



UNITED NATIONS RESEARCH INSTITUTE
FOR SOCIAL DEVELOPMENT

COMBATING
POVERTY AND
INEQUALITY

Structural Change,
Social Policy and Politics

Social institutions, social policy and redistributive poverty reduction

Sarah Cook UNRISD

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The report...

Reflects dissatisfaction with dominant approaches to poverty reduction...

- Macroeconomic frameworks prioritize **low inflation targets**
- Public expenditures are increasingly pro-poor, but social policy frameworks are often fragmented and oriented towards **targeting** the poor
- Limited understanding of the **types of politics** that are conducive to poverty reduction



The Report ...

- Explains variations in poverty outcomes by focusing on countries' **development trajectories** and **policy regimes**
- Engages with current policy debates on poverty reduction from a **developmental and social policy** perspective.
- Demonstrates that a fall in poverty generally results not from policies aimed at poverty or the poor **per se**, but those with wider **social, political and economic** objectives: **and inequality matters**



Five Key Messages

1. **Create jobs**: Poverty reduction requires **growth and structural change** that generate productive **employment**
2. **Inequality matters**: High levels of **inequality** are an **obstacle** to poverty reduction
3. **Beyond protection**: Comprehensive **social policies** are essential for poverty reduction
4. **Poverty is political**: Effective **state capacity and politics** matter for poverty reduction
5. **Synergies**: Poverty is reduced when economic and social policies, institutions and political arrangements are **mutually supportive**



Presentation

- Inequality and poverty reduction
- Social institutions
- Social and redistributive policies for poverty reduction
- Policy lessons and challenges



The neglect of inequality

- Global and national inequalities are widening
- Intersectoral terms of trade are a major driver of inequality in poor countries
- Inequalities have risen within poor, agricultural dependent countries
- Weak links between agriculture and industry / rural and urban sectors
- Productivity gains translate into weak gains for labour
- How labour markets are structured and types of jobs created determines inequalities as does discrimination in markets and public sphere
- Limited analysis or policy to address inequality



Inequalities obstruct poverty reduction

- Poverty is closely related to inequalities based on class, gender, ethnicity, location

Interlocking inequalities

reinforce each other and may be reinforced by market processes

- make it harder to incorporate the poor in the growth process;
- may encourage the emergence of institutions that lock the poor into poverty traps
- limit the size of the domestic market and prospects for sustained growth;
- may contribute to crime, social unrest and conflict and undermine social cohesion and stability – and growth / poverty reduction...



‘Social’ Institutions

- Rules, norms, organisational arrangements deemed to be part of social sphere
- Narrow ‘sectoral’ view – domestic institutions (hhs), separate / not integrated into broader political economy analysis
- Broader definition: Social functions – of economic, political and domestic institutions
- Need for a framework that integrates these spheres, makes visible the domestic sector in economic and political structures...
- .. leading to policies that provide collective support for social reproduction and the production of labour



Circuits between sectors

- The construction of markets – production of labour, social norms, infrastructure of regulation and rights
- Tax and benefits for citizens – income transfers as well as physical and social infrastructure free at point of use – essential for both welfare and productive activity
- Domestic sector – unpaid (uncounted) work (of women); buffer in event of crisis; privatisation of social risks – reduced sharing of social reproduction costs





Gender inequalities

- Women's labour force participation – growing but unequal
- Women's unpaid / care work is a major barrier to their well-being and equity
- State policies can narrow the gap but inequalities are persistent across diverse regimes
- Public action is needed to share the costs of social reproduction, and to recognise and reward 'care' work
- Policies: time related (formal workers), financial (transfers), social investments and infrastructure – greatest potential for *collective* resolution



Social policy: not just protection

Comprehensive social policies are essential for successful poverty reduction.

- The most significant reductions in poverty have occurred in countries that have used social policies integrated into broader strategies of development
- Countries that have emphasized market-oriented instruments and narrowly targeted interventions have tended to be less effective in reducing poverty.



‘Transformative’ Social Policy

Transformative social policy is grounded in **universal** rights and addresses critical areas of:

- ✓ **Production:** enhance the *productive* capacities of individuals, groups and communities;
- ✓ **Distribution:** ensure progressive redistributive effects of economic policies;
- ✓ **Reproduction:** reduce the burden of growth and reproduction of society, including care-related work (particularly on women), and
- ✓ **Protection:** protect people from income loss and costs associated with social risks eg unemployment, ill-health, disability, old age.



‘Feasible’ policy options

‘Pro-poor’ / ‘heterodox’ macro-economic and fiscal policy frameworks...

- ✓ Avoid pro-cyclical policies during periods of slow growth; ‘automatic stabilisers’
- ✓ Pursue industrial and agricultural policies;
- ✓ Place employment centrally as an objective;
- ✓ Stimulate and maintain an adequate level of labour demand;
- ✓ Invest in appropriate infrastructure and skills, and in reproduction of labour;
- ✓ Reduce vulnerability to commodity price, interest rate or other shocks (trade regimes);



Policies for tackling inequality

- ✓ provide the poor with greater access to **productive assets and credit**;
- ✓ invest in **social infrastructure** to share the burden of social reproduction;
- ✓ pursue **affirmative action** policies;
- ✓ strengthen legal rights (eg tenure)
- ✓ invest in **rural / basic infrastructure and services**, including support for reproduction;
- ✓ improve **tax** administration, prevent tax evasion, and limit opposition to progressive taxation;
- ✓ create a stable global economic environment that responds to the needs of low-income countries.
- ✓ Focus on rich/elites as well as the poor
- ✓ Address research gaps – politics of inequality



Beyond productivity and jobs:

- Shifts in structural conditions, terms of trade, valuation of labour / work
- Functional distribution of income
- Financialisation, capital, transnational corporations and elite interests, forms of regulation
- Collective bargaining / action, creating shareholders, alternative (social economy, alter-globalisation) approaches...
- Relationship between labour / employment and social policies / protection



Beyond Protection

- Labour markets and links with the productive economy
- Inequality and redistribution
- Reproduction and gender roles
- Politics of welfare policies: contestation, interests and constructing social pacts
- Synergies and complementarities between these areas (economic, social and political)



Synergies are not automatic

- Institutional complementarities, or policy regimes, vary across countries because they are a product of:
 - ✓ competing values and social norms
 - ✓ differences in the weights accorded to markets and non-market institutions in coordinating activities, and
 - ✓ differences in power structures and institutions which have evolved historically



Poverty reduction is political

Poverty reduction strategies often ignore **power relations**, conflicting interests, bargaining and contestation, focusing instead on consultation, market-centric processes and technocratic governance reforms.



State capacities

Effective state capacity and political arrangements matter for reducing poverty and inequality

- This involves accountable states and market actors / corporations, institutionalisation of rights, social mobilization and sustained public engagement, coalitions, and **social pacts** that are structured around issues of employment and welfare.



Politics of poverty and inequality

- The poor suffer when interest groups and social movements are weak and the electoral system is not sufficiently competitive
- To reduce poverty – will need redistributive measures that demand renewed focus on inequality as an issue of power and politics

Combating Poverty and Inequality

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