United Nations Department of Economic and Social Affairs
Division for Inclusive Social Development

Chair's Summary
Interactive Dialogue with senior officials of the United Nations system
on the priority theme
"Addressing inequalities and challenges to social inclusion through fiscal, wage and social protection policies"
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Wednesday, 13 February 2019, 3:00pm – 6:00 pm
United Nations headquarters, New York

COMMISSION for SOCIAL DEVELOPMENT
United Nations Headquarters, New York

The Commission held an interactive dialogue with senior officials of the United Nations system on the priority theme, *"Addressing Inequalities and challenges to social inclusion through fiscal, wage and social protection policies".* Panelists were **Ms. Alicia Bárcena**, Executive Secretary, UN Economic Commission for Latin America and the Caribbean (ECLAC) (via video link), **Mr. Mounir Tabet**, Acting Executive Secretary, UN Economic and Social Commission for Western Asia (ESCWA), **Mr. Kaveh Zahedi**, Deputy Executive Secretary for Sustainable Development, UN Economic and Social Commission for Asia and the Pacific (ESCAP), **Mr. Abdoulaye Mar Dieye**, Assistant Administrator and Director of the Bureau for Policy and Programme Support, United Nations Development Programme (UNDP). **Mr. Elliott Harris,** UN Chief Economist and Assistant Secretary-General for Economic Development in the UN Department of Economic and Social Affairs (DESA) moderated the panel. **Mr. Vinicius Carvalho Pinheiro**, International Labour Organization (ILO) Special Representative to the United Nations and Director, and **Mr. Paul Ladd,** Director United Nations Research Institute for Social Development (UNRISD) made interventions as lead discussants.

Ms. Bárcena outlined ways to promote equality and inclusion in the Latin American and Caribbean region. Global disruptions, such as slower growth, higher interest rates and financial uncertainty, fiscal consolidation, tax evasion and illicit funds, trade tensions and weakening of multilateralism with return of protectionism, disruptive impacts of the digital technological revolution, climate change, growing inequality with erosion of the social contract and citizen trust, are happening in the region. This highlighted the urgency of the implementation of the 2030 Agenda 2030. In particular, equality is placed at the center of the 2030 Agenda, with call for "leaving no one behind" and SDG 10 on reducing inequality within and among countries. ECALC has identified equality as a foundational value of development and as a non-negotiable ethical principle, centered on a rights-based approach.

Despite progress in reducing inequality between 2002 - 2014, Latin America and the Caribbean continues to be the most unequal region in the world. According to the Social Panorama of Latin America (2018), poverty is projected to have fallen slightly in 2018, while extreme poverty has remained unchanged.

Poverty is higher in rural areas, among children and adolescents and among indigenous persons by about 20, 19 and 23 percentage points respectively. The region's labour markets show high levels of informality and large gaps in access to social protection, especially in the lower income quintiles. Unskilled self-employment accounts for almost a third of all employed persons and 64% of workers in low income quintiles. In 2016, 52% of the employed persons did not contribute to pension systems. Young people face greater difficulties in entering the labour market, and women face the further challenges of unpaid domestic and care work. Young women are three times more likely than men to be neither in education or employment (NEET).

Complementary public policies aiming at double (social and labour) inclusion have been promoted in the region to reduce poverty and inequality and increase household income. These include universal social policies to expand access to social services, in particular quality education and healthcare services, and good-quality basic infrastructure, strengthening labour institutions and policies to promote decent work, strengthening social protection system. To achieve double inclusion, the Latin American countries spent average 11.2% of GDP and 51.4% of total public spending on social expenditures in 2017, while still significantly lower than 30% of GDP in OECD countries. The region is strengthening social protection systems while large gaps remain in coverage. In particular, cash transfers (CCTs) are seen as a gateway into social protection for the poorest and the most vulnerable population, and the region invested in CCTs 0.33% of regional GDP in 2015 to cover 22.7% at the peak in 2010, and 20.2% in 2016. Six Latin American countries spent on average 0.45% of GDP in 2016 on labour market policy, compared with 1.31% average among OECD countries.

Decreasing fiscal space was identified as a challenge that needs to be addressed collectively through moving towards a progressive tax regime and combatting tax evasion and illicit financial flows. In the region, the amount of tax evasion was estimated to be US$340 billion or 6.7% of GDP, and illicit financial flows to be US$92 billion or 1.5% of GDP in 2015.

Mr. Tabet stated that inequality has been compounded by conflict in the Arab region – forced migration, health and social burdens, family fragmentation and infrastructure destruction. He provided an overview of inequality of opportunities in the region, and pointed out that four groups, youth, older persons, persons with disabilities, and displaced persons, are facing high levels of inequality and exclusion. The Arab population has more than tripled in the past half century, 60% of which are young people–71 million in 2015 and estimated to reach 92 million by 2030. About 30% of youth are unemployed, and youth unemployment is high in rural areas, and alarming in conflict zones. The number of older persons is estimated to reach 100 million by 2050, and currently about 70 % of workers do not have pension coverage. Geriatric health and need for long-term care services will rise exponentially in the future. Reforms are needed now in the area of social protection of older persons.

There are about 11 million persons with disabilities (22.8% of Syrian refugees in Lebanon and Jordan have disabilities), however the number is expected to rise once data becomes available from countries in conflict. Challenges of their integration will present pressure on strained fiscal resources in countries in the region. About 29 million people (15 million IDPs and 14 million Arab refugees globally) are forcibly displaced in the region, with Syrian registered refugees peaked in 2014, representing 20.5% of the population in Lebanon and 7.1% in Jordan. This creates fiscal burden in many countries. In addition, due to long-term exposure to violence, there is significant challenges in addressing stunting.

ESCWA analysis highlights that fiscal policy choices need to consider setting medium- and long-term fiscal rules to guide and sustain adequate social expenditure, with an aim to accelerate progress on the SDGs, while maintaining a balanced and sustainable set of fiscal policies. ESCWA is developing a comprehensive social expenditure monitor to inform policy analysis and reform, improve social protection, reduce poverty and inequality, enhance human capital and innovation, and promote gender equality and inclusive growth.

Mr. Zahedi provided an overview of progress and challenges to address inequalities in Asia and the Pacific region. According to the Social Outlook for Asia and Pacific, since early 1990, the region has experienced a tremendous socioeconomic transformation, facilitated by strong and sustained economic growth, which lifted 1.16 billion people (731 million in China, 168 million in India, 83 million in Indonesia, and 173 million in other countries) out of extreme poverty between 1990 and 2013. However, a closer look at evidence reveals that "a rising tide lifts all boats" did not happen. While economic growth and productivity increases bring great rewards, they have not been evenly distributed. In fact, the region is one of the two regions in which income inequality is rising. Inequality of opportunity and access to basic services, such as clean energy, higher and secondary education, sanitation, and full-time employment, is also rising.

Social protection is a key to achieve many of the SDGs and should be seen, not a cost, but as an investment. Social protection creates a virtual cycle, by strengthening labour force and decent job creation, mitigating shocks and minimizing losses in production, driving demand and economic activity, fostering social cohesion, reducing inequality, and promote economic growth. However, developing countries in Asia spend only 3.7 % of GDP on social protection, compared with the global average of 11.2 % of GDP. If these Asian countries increase social spending to the global average, 233 million people will be lifted out of poverty by 2030.

Mr. Dieye stated that "we are collectively walking at a snail's pace, yet we have powerful weapons in our policy arsenal to address inequalities". First, fiscal policy is one of them. Nordic countries have enjoyed both favorable economic growth and the narrowing of social gaps, providing an example of how fiscal policy can be more actively used to achieve equity while enhancing efficiency. Three sets of policies are required. First, expanding the fiscal space. In developing countries, the ratio of tax to GDP averages at 13 to 17 %, compared with 45 % in Nordic countries. Second, re-distribution policies (i.e. social protection and minimum wage policy) are key instruments Governments have used to tackle poverty and inequality. It is equally important to think of broader macroeconomic policies that can tackle inequality at its core and prevent the kind of market failures it leads to. Countries are more unequal when there is "jobless growth", such as growth driven by a few sectors, like oil or capital-intensive sectors. UNDP has been advocating for countries to adopt integrated policies that leave no one behind.

Mr. Pinheiro said that the global goal on decent work is off track, with a yellow light blinking. There are still 3.3 million people without decent jobs. The gender gap still exists, and equal pay has not been realized. Indicators on reducing child labour improved but bringing it to zero by 2030 is unfortunately impossible given the current state. He announced that Global Commission report on the Future of Work had been launched on 22 January 2019.

Mr. Ladd stressed the importance of addressing inequality in a comprehensive and integrated manner and in a way that promotes social mobility. The world is moving towards universal social policy due to the high cost associated with targeting groups. He said there is a growing debate on wealth taxes.

The representative of the United Nations Food and Agriculture Organization (FAO) said that people living in agricultural and rural areas are at risk of being left behind. Only one in five agricultural workers have access to basic social protection, which is a critical component to reducing rural poverty.

Discussions:

Syrian Arab Republic commended ESCWA for their good working relationship and thanked the entire UN system for their support in drawing attention to the dangers of unilateral and illegal economic sanctions such as those imposed by the West on Syria. **Brazil noted that its c**ross-cutting policy on health and education has led to reduction in poverty, through universal health coverage to all Brazilians since 1988, expansion of education, and targeted social programmes. However, Brazil also cautioned that more governments is not always the answer to address inequality. Key priorities for the Brazilian government are reforms to the pension and retirement system, which currently benefits disproportionately high-earning civil servants and private sector employees. Reform will address inequality and free-up resources for more public investments. Labour market reforms to limit rigidities will also increase employment leading to rising wages. Privatisation of state resources and more public-private partnerships will bring in more resources for public investments. Fight against corruption and crime will also support people living in poverty. Committed to social inclusion, long term budgetary discipline. **Mexico** raised the issue about social inclusion of migrants, in transit countries and in host countries.

Iran noted the rise in the number of billionaires, quoting a report in The Times magazine that the top 1 percent of the world's population already own 47 percent of wealth of world; and the number are projected to be the top one percent owning 64 percent by 2030. **Finland** remarked that the people of Finland are happy tax payers and pay gladly as the country provides a good welfare system with high investments in education and social protection leading to highly-skilled labour force which in turn increases economic growth that can fund the welfare system – a virtuous cycle. However, Finland also has intergenerational poverty and the answer maybe in designing a simpler welfare system that works in concert with the education, youth and employment services.

The **FAO** called for more investments in the rural economy where many people are living in poverty. The **Congregation of Saint Joseph** pointed to the weak fiscal capacities for addressing inequalities, and that there has been a large transfer of wealth from the public to the private sector in recent years, limiting the capacities of governments to provide social protection; and asked about the feasibility of introducing an intergovernmental measure to support public services, such as a Tobin Tax.

Soroptimists International pointed out that as the private sector gets involved in social protection systems, human wellbeing should not be profit-driven. **International Network for the prevention of Elder Abuse** noted that older persons are still active and contribute a lot of unpaid labour and should not be considered only as beneficiaries.

Philippines reaffirmed that government expenditure is essential for implementing social protection systems, but private sector can also be tapped to enhance available funds. Philippines tapped private sector, especially cooperatives and mutual associations, who have over 20 million members and have bought insurance schemes from regulated insurance companies for their members, helping to increase the numbers covered by social insurance schemes.

UNDP – noted the difficulty of the world agreeing on a Tobin tax and pointed to other sources of funds that can become available for example by tackling illicit financial flows. Illicit flows from international trade alone has cost LDCs 1.9 trillion dollars in the last 10 years. Financial instruments are also needed to channel funds from sovereign wealth and pension funds.

ASG Harris noted that many investors are now looking for opportunities for making impact investments in areas that promote the sustainable development goals. He also cautioned that many of the social protection systems currently existing have been designed for a workplace dominated by formal employer and employee relations, which are now changing due to rapid advances in technology. The changing nature of work may require new instruments.