1. “Tackling Inequality – A moral imperative and goal of the 2030 Agenda”

A. Introduction

Since the adoption of the United Nations Millennium Declaration in 2000, impressive gains were made towards achieving the Millennium Development Goals (MDGs). However, progress was uneven within and among countries and across the goals. In elaborating the Sustainable Development Goals (SDGs), Member States and development partners recognized that inequality, in all its dimensions, poses particular challenges to societies, affecting all countries. High levels of inequality constitute a significant challenge to social, environmental economic and human development. In the 2030 Agenda for Sustainable Development, Member States pledge to reduce inequality and affirm a vision of a shared future and of societies that are accessible, inclusive and sustainable with equality and opportunities for all.

High and rising inequality not only hinders progress in poverty eradication, it is also an affront to social justice and human dignity. Without appropriate economic and social policies, economic gains in market-based societies tend to benefit a small portion of the population, further exacerbating existing inequalities. When a large segment of the population remains excluded from development processes or trapped in low-productivity jobs, economic growth slows down. Increasing concentrations of wealth can also weaken democracy, increase social tensions and undermine social stability. Addressing inequalities is therefore not only a moral imperative but also essential to unleash human and productive potential\(^1\) and to build a more inclusive, just, prosperous and peaceful society. The 2030 Agenda and Sustainable Development Goals cannot be achieved without redressing inequalities.

Indeed, reducing inequality in its all dimension is captured in the 2030 Agenda, both directly and indirectly. Goal 10 (SDG-10) seeks to reduce inequality within and among countries, and Goal 5 (SDG-5) focuses on achieving gender equality. More generally, the pledge to “leave no one behind” means that no SDG can be considered achieved if targets are not met for some groups of people based on age, gender, disability, race, ethnicity, national and social origin, religion, socio-economic status, and others, highlighting the cross cutting nature of inequality in the 2030 Agenda. The SDGs reaffirm the normative basis for addressing inequalities, which is grounded in commitments of States to equality and non-discrimination, with specific reference to international human rights treaties and other international instruments and agreements related to human rights and development.

B. Dimensions of Inequality

Economic: inequality in income, wealth and productive assets

Economic growth in recent years has not been inclusive. Indeed, over the last few decades (1980-2010), income inequality has sharply increased in most countries and regions. One notable exception is Latin America, where income inequality decreased (2000- 2010)\(^2\). Today, seven out of 10 of the world’s people live in countries where income inequality has risen\(^3\). In most OECD countries, income inequality has widened since

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1 See *The Inequality Predicament: Report on the World Social Situation 2005* (United Nations publication, Sales No. E.05.IV.5)
2 See *Income convergence or persistent inequalities among countries?* Development Issues No. 5 (October 2015), Development Policy and Analysis Division, DESA
3 For more detailed analysis, see *Inequality Matters: Report on the World Social Situation 2013* (United Nations publication, Sales No. E.13.IV.2)
the 2008 global financial crisis and now is at its highest in 30 years. The richest 10% of the population of OECD earn 9.6 times the income of the poorest 10%, compared to 7:1 in the 1980s (8:1 in the 1990s and 9:1 in the 2000s). During the global crisis, real household incomes at the lower bracket of the income distribution fell substantially in countries hardest hit by the crisis.

The distribution of wealth is typically more unequal than the distribution of income. Inequality in wealth between the richest and the poorest segments of the population has reached new extremes. According to Credit Suisse, the richest one per cent has now accumulated more wealth than the rest of the world put together. Oxfam has reported that, in 2015, as few as 62 individuals had the same wealth as 3.6 billion people—half of the world population. The wealth of the richest 62 people has risen by 45% in the five years since 2010, while the wealth owned by the bottom half has decrease by 38% in the past five years. The average annual income of the poorest 10% of people in the world has risen by less than $3 each year in the past decades.

Unequal distribution of land-ownership also has a significant impact on inequality. Particularly where agriculture constitutes a large share of national production, a high concentration of land-ownership in the hands of a few creates social and political tensions and is a source of economic inefficiency. Land concentration remains particularly high in Latin America, followed by Western Asia and Northern Africa.

Income inequality between countries has not improved for large parts of the developing world outside of Asia. While there has been a general trend towards income convergence between developed and developing countries since 1990, this is closely associated with the rapid growth of income in Asian countries, in particular China and India. Despite this remarkable progress, the average income of people living in Asia represents merely one fourth of that of people in developed countries. Globally, with the exception of Asia and to some extent countries in the Latin America and the Caribbean region, income convergence has not improved in the last decade. Average per capita income in Africa has not changed since 1990, when it was approximately 12 per cent of per capita income in developed countries. Income per capita in Oceania experienced a slight regression, from 15 per cent of the income in developed countries in 1990 to 14 per cent in 2014. In Latin America and the Caribbean, the developing region with the highest living standards, the ratio of income per capita compared to developed countries showed strong cyclicity, reaching 38 percent of developed countries’ income in 2014. In fast growing Asia, average income is still less than one third of income levels in developed countries.

Social: inequalities in access and opportunities

Improved availability of disaggregated data in recent years has revealed a trend towards decreasing inequality of opportunities. Even though progress in life expectancy at birth has been slow in the least developed countries, the overall gap between the more- and the less-developed regions shrank from 23 years (1950-1955) to 13 years (1980-1985), to under 10 years (2005-2010). Despite this general trend towards narrowing non-income inequalities, the disparities in life expectancy, child health and mortality, and primary and secondary school attendance and completion, health and educational outcomes still differ markedly across, and within countries. The proportion of children’s stunting (low height for age,) for example, shows large disparities between poor and rich households, both in countries with high and low levels of stunting.

Where people are born and live also has a lasting influence on their lifelong opportunities. Spatial disparities are generally wide in all countries, with urban populations being noticeably better off than rural populations. For example, 75 per cent of those living in extreme income poverty resided in rural areas in 2002, while only

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5 Oxfam: An Economy for the 1%: How privilege and power in the economy drive extreme inequality and how this can be stopped, 2016
6 See Development Issues No. 5 (October 2015)
7 For detailed analysis, see See Inequality Matters: Report on the World Social Situation 2013(United Nations publication, Sales No. E.13.IV.2)
about 52 per cent of the world population did\textsuperscript{8}. Children living in rural areas of developing regions, for instance, are twice as likely to be underweight than their urban counterparts. On average, children in the 20 per cent lowest income households are three times less likely than those in wealthier households to be delivered by a skilled health professional, nearly three times as likely to be underweight and two times as likely to die before their fifth birthday. Among approximately 2.6 billion people who lack access to a safe form of sanitation, the majority (1.9 billion) live in rural areas. This disparity is particularly acute in developing countries, where 73 per cent of urban dwellers, but only 33 per cent of the rural population, had such access\textsuperscript{9}.

Members of some social groups often experience discrimination and exclusion. For example, the gap in income poverty, education and a majority of health indicators between indigenous peoples and members of the general population is large and has generally grown over time\textsuperscript{10}. Persons with disabilities continue to suffer from a higher-than-average chance of falling into the poorest quintiles of the population\textsuperscript{11}. As a result, people in vulnerable situations suffer from worse health and education outcomes, face disadvantages in access to the labour market, and experience poverty at disproportionately high rates. Women and girls often experience even greater disadvantages than men belonging to the same social group. Inequalities in terms of access and opportunities across these different dimensions reinforce each other and create inequality that persist across generations, further resulting in poverty traps.

**Environmental: differentiated impact of environmental shocks**

Similarly, environmental hazards, including those prompted by climate change, have differential impacts on people and communities. Poor and marginalized population groups - such as indigenous peoples, older persons or persons with disabilities - are usually more exposed and vulnerable to floods, droughts and other natural disasters. They have a lower capacity to recover when hit by a climate related shock. Poor families are often forced to live in insecure, flood prone areas, in poorly built housing, with restricted access to sanitary infrastructure. Small scale farmers often face limited access to improved seeds, new technology and knowledge necessary to protect their livelihoods from climate hazards. When hit by a shock, persons in vulnerable situations, with no savings or other forms of protection, are often forced to sell their few assets, compromising their future livelihoods. Climate change may also lead to high and volatile food and commodity prices, due to temporary disruptions of supply chains, infrastructures and/or transportation. As poor households spend a large proportion of their income on food, they are thus hit hardest. Furthermore, as the most vulnerable people live in rural and agricultural areas in many countries, environmental degradation disproportionately affects their survival and earning opportunities, as their livelihoods are intricately linked to the natural environment.

2. **“Addressing Inequality: Policy priorities at the national and regional level”**

Experiences show that public policy plays an important role in reducing the structural sources of inequalities and in creating the basis for sustained and equitable economic growth and social progress. Public investments towards universal provision of quality education and basic health, in particular, will contribute to the reduction of poverty and inequalities. Experience from countries where inequality has declined provides valuable lessons on the importance of broad and coherent economic and social policies, including sectoral policies, as well as of forging or achieving political consensus in order to effectively tackle rising inequality.

Breaking the cycle of inequality also requires inclusive economic, social and political institutions that are responsive to the needs of people and promote their active participation in decision-making processes. The 2030 Agenda emphasizes that its goals and targets must be met for all segments of society, and special

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\textsuperscript{8} Source: World Bank. This estimate is based on poverty headcounts estimated using 1993 Power Purchase Parity (PPP) exchange rates for household consumption and an income poverty line of $1.08. Income poverty estimates have since been updated using PPP exchange rates from the 2005 International Comparison Program and new, more recent household survey data. The most recent World Bank estimates of income poverty are available at: http://iresearch.worldbank.org/PovcalNet/index.htm

\textsuperscript{9} WHO and UNICEF, 2006, cited in the RWSS 2013 Inequality matters

\textsuperscript{10} World Bank, *Global Monitoring Report 2011: Improving the Odds of Achieving the MDGs*.

\textsuperscript{11} In a sample of 14 developing countries, disability is associated with a 10 percentage point increase in the chance of falling into the poorest 40 per cent of the population. See: Deon Filmer. 2007. Disability, poverty, and schooling in Developing Countries: results from 14 household surveys., *World Bank Economic Review*, vol. 22(1)
attention should be given to the needs of people in vulnerable situations, including: all children, youth, persons with disabilities, people living with HIV/AIDS, older persons, indigenous peoples, refugees and internally displaced persons and migrants (2030 Agenda, para 23). In addition, the voices and concerns of women and girls must be reflected across all the goals and targets, as gender inequalities are often deeply embedded in the fabric of societies.

**Priority policy areas to reduce inequalities**

- **Expand employment and decent work opportunities**

  **Coherent and integrated social and economic policies to create decent jobs:** Decent work is a critical pathway to reducing inequality in all dimensions. Jobs that provide living wages are not only the most reliable way to reduce poverty and income inequality, but also promote social inclusion, participation and a general sense of belonging. Broad-based economic growth, when sustained over time, provides income generating opportunities to low-skilled workers. Adequate social and labour policies further enable them to engage in productive work with living wages, safety, security and social protection for their families. Such growth also leads to increasing household income and to overall improvement in the distribution of income. Policies to accelerate industrial development and economic diversification should, therefore, be compatible with the promotion of jobs with decent wages and work conditions.

  **Address vulnerability of people working in precarious, non-standard and informal work:** The majority of people, about one-half of the global workforce, is estimated to work in vulnerable jobs, often in the informal sector, with low wages under poor working conditions and without social protection. Women, young people, and persons with disabilities are represented at disproportionately high rates within this group. Countries with active labour market programmes and strong labour market institutions, including minimum wage laws, unemployment insurance and other mandatory benefits and collective bargaining, tend to have a lower share of low-wage work, according to studies covering the OECD member countries. Recent evidence indicates that such policies and institutions may also have a positive impact on the quantity and quality of employment in developing and emerging economies.

  However, in many developing countries where the majority of workers labour in the informal economy, labour market policies and institutions that were created to address formal employment miss the largest part of the work force. In countries where employment is dominated by work in agriculture or household enterprises, policies should aim at expanding the productive capacity of workers by improving their access to financial services and market, skills development, and by promoting the creation of value chains. To better reflect particular national circumstances, data on living wages, as well as on informal and precarious work, is necessary.

  **Strengthen support to small and medium-sized enterprises:** In all regions, the majority of business is classified as small and medium-sized enterprises (SMEs), which are also the largest providers of jobs. Policies to improve the productivity of SMEs and extend coverage of social protection systems to include workers in this sector are therefore essential in terms of reducing inequality and promoting inclusive growth. SMEs are very diverse, including in relation to their size, the range of sectors in which they operate, and their aspiration for growth. Policies to promote the dynamic growth of SMEs are context specific; they require a good understanding of the characteristics of SMEs to help identify their needs.

  **Support cooperatives:** Cooperatives can play an important role in reducing inequalities. They are designed to provide equal distribution of outcomes, including in relation to income, access to services and to opportunities, depending on the purpose for which they have been created. Many cooperatives are specifically created to bridge market gaps – as in cases where housing, day-care services, legal aid, health care, care for older persons and persons with disabilities and education services are not otherwise adequately addressed. Cooperatives can also be instrumental in providing livelihoods to vulnerable groups, such as young people, women, indigenous peoples and persons with disabilities.

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Social policy frameworks to reduce inequality

Ensure equal/universal access to basic social services and social protection\(^{14}\): Building people’s capacity through investments in social services and social infrastructure is crucial to reducing inequalities. For example, universal policy to ensure quality primary and secondary education, basic health coverage and social protection, has proven to be effective in addressing root causes of inequalities, maximizing the productive potential of individuals, and creating better life opportunities. Improving access to healthcare, safe drinking water and sanitation contributes to improving people’s health and reducing socio-economic differences in health standards, mortality and morbidity rates. Universal access to health services can reduce health related risk of falling into poverty as a result of loss of income from sickness. Ample evidence demonstrates that the costs incurred by poor households in meeting their needs for health and basic services often leads to the creation of poverty traps. In OECD countries, for example, public provision of basic services reduces income inequality by an average of 20 per cent\(^{15}\), and by between 10 and 20 percent in five Latin American countries\(^{16}\).

Complement with targeted measures: Even where universal policy frameworks exist, certain segments of the population, especially those experiencing discrimination and exclusion, face greater challenges than others in accessing good quality services, particularly in developing countries. Targeted policies to reach out to these groups will ensure that “no one is left behind”. However, these should be seen as temporary or complementary to universal policies/services. Care should be taken that targeted measures do not perpetuate inequalities or create a permanent need for such special measures.

Strengthen/expand social protection systems: Social protection has proven effective in reducing inequalities in both developing and developed countries. Provision of universal social protection, including social protection floors, is a key measure for enhancing the capacities and resilience of people. Social protection also contributes significantly to reducing poverty among older persons and ensuring their independence. Despite its effectiveness, currently only 27 percent of the global population enjoy access to comprehensive social security systems; the remaining 73 per cent are covered partially or not at all, according to the ILO. While many developing countries have adopted the the ILO Social Protection Floors Recommendation (2012, No.202), further efforts are needed to extend universal social protection systems in all countries.

Skills training and re-tooling: Today’s labour markets require skills development throughout the working life of people to keep pace with rapid technological advance (i.e., digitalization, robotization, transition to green economy) and changing market conditions. Policies to expand vocational or skills training are essential to retool and upgrading skills, in particular for youth and workers in SMEs. It is important to identify growing sectors and adjust education curricula to avoid mismatches between future demand and supply. Agricultural skills training also contributes to increased agricultural productivity, higher incomes and poverty reduction.

Address environmental risks: Investments in universal provision of basic social services may be extended to cover those who are adversely affected by natural disasters or environmental changes. Universal provision may be combined with other measures to enhance the human capacity of those in such situations, including measures to increase their productive assets and savings and improve their access to a wide range of financial services, which will facilitate their recovery.

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\(^{14}\) Social protection encompasses direct income transfers funded through contributory (social insurance) or non-contributory (social assistance) programmes. While social insurance generally covers only individuals active in the formal employment sector, social assistance potentially covers the entire population and is fundamental for reducing extreme poverty. Social protection includes not only transfers such as pensions, work injury and invalidity benefits, sick pay, maternity leave, unemployment benefits, child and family allowances, (non-) conditional cash transfers and food or cash for work, but also subsidized goods and services, such as food or housing.


Ensure equal access to ICTs, knowledge and information: Rapid growth of ICTs and the expansion of digital connectivity and mobile communications reduce barriers to knowledge and learning opportunities, with profound impacts on reducing inequalities. The potential of such technology is particularly broad for young people. Policy-makers should make further efforts to reduce the existing digital divide between urban and rural areas and across communities, by, for example, expanding technology infrastructure, improving access in rural and remote areas, expanding education and training and understanding and addressing cultural and social barriers. (i.e. production of content in indigenous and local languages, or providing accessible technology that meet the needs of persons with disabilities and older persons.)

- Macroeconomic and fiscal policy frameworks to reduce inequality

Redistributive fiscal policies: Redistributive policies are a powerful policy instrument for shaping the distribution of income. The redistributive impact of direct taxes and transfers is significant in most developed countries. Higher taxes on wealth and high wages matched with broad-based social protection measures reduces income inequality and stabilizes the income of vulnerable individuals, shielding them from extreme poverty. In Western and Northern Europe, for instance, direct taxes and transfers alone reduce income inequality by about 15 Gini points, four times the global average.

In developing countries, the prevalence of vulnerable and informal employment leads to weak tax administrations that leave governments with lower capacity to use fiscal policy as a tool to reduce inequality. In addition, narrow political coalitions often prevent the development of advanced tax administration institutions. Raising public social spending, without proper attention to raising revenues through progressive income and wealth taxation, often leads to high public debt and economic instability. In developed and developing countries alike, wealth tends to be highly concentrated, with the top decile controlling 70-90 per cent of total national wealth. There is ample room to increase the tax base without affecting productivity and growth.

Tackling illicit outflows and tax evasion: Ongoing initiatives for the automatic exchange of information, and creation of registries to disclose ownership of trusts and other legal structures are of fundamental importance in enabling Governments to tap the huge potential of wealth taxation. From the perspective of reducing inequality between countries, it is also important to ensure that low-income and least developed countries benefit fully from progress in international tax cooperation. It would also be helpful to allocate additional ODA to improving the administrative capacity for taxation in recipient countries, to ensure that aid reduces financial dependency.

3. “Addressing Inequality: Policy priorities at the global level”

While a great deal of attention has been devoted to inequalities within countries, inequalities between countries also remain a formidable challenge, as described in the introduction of this Note.

Several characteristics of the international trading system perpetuate inequalities between States. Many developing countries face high hurdles in overcoming reliance on primary resource exports and in moving towards higher value-added exports. Developing countries furthermore suffer from unequal access to international trade markets as well as to subsidies in several key markets that make the cost of developing countries’ products prohibitively high, thus hurting domestic market formation. Some aspects of trade agreements can also increase inequalities within country. For example, in many countries, trade tariffs represent an important source of government financing. Trade agreements can reduce this source of financial income for governments, thus, heightening the need to increase tax income from other categories. The combined effects of this can result in greater inequality.

Inequalities between countries also remain stubbornly high due to features of international financial markets. Many developing and emerging economies do not enjoy equal access to international sources of financing.

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Volatility in international financial markets poses challenges to those developing and middle-income countries that have access to international financing. The financial crisis of 2008 and subsequent expansionary monetary policies of central banks in developed countries, for instance, introduced major volatility into international financial markets, highlighting the substantial risks that developing and emerging economies face in accessing international financial markets. Inflows of foreign investment, particularly portfolio inflows into countries’ stock markets, increase exposure to shocks. Corresponding fluctuations in currencies can hurt the economic growth of developing country and create vicious cycles of indebtedness as shocks and currency devaluations may hurt the ability of countries to repay (often foreign currency-denominated) foreign debt. While foreign direct investment is generally less volatile, benefits for sustainable development depend strongly on the industries where they are directed. For instance, investments in industries based on natural resource exploitation can perpetuate inequalities not only between countries but also within countries. The economic gains from natural resource-based industries are unequally shared, as incomes only accrue to few, often foreign workers, while the poorest face the costs of environmental degradation the most. In many industries there are also no visible spillovers from direct investments in terms of technology, training and skills to other sectors of the economy.

Another factor that increases inequalities at the global level is a lack of comprehensive global agreements to tackle tax evasion. The loss of tax income for developing countries can significantly hurt sustainable development as it reduces funds available for investment in infrastructure and human capital. Profit repatriation and tax avoidance by wealthy individuals not only increases inequality between countries but also within countries and can represent a major source of social conflict.

**Policy approaches to tackle inequalities at the global level**

The SDGs provide an important blueprint for addressing inequalities, in particular through SDG10, the standalone goal on inequality. With regard to international financial markets, SDG10 specifies the need to improve the regulation and monitoring of global financial markets and institutions and to strengthen the implementation of such regulations. As the 2008 financial crisis underlined, it is crucial to strengthen international cooperation to ensure financial stability at the global level and to create comprehensive backstops that can limit the transmission of crises to countries that may not be at the core of the financial distress, but which may suffer from the ripple effects through channels including currency and trade. Economic crises in developed countries can reduce the demand for imports from developing countries and close channels for trade financing.

In tackling an important driver of global inequalities, improved international tax cooperation can help increase tax revenue by curbing tax evasion by multinational corporations, negotiating a fairer share in natural resource rents, stemming illicit financial flows, and collecting tax on private assets held abroad by residents. Tax evasion can furthermore be reduced through regulation that addresses tax havens, which continue to provide refuge for tax avoidance. Comprehensive, international rules on profit repatriation can ensure that investments by multinational corporations in developed and middle-income countries provide broader benefits and help finance investments into sustainable development.

In terms of trade rules, the transparency and fairness of the WTO dispute settlement mechanism could be improved if the assessment of the state of trade policies of those member countries with the largest shares of world trade were geared towards the identification of practices that are harmful to the export interests of developing countries, in particular of smaller countries and/or of those without adequate capacity to handle established WTO legal procedures. In leveling the playing field, international agreements on trade should further recognize the lack of competitiveness that developing countries face due to subsidies in many developed country markets, most notably in the agricultural sector. Granting special access to markets for developing and least-developed countries’ products can be an important catalyst for economic growth in countries that have a limited range of exportable products. International cooperation to increase the ability of developing countries to move up value-chains in respective markets and reduce reliance on natural resource exploitation can also be important drivers for sustainable development.

In the realm of international investments, national governments should encourage foreign investments in industries that support sustainable development, including in industries where positive spill-overs of technical expertise and skills exist and transition into higher value-added industries is facilitated. In order to achieve this,
the international community, the UN and other development partners in particular, can support the building of capacity to enable the formation of human capital and facilitate transfers of technology, such as through the Technology Facilitation Mechanism established as part of the 2030 Agenda and Addis Ababa Action Agenda.

In order to create a more level playing-field in international financial markets, global governance institutions need to be representative of, and accountable to, the entire global community while decision-making procedures need to be democratic, inclusive and transparent. Developing countries need to have greater voice in relevant decision making processes and in the formulation of global standards, codes, and rules. One major issue that needs to be addressed through international agreements is indebtedness, which can provide insurmountable hurdles and stall development processes in developing countries as rates of interests and high volatility of currencies trap countries in vicious cycles of debt. In order to avoid over-indebtedness, international governing institutions should provide appropriate frameworks for developing countries to access international financial markets through backstops for currency fluctuations and a comprehensive framework for orderly work-out of government debt.

In many countries, remittances represent a major source of income, particularly for families with incomes in the bottom half of income distribution. They are thus an important instrument for reducing inequalities, not only within countries but also between countries as remittances represent a transfer of income from developed to developing countries. In order to ensure that remittances can spur development and reduce inequality, SDG10 calls for a reduction to less than 3 per cent in the transaction costs of migrant remittances and for eliminating remittance corridors with costs higher than 5 per cent. International agreements to reach this goal can provide a major advancement in inequality reduction.

Finally, given its multidimensionality, inequality between countries can only be comprehensively tackled by advancing sustainable development overall. The adverse effects of climate change will hurt developing and least-developed countries the most, increasing and perpetuating inequalities. While most developing countries benefit the least from excessive natural resource exploitation, they are most exposed to its negative externalities. The loss of maritime resources, for instance, hurts developing countries and those people relying on them the most. Rising sea levels caused by climate change will overwhelmingly threaten developing countries and in particular Small Island Developing States (SIDS) that lack the means to build the necessary infrastructures to protect vulnerable communities, thus increasing both inequality between and within countries. Developing countries also suffer the most from war and insecurity, even if they are not directly involved in the conflict. Large flows of migrants are often concentrated in countries that do not have adequate resources to provide for those displaced by conflict and war. In order to address the issue, SDG10 highlights the importance of facilitating orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.