these organizations. This reduced ordinary people’s opportunities to defend freedom, their access to decisionmaking power and their grip over land and resources.

The allocation systems that prevailed before the rise of the market, whether the commons or other associations, had mostly included long-term security and environmental sustainability in their functioning, as ensured by their rules. But the market does not do so explicitly. And in these other systems, cause and effect, and actor and affected person, were more closely linked, because of their smaller scale. In markets they are less so. This poses a risk, since in a market economy, owners of land, capital and natural resources are often far detached from those affected by damage from exploiting resources. They also face fewer constraints on exploitation than systems with more divided property rights.

In coastal Flanders, a mature market economy in the 14th–16th centuries, land was...
accumulated by investors who did not live in the area. These absentee investors changed the logic of coastal flood protection from long-term security to low cost and high risk, increasing the flood risk and further marginalizing the local population. More generally, all cases of market economies in their later, downward phases experienced grave ecological problems, from the salinization and breakdown of essential irrigation systems (medieval Iraq) to increasing floods and famines (Renaissance Italy) to malaria and floods (coastal Low Countries), even though the later, modern market economies increasingly avoided the negative effects of ecological degradation by acquiring resources overseas.

To see the interaction among market economies, material inequality and vulnerability to natural shocks, look at three of the most market-dominated parts of the Low Countries (coastal Flanders, the Dutch river area and Groningen) over the very long run in confronting the hazard of high water tables. Growing material inequality increased the incidence of serious floods, not directly, but through the institutional framework for water management. Only where this institutional organization was adapted in line with growing material inequality were disastrous effects avoided (figure S1.1.2). This adaptation did not happen automatically or inevitably, however, even when a society was confronted with major floods. When both property and decisionmaking rights were widely distributed, chances were best that institutions for water management were adapted and adjusted to changing circumstances to reduce the risk of flood disaster. When wealthy actors and interest groups controlled property rights over the main resources and held decisionmaking power, however, they upheld the prevailing arrangements to protect their particular interests, even if this actually weakened a society’s coping

![Figure S1.1.2](image-url)

**FIGURE S1.1.2**

Linking the hazard of high water to flood disasters: Economic and political equality enhances the chance of institutions becoming adjusted to circumstances and preventing disaster

Source: Adapted from van Bavel, Curtis and Soens (2018).
capacity. And if some adaptation in these cases did take place, it was often aimed at increasing the capacity of the economic system to recover production levels after a shock—but at the expense of segments of the population that were no longer included in decisionmaking. The risk of these negative outcomes happening and of institutions being poorly adjusted to ecological and social circumstances was high in market economies with high wealth inequality, where the grip of a small group of private owners over natural resources was strongest and decision-making power became concentrated in their hands.

How relevant are these observations for developments today? The historical cases where markets emerged as the dominant allocation system for factors of production (land, labour and capital) all showed an accumulation of wealth in the hands of a small group, which then also concentrated political power, shaping incentives in markets that increased inequality and environmental calamities. Today, even in parliamentary democracies, economic wealth again seems to be translated into political leverage—through lobbying, campaign financing and owning media and information—whereas mobile wealth owners can easily isolate themselves, for say, social disruption or environmental degradation. History shows that these developments are not aberrations or accidental events. And perhaps they require broader and deeper consideration of a wider range of policy actions to curb the concentration of economic and political power. The concentration of economic power (wealth), the first stage, is easiest to curb. But after the establishment of economic power and its translation to political dominance, this is far harder to do.

Notes

1 This is true even if the market economy is defined in a very strict way—that is, as an economy where not only goods, products and services, but also inputs (land and natural resources, labour and capital) are predominantly allocated by way of the market.
2 van Bavel 2016. For an analysis of long, cyclical patterns of rising and declining inequality see also Turchin and Nefedov (2009).
3 van Bavel 2016 (see pp. 72–73 on Iraq, 128 on Florence in 1427 and 194–195 on Amsterdam in 1630).
4 This is true even in (relatively) inclusive political systems, in contrast to the argument by Acemoglu and Robinson (2012), where they are assumed to form a virtuous cycle.
5 van Bavel 2019.
6 For the United States, see Acemoglu and Robinson (2012) and Larson (2010). To be sure, a position obtained at the expense of the native population.
7 On the nonembeddedness of market outcomes, see Gemici (2007).
8 Soens 2011.
9 van Bavel, Curtis and Soens 2018.
10 See also Rohland (2018).
11 Soens 2018.
12 Gilens and Page 2014; Schlozman 2012.
Spotlight 1.2

Rising subjective perceptions of inequality, rising inequalities in perceived well-being

Subjective perceptions of inequality are at odds with the decline in extreme deprivations in objective data. Surveys have revealed rising perceptions of inequality, rising preferences for greater equality and rising global inequality in subjective perceptions of well-being. All these trends should be bright red flags—especially given the tendencies of subjective views to underestimate income and wealth inequality in some countries and to underestimate global inequalities in well-being.

Downward bias in perceived income and wealth inequality

On average, people misperceive actual income and wealth inequality. Underestimating inequality is common in some countries, such as the United Kingdom and the United States. In one survey Americans believed that the top wealth quintile owned about 59 percent of the total wealth; the actual number was closer to 84 percent. And ideal wealth distributions are significantly more equal than respondents’ estimates. All demographic groups desired a more equal distribution of wealth than the status quo. And the actual wage ratio of chief executive officers to unskilled workers (354:1) far exceeded the estimated ratio (30:1), which in turn was substantially higher than the ideal ratio (7:1).

Other studies have asked respondents to estimate their position in the income or wealth distribution. In Argentina only about 15 percent of respondents placed their household income in the correct decile. A significant portion of poorer individuals overestimated their rank, while a significant proportion of richer individuals underestimated theirs. Similar biases emerged in a randomized survey experiment in eight countries.

Rising global inequality in subjective perceptions of well-being

In assessing inequalities, one way to look beyond income—a wholly objective measure—is to consider subjective perceptions of well-being and their distribution. They change from region to region (figure S1.2.1). First, both the ability to enjoy life and the ability to assess experiences through well-being play a paramount role in providing direct well-being and “evidential merit” to inform individual decisionmaking. Second, subjective indicators can provide valuable information to cover some of the blind spots in objective data.

To be sure, subjective measures of well-being must be handled with care—but the very reasons for doubt strengthen the case for attending to rising perceptions of inequality. In Amartya Sen’s theory of adaptive preferences, people adapt preferences to their circumstances. In data on self-reported happiness, people facing deprivations moderate their preferences to make their condition more bearable. In contrast, the affluent report lower happiness than their wealth might seem to warrant, because their high satiation has reduced the space for adding to personal satisfaction. For both reasons subjective measures of happiness can understate inequalities in well-being.

Remarkably, self-reported happiness shows increasing inequality in subjective well-being around the world—a trend that has steepened sharply since 2010 (figure S1.2.2). This has been an increasing trend during 2006–2018 in all regions except Europe. Inequality in the Commonwealth of Independent States was stable at first but has been rising since 2013. Inequality was steady in Latin America until 2014 and has risen since and rose until 2010 in the US-dominated North America, Australia and New Zealand region but has been constant since. Inequality has been rising since 2010 in Southeast Asia but has not risen as much in the rest of Asia. In Sub-Saharan Africa inequality has followed a steep post-2010 path, similar to that in Southeast Asia. And in the Middle East and North Africa inequality rose from 2009 to 2013 but has been stable since.

The trend towards greater inequality in subjective well-being poses a challenge. First,
Transmitting inequalities in human development across the lifecycle

Note: Respondents’ answers to life evaluation questions asked in the poll on a scale from 0 (the worst possible) to 10 (the best possible).

Source: Helliwell 2019.
people’s overall life satisfaction is in many ways a barometer of everything else in their lives. There are strong links between higher life evaluations and several key measures of human development—including higher job satisfaction and more effective government—and moderately strong links between higher life satisfaction and greater freedom of choice and lower inequality. Moreover, the variables that the literature on subjective well-being, and remarkably the World Happiness Reports, show to be correlated strongly with life evaluations—namely income, social support, healthy life expectancy at birth, freedom to make life choices, generosity and corruption—are all dimensions of human development. So if a society is more unequal in its experience of life satisfaction, it is likely more unequal in its experience of life and human development.

Second, higher inequality in subjective well-being is associated with lower subjective well-being. In other words, greater inequality in happiness makes everyone less happy.


Notes

6. Bublitz 2016. These countries include Brazil, France, Germany, the Russian Federation, Spain, Sweden, the United Kingdom and the United States. With regard to own estimated income position, individuals in the bottom income quintile have a positive income position bias, whereas individuals in higher income quintiles have a negative income position bias (except individuals in the second quintile, who show almost no income position bias).
Spotlight 1.3

The bottom of the distribution: The challenge of eradicating income poverty

Today, about 600 million people live on less than $1.90 a day.\(^1\) There has been considerable progress in the fight against poverty in recent decades. The extreme income poverty rate fell from 36 percent in 1990 to 8.6 percent in 2018. Despite this progress, the number of people living in extreme poverty globally is unacceptably high, and poverty reduction may not be fast enough to end extreme poverty by 2030, as the Sustainable Development Goals demand. After decades of progress, poverty reduction is slowing (box S1.3.1).

Overall, extreme poverty rates tend to be higher in low human development countries, but poor people can be found in countries at all levels of development (figure S1.3.1). While poverty rates have declined in all regions, progress has been uneven, and more than half of people in extreme poverty live in Sub-Saharan Africa, where absolute numbers of people living in poverty are increasing. If current trends continue, nearly 9 of 10 people in extreme poverty will be in Sub-Saharan Africa in 2030.\(^2\)

Income poverty is only one form of poverty. Those furthest behind suffer from overlapping deprivations, discriminatory social norms and lack of political empowerment. Risks and vulnerabilities only enhance the fragility of achievements—as explained in the United Nations Development Programme’s framework on Leaving No One Behind.\(^3\)

Among countries that are off track, most are in Africa and more than one third exhibit high levels of conflict or violence.\(^4\) Together they pose some of the world’s most severe development challenges. They also share characteristics of low tax effort and low health and education spending. They are hampered by weak private sector development in the nonagricultural service sector and share a high dependence on

\[\text{Box S1.3.1} \]

**Income poverty reduction scenarios to 2030**

Today, 70 people escape poverty every minute, but once most countries in Asia achieve the poverty target, the rate of poverty reduction is projected to slow to below 50 people per minute in 2020. The projected global poverty rate for 2030 ranges from 4.5 percent (around 375 million people) to almost 6 percent (over 500 million people) (see figure). Even the most optimistic projections show more than 300 million people living in extreme poverty in Sub-Saharan Africa in 2030.

According to the benchmark scenario, 24 countries are on track to reach the poverty target, with 207 million people expected to move out of poverty before 2030. In 40 off-track countries, even though poverty headcounts will fall, 131 million people are expected to remain in poverty by 2030. In 20 countries the number of people living in poverty is projected to increase from 242 million to 290 million (see figure). However, the benchmark scenario is a relatively optimistic view of future economic development, especially in Sub-Saharan Africa.
natural resources. Increasing labour income is critical for those at the very bottom. Access to physical and financial assets is also important—land, capital and other inputs for production or services help as income-generating streams and buffers against shocks. Social protection, in the form of a noncontributory minimum payment, providing for the most vulnerable is also important.

Human development progress involves the capacity to generate income and translate it into capabilities, including better health and education outcomes. This process plays out throughout the lifecycle. Each person’s development starts early—even before birth, with nutrition, cognitive development and education opportunities for infants and children. It continues with formal education, sexual health and safety from violence before entering the labour market. For the poorest people the lifecycle is an obstacle course that reinforces deprivations and exclusions.

Multidimensional poverty indices can shed further light on the people furthest behind by capturing overlapping deprivations in households and clusters of households in a geographic area. These are linked to income poverty, but with significant variations (figure S1.3.2). Some people might be multidimensionally poor even if they live above the monetary poverty line. The global Multidimensional Poverty Index (MPI) covers 101 countries, home to 77 percent of the world’s population, or 5.7 billion people. Some 23 percent of these people (1.3 billion) are multidimensionally poor. The MPI data illustrate the challenge of addressing overlapping deprivations: 83 percent of all multidimensionally poor live in South Asia and Sub-Saharan Africa, 67 percent in middle income countries, 85 percent in rural areas and 46 percent in severe poverty.

Note: Each bubble represents a country, and the size of the bubble is proportional to the country’s population in income poverty.

FIGURE S1.3.1
Some 600 million people live below the $1.90 a day poverty line

Population living below PPP $1.90 a day income poverty line, 2007–2017 (percent)
to urban areas, too: Child mortality and malnutrition are more common in urban areas. Sub-Saharan Africa has the most overlapping MPI deprivations—with more than half the populations of Burundi, Somalia and South Sudan experiencing severe multidimensional poverty, with 50 percent or more of overlapping deprivations (figure S1.3.3).

As countries develop, people tend to leave poverty, but the process is neither linear nor mechanic. It comprises both an upward motion (moving out) and a risk of downward motion (falling back in). The very definition of a middle-class threshold can be computed by thinking of the threshold as a probability rather than an absolute line. That is, a person might be considered middle class when he or she is not poor and is at very little risk of becoming poor. For dozens of countries that have reduced poverty, the stakes of not losing the progress of the past 15–20 years are significant. As Anirudh Krishna points out in his analysis of the life stories of 35,000 households in India, Kenya, Peru, Uganda and North Carolina (United States), many low-income
individuals are just one illness away from poverty.\textsuperscript{10} Even relatively well-off households can drop below the poverty line after personal (such as severe health problems) or communal shocks (such as a disaster or the termination of the main source of employment). Another study shows that just 46 percent of Ugandans who were in the bottom quintile in 2013 had been there two years before.\textsuperscript{11} In Indonesia 52 percent of households with children were new to the bottom quintile from one year to the next.\textsuperscript{12}

Between 2003 and 2013, tens of millions of people moved out of poverty in Latin America. Yet, large numbers of people remain vulnerable to falling back in poverty. In Peru having the head of the household covered by a pension increased the probability of exiting poverty by 19 percentage points and reduced the probability of falling back into poverty by 7 percentage points. By contrast, access to remittances reduced the probability of falling back into poverty by 4 percentage points.\textsuperscript{13}

Horizontal inequalities also have dynamic effects. Between 2002 and 2005 ethnicity reduced the probability of transitioning out of poverty in Mexico by 12 percentage points and increased the probability of falling back into poverty from vulnerability by 10 percentage points.\textsuperscript{14}

Notes

1 See World Bank (2018a) and the World Poverty Clock (https://worldpoverty.io).
3 UNDP 2018b. See also UNSDG 2019.
4 Based on the classification by Gert and Kharas (2018).
5 See Azevedo and others (2013).
6 See López Calva and Castelán (2016).
7 See ILO (2017).
8 OPHI and UNDP 2019.
9 Aguilar and Sumner 2019.
10 Krishna 2010.
12 This analysis follows Martínez and Sánchez-Ancochea (2019a).
14 See Abud, Gray-Molina and Ortiz-Juarez (2016).