



UNRISD Flagship Report 2010

COMBATING POVERTY AND INEQUALITY

Structural Change,
Social Policy and Politics

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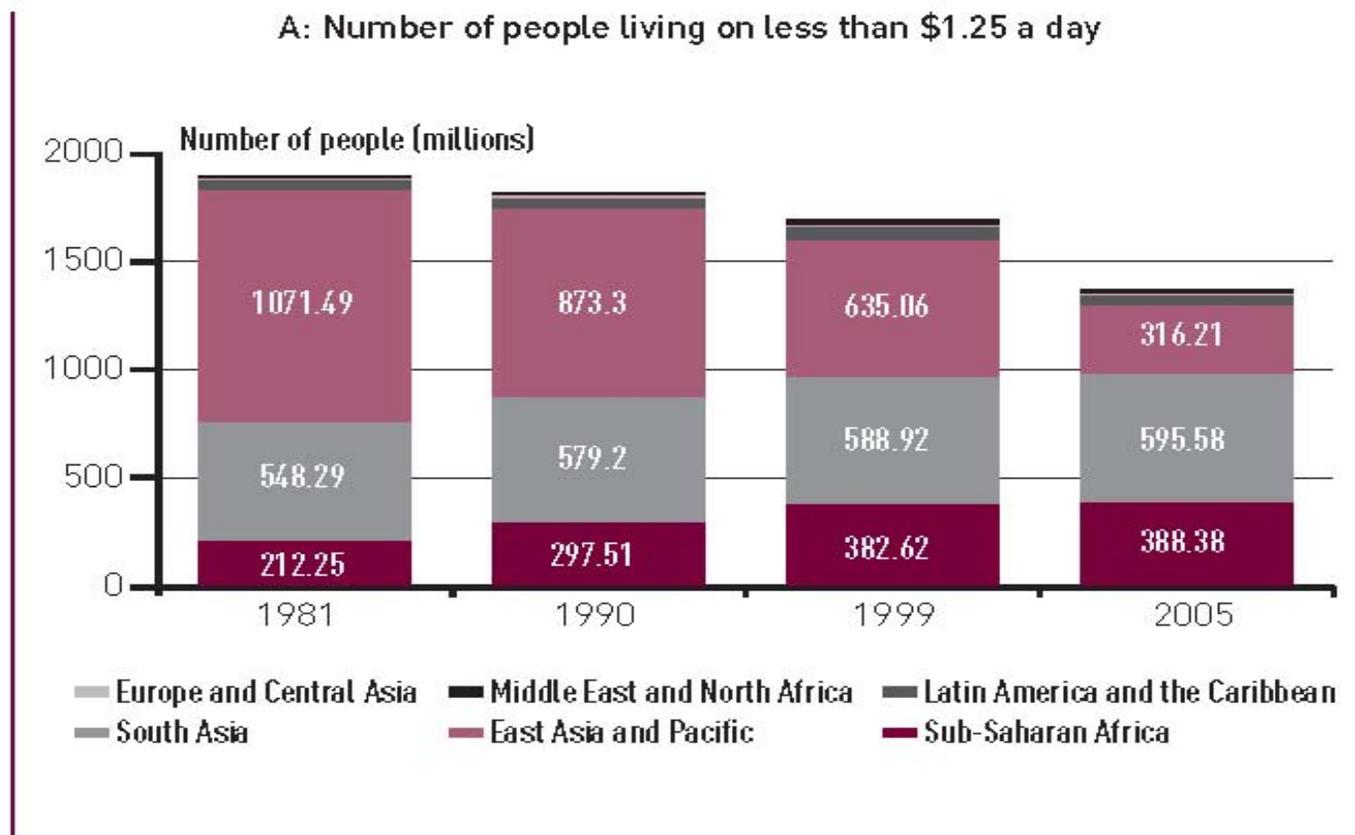


UNITED NATIONS RESEARCH INSTITUTE
FOR SOCIAL DEVELOPMENT

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Poverty

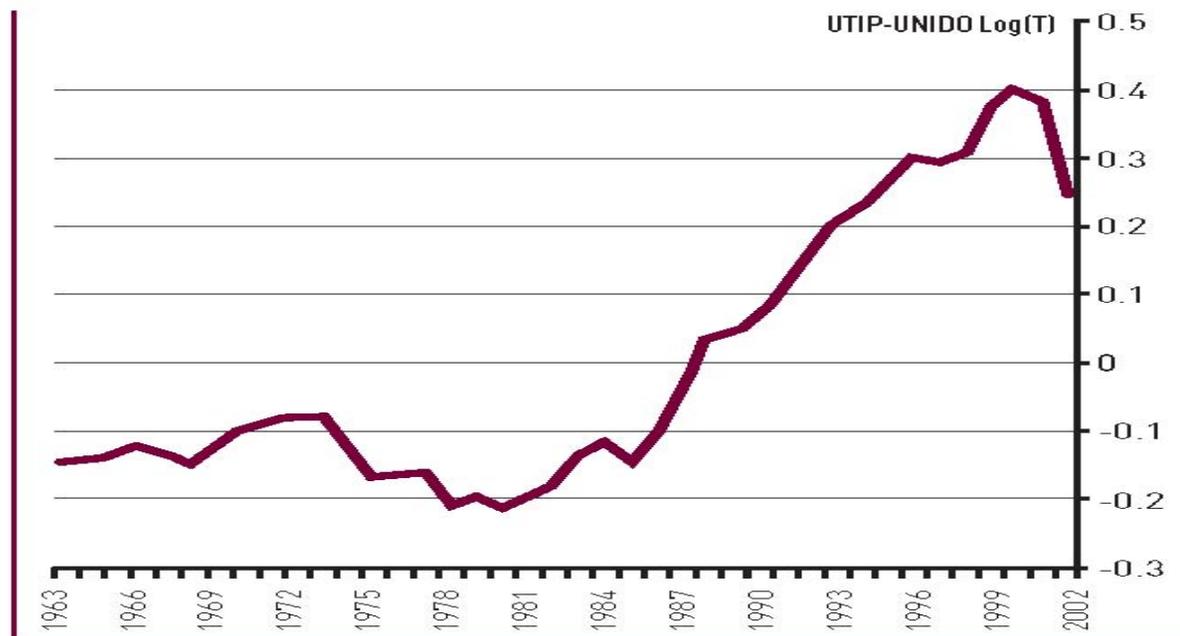
FIGURE 0.1: Global and regional trends in extreme poverty, 1981–2005



Inequality

- Income and wealth inequalities have risen in most countries.

FIGURE 2.3: Global patterns of inequality over time, 1963–2002



Source: Kum 2008.



Key Questions

- What accounts for the persistence of poverty when concern for its reduction has been high on the policy agenda?
- Why have some countries been more successful than others in reducing poverty and inequality?
- What can be done to reduce poverty and inequality, especially in low-income countries?



Current Approaches...

- 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.
- Sheds light on how to accelerate progress in achieving the MDGs and other social development objectives by 2015.



Argues that..

- A fall in poverty generally results not from policies aimed at poverty, but those with wider social objectives
- Where poverty is widespread, it makes little sense to detach poverty from the dynamics of development
- What matters are ideas, institutions, policies and practices in social, economic and political spheres



Outline of the Report

The report is structured around three interconnected domains:

- **The Economic:** employment-led growth and structural change
- **The Social:** transformative social policies grounded in universal rights
- **The Political:** civic rights, activism and political arrangements that are responsive to the poor



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Five Key Messages

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



Growth and Structural Change

Poverty reduction requires growth and structural change that generate productive employment.

- Industrial countries' path of structural change remains elusive.
- Lack of employment-centred structural change in poor countries is linked to problems associated with globalization, dependence of productivity growth on external firms, and neoliberal policies.



Growth and Structural Change

- Governments can achieve employment-centred structural change by pursuing deliberate policies.
 - ✓ Avoid procyclical policies during periods of slow growth;
 - ✓ Pursue industrial and agricultural policies;
 - ✓ Stimulate and maintain an adequate level of labour demand;
 - ✓ Invest in infrastructure and skills;
 - ✓ Reduce vulnerability to commodity price and interest rate shocks.



Poverty and inequality are linked

High levels of inequality are an obstacle to poverty reduction.

- Poverty is closely related to inequalities based on class, gender, ethnicity, location etc.
- Interlocking inequalities reinforce each other and may also be reinforced by market processes
- Inequalities can undermine social cohesion and stability



Gender inequalities

- Women's labour force participation – growing but unequal
- State policies narrow the gap but inequalities are persistent across diverse regimes
- Women's unpaid work is a major barrier to their well-being and equity
- Public action is needed to share the costs of social reproduction, and to recognise and reward 'care' work



Redistribution is possible

- Countries can adopt a number of redistributive policies to tackle the multiple dimensions of inequality, including:
 - ✓ 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 within a **universal framework**;
 - ✓ stimulate investment in **rural infrastructure** and creating **public works** programmes;
 - ✓ 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.



Comprehensive Social Policies

Comprehensive social policies are essential for successful poverty reduction.

➤ The most significant reductions in poverty have occurred in countries with comprehensive social policies that lean towards universal coverage.



Transformative Social Policy

- Is social policy grounded in universal rights that aims to:
 - ✓ enhance the productive capacities of individuals, groups and communities;
 - ✓ reinforce the progressive redistributive effects of economic policies;
 - ✓ reduce the burden of growth and reproduction of society, including care-related work, and
 - ✓ protect people from income loss and costs associated with unemployment, pregnancy, ill-health or disability, and old age.

Outcomes Depend on Regime Type

TABLE 5.1: Inequality and poverty by welfare state regimes

	Inequality among working-age population			Poverty among working-age population		
	Pre-tax and transfers Gini	Post-tax and transfers Gini	Reduction in Gini due to taxes and transfers (%)	Pre-tax and transfers (%)	Post-tax and transfers (%)	Reduction in poverty due to taxes and transfers (%)
Social democratic welfare states ^a	0.35	0.21	40.0	18.8	4.0	77.8
Christian-democratic welfare states ^b	0.35	0.26	26.0	15.6	7.0	51.6
Liberal welfare states ^c	0.42	0.32	24.4	20.5	12.0	39.5
Grand mean	0.37	0.26	30.1	18.3	7.7	56.3

Notes: Mean values. ^a Data refer to 1995 for Sweden, Norway and Finland, and to 1992 for Denmark. ^b Data refer to 1992 for Belgium and Switzerland; 1994 for the Netherlands and France; 1989 for Germany. ^c Data refer to 1994 for Australia, Canada and the United States; 1995 for Ireland and the United Kingdom. Source: Adapted from Stephens (2007).

Cash Transfers...

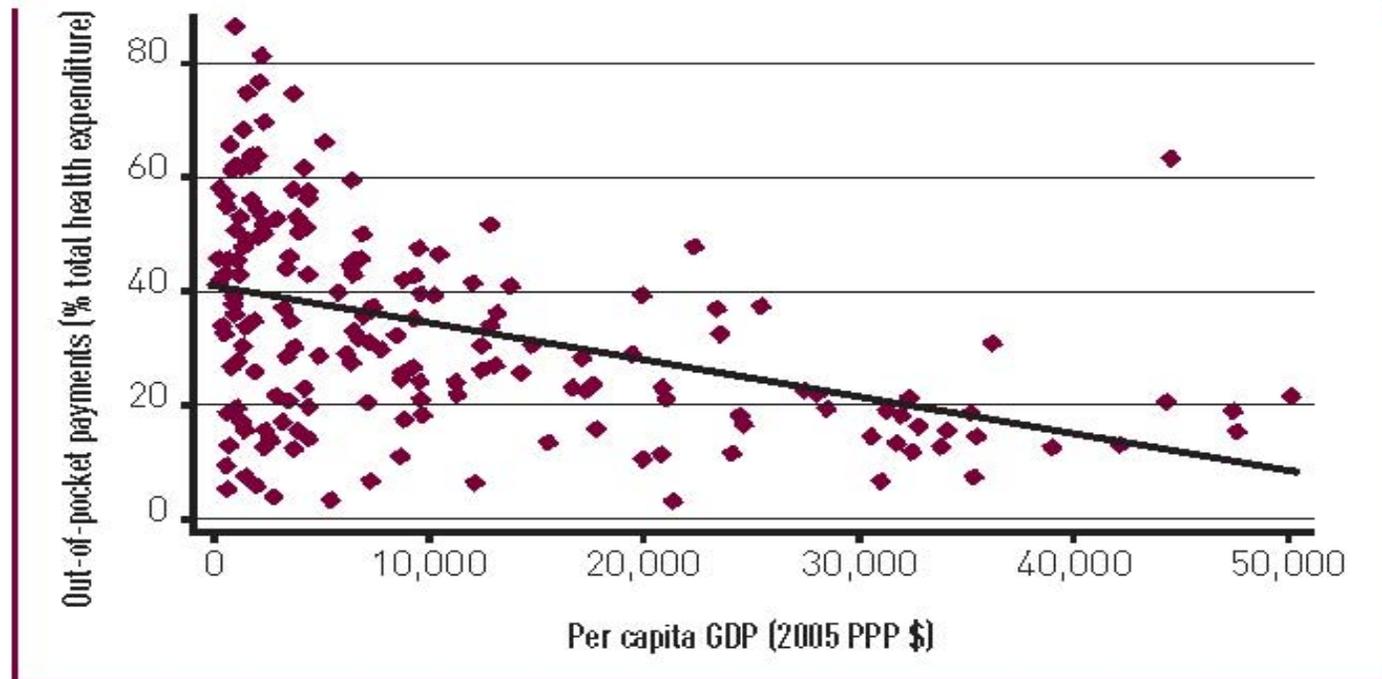
TABLE 5.5: Costs, benefits and number of households reached by conditional cash transfer programmes in Brazil and Mexico

	Per capita GDP in 2006 (PPP \$)	Population below national poverty line (%)	Poverty headcount ratio at PPP \$1.25 a day (% of population)	Budget (\$)	Coverage (households)	Monthly monetary benefits in 2008 (\$)	Administrative costs (% of programme budget)
Brazil: Bolsa Familia	8,949	21.5 (2003)	11 (in 2000) 5 (in 2007)	\$5 billion in 2005 (0.36% of GDP)	11.1 million (2006)	\$35 per extremely poor family \$11 (variable) per child, up to 3 children \$17 (variable) per adolescent, up to 2 adolescents	4
Mexico: Progreso/Oportunidades	12,176	17.6 (2004)	5 (in 2000) 2 (in 2007)	\$3.1 billion in 2006 (0.4% of GDP)	5 million (of which 3.5 million were rural)	Education: \$12–\$77 per child (variable by school level/gender); \$2 per child for school supplies Nutrition: \$18 per child Pension: \$25 per elderly Energy and food: \$16 per family Youth: \$3–\$27 per young person	9

Sources: UNRISD compilation based on data from ECLAC (2009), World Bank (2009a), United Nations Millennium Development Goals Indicators 2009.

Commercialization...

FIGURE 6.6: Out-of-pocket health expenditure as a percentage of total health expenditure and per capita GDP, 2005–2006



Source: World Development Indicators 2009.



Towards universalism

- Instrumental, intrinsic and rights based arguments for progressive realisation of universal social policies
- The economic, social and political costs of targeting and conditionalities
- More universal programs offer greater potential for redistribution, risk pooling, efficiency gains, financial sustainability and political cohesion



Financing Social Policies

- Universal social policies are feasible and affordable for countries at fairly low levels of income.
- Despite increased spending on services and proliferation of social assistance schemes, such as cash transfers, social policy in poor countries is still oriented towards targeting and commercialization of services.



Politics of Poverty Reduction

Effective state capacity and political arrangements matter for poverty reduction.

- This involves accountable states, institutionalization of rights, sustained public engagement, pacts that are structured around issues of employment, welfare and growth.



Politics of Poverty Reduction

- Democracies deliver outcomes that are beneficial to the poor when:
 - ✓ Rights are institutionalized, allowing the poor to exercise political choice, build alliances with others and hold leaders to account.
 - ✓ Social groups with strong ties to the poor demonstrate capacity for organization and mobilization.
 - ✓ When social groups create links with actors involved in policy making (leading, at times, to social pacts).



Politics of Poverty Reduction

- The poor suffer when interest groups and social movements are weak and the electoral system is not sufficiently competitive



Policy Synergies

Poverty is reduced when economic and social policies, institutions and political arrangements are mutually supportive.

➤ Effective poverty reduction requires more than employment-centred growth strategies, comprehensive social policies, or even getting the politics right



Institutional Complementarities

- 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



No "One Right Way"

There are multiple paths to poverty reduction

Combating poverty and inequality is not just about having the right economic policies; it is also about pursuing comprehensive social policies and types of politics that elevate the interests of the poor in public policy.



Details

Combating Poverty and Inequality Structural Change, Social Policy and Politics

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