

Introduction





A. INEQUALITY IN THE ERA OF THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

In September 2015 the world's leaders gathered in New York to adopt the 2030 Agenda for Sustainable Development, pledging to "leave no one behind." The backdrop was mounting disquiet about inequality, which had stirred in the global financial crisis of 2007/08 and grew wings through the Occupy protests and during the Arab Spring, propelled by a young generation that increasingly felt marginalized and shut out.

In early 2014, Thomas Piketty's monumental book on wealth and inequality was published, and swiftly topped best-seller lists around the world. With carefully amassed evidence showing why inequality was rising and what could be done about it, *Capital in the Twenty-First Century* made substantial waves in the economic discourse. The impact is still rippling through universities, international organizations, think tanks, NGOs and businesses – and will continue to do so. In our region, ESCAP contributed to the discourse through its publication *Time for Equality*.¹

Fast-forward a couple of years, and the trickle of articles and books on inequality has become a deluge. Inequality is now central to the policy agenda, but there is still much to debate and understand about it – particularly on how to balance peoples' livelihoods, income and wealth at a time of unprecedented technological advances and environmental degradation.

B. INEQUALITY: CORE CONCEPTS

Inequality can be defined as the difference in social status, wealth or opportunity between people or groups. This report makes the distinction between three broad types of inequality, all of which can be damaging: inequality of outcome, inequality of opportunity and inequality of impact.

Inequality of outcome references disparities in the material dimensions of human wellbeing among individuals, such as the level of income and wealth. Inequality of outcomes primarily concerns economic inequality and is usually measured by either income or consumption metrics. The allocation of wealth impacts households across generations, often rises more rapidly than income and is closely associated with political power and influence.

Inequality of opportunity references unequal access to fundamental rights and services required for individuals to sustain and improve their livelihoods. These opportunities include access to basic services and productive resources such as education, health care and nutrition, water and sanitation, energy, information and communications technology, as well as finance and

credit. Equal access to these opportunities levels the proverbial playing field, and ensures that outcomes are more a reflection of effort and choices made by individuals.

Inequality of impact references the asymmetric impact external shocks, such as natural disasters, have on different groups of people. This asymmetry usually is associated with systemic disparities between groups with shared identities. Also referred to as group-based inequality or horizontal inequality, this type of inequality is often historically rooted and persists over generations because of entrenched deprivation or advantage.

A more recent concern is that technological progress and frontier technologies – leading to the Fourth Industrial Revolution – could magnify inequalities by, for example, generating significant job losses among certain lower-skilled groups of people.

Inequality of outcomes, opportunities and impact are interdependent and mutually reinforcing. An unequal playing field inevitably leads to disparate outcomes. Unequal outcomes in terms of income and wealth aggravate disparities in access to basic services, resources and decent jobs. Prejudice, discrimination and social exclusion further reinforce inequalities of outcomes and opportunities by preventing people from leading empowered lives. For example, disparities in accessing education, health care and technology are often caused by economic inequalities and lead to far-reaching development gaps. These gaps, in turn, result in deepening income disparities.

This multidimensional and mutually reinforcing nature produces inequality traps that can persist through generations. In a majority of countries in South-East Asia and South Asia, less than 5 per cent of women from poor, rural households complete secondary education, compared with 50 per cent of women in richer urban households. These gaps create a direct, intergenerational advantage or disadvantage because a mother's education, along with household wealth, are the two most significant circumstances associated with higher prevalence of stunted children.² Stunting directly influences school attendance, results and future earnings potential.

C. WHY IS INEQUALITY BAD?

Inequalities matter for intrinsic reasons – they undermine human dignity and social justice, the principles upon which human rights are grounded. They also matter for instrumental reasons – they undermine the three dimensions of sustainable development by stifling economic growth, weakening social cohesion and solidarity and hampering environmental governance.

Inequalities stifle economic growth and poverty reduction. The economic cost of ignoring inequality is significant. Research demonstrates that countries with high rates of inequality have lower growth rates and shorter growth spells.³ In addition, inequality reduces the impact of growth on poverty reduction. In other words, poverty alleviation efforts are more effective in countries with more equitable growth-distributions.⁴

Inequalities undermine social cohesion and stability. High inequality is a key factor in rising levels of social tension and even crime because it weakens the social compact and undermines public trust in institutions. A weak social compact, in turn, reduces the willingness to pay taxes, thereby leading to further deterioration in basic public services and resources to marginalized groups. Where group-based inequalities are high or rising, so is the likelihood of violence and unrest. This is particularly true when coupled with a lack of opportunity for upward social mobility and the absence of recourse.⁵

Inequalities negatively impact the environment. Inequality and environmental sustainability are deeply interlinked. Generally, societies with higher levels of inequality show less public support for policies protecting the environment and regulating common goods. Furthermore, inequality in the ownership of land and natural resources provides unchecked freedom for the advantaged to cut, mine and farm lands in ecologically unsustainable ways.⁶ For the disadvantaged, social resentment and lack of education can then lead to widespread free-riding and the overuse of natural resources.⁷ Environmental degradation also impacts the poor and marginalized the hardest, going against the concept of “environmental justice”. As a consequence, vulnerable socioeconomic or ethnic minority groups are disproportionately exposed to and affected by environmental hazards. They are also more exposed to air and water pollution, while being least prepared to soften and withstand the shocks from extreme events, such as natural or man-made disasters.

Research also finds that an individual's experience and even expectations of inequality negatively affect attitudes, reduce individual aspirations and lead to the acceptance and internalization of a lower status, all while reinforcing pre-existing inequalities. The aspirations affected range from educational and occupational goals to broader decisions around consumption or social identity.⁸

The sense of unfair allocation of gains and resources has serious repercussions on personal efforts towards work, but also on investment in education, nutrition and health. The psychological impact of inequality has drawn increasing attention among scholars and, while evidence

is still thin, the impact appears more complex and more corrosive than poverty itself. Rather than being poor, it is the notion of feeling poor that has the gravest impact on life satisfaction.⁹ The reaction to this feeling is a personal one, but for most people it is easier and perhaps more rewarding to focus on what is achievable, and expected for one's social and economic circle, while observing from afar the lives of billionaires.

D. WHY THIS STUDY?

The Asia-Pacific region has for several decades witnessed extraordinary development. This includes the reduction in the number of people living in extreme poverty, and significant improvements in food security, access to health care, education, water and sanitation, and energy, along with other basic services fundamental for overall socioeconomic development. Unfortunately, these noticeable improvements in basic services often benefitted the already privileged rather than the poor, marginalized and vulnerable.

In places, gaps between the rich and the poor, and access to services such as health care and education, have continued to grow. The lives and livelihoods of vulnerable communities are also disproportionately affected by the increased frequency and intensity of extreme weather events and environmental degradation, including increased pollution levels, which have accompanied economic development.

For all segments of society to benefit in a fair and just way from economic and other development gains, those most in need must be fully included in current and future development plans. Achieving the Sustainable Development Goals (SDGs) by 2030 means placing people at the centre of the development agenda, and

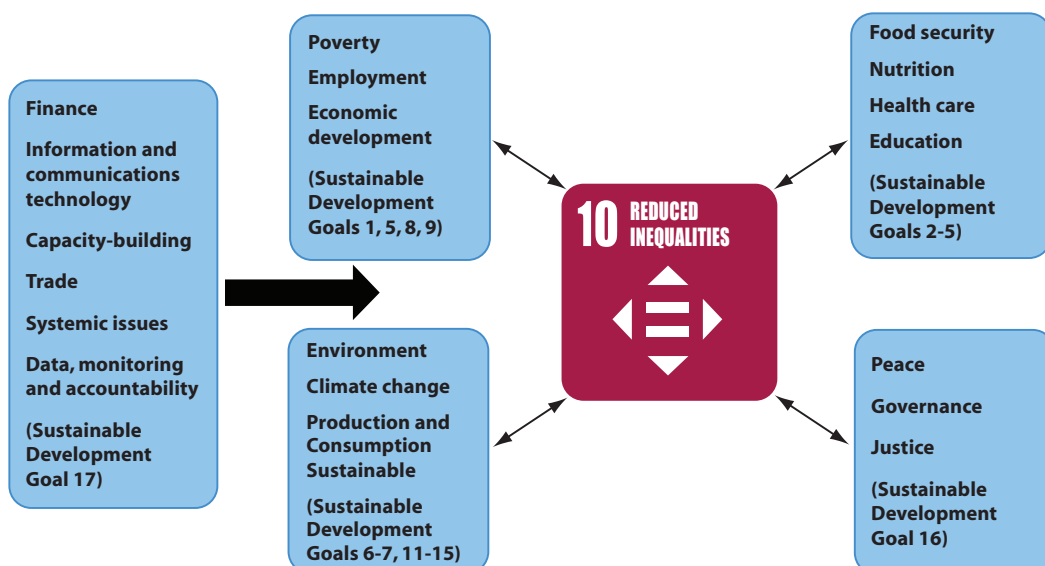
better balancing investments in, for example, infrastructure with investments in people and the planet. The pledge by world leaders to “leave no one behind” and “reach the furthest behind first” strongly carries the spirit of inclusion and a people-centred approach.

Given its commitment to leaving no one behind, reducing inequality is at the heart of the 2030 Agenda for Sustainable Development. Reducing inequality is emphasized in the stand-alone SDG 10 “Reduce inequality within and among countries” but is also a fundamental component to reach almost all other Goals.

This report, prepared as an input to the 74th Commission Session, aims to shed light on the latest trends in inequality, building on evidence from across the region, using the most authoritative data sources, while relying on innovative analytical methods, to distil clear policy messages for the governments of the Asia-Pacific region.

The broad themes analysed in the report are as follows: chapter 1 discusses inequality of outcome (e.g. income and wealth); chapter 2 focuses on inequality of opportunity (e.g. access to education, health care, decent jobs, water and sanitation, and electricity); chapter 3 explores the interplay between the environment and the inequality of impact (e.g., environmental degradation and natural disasters); chapter 4 recognizes the prominence new technologies have on inequality in all its forms, as well as the possible impact of the Fourth Industrial Revolution on jobs, incomes, opportunities and policy options; and chapter 5 concludes the report and proposes a set of recommendations for the consideration of policymakers in their efforts to reduce inequalities and thereby facilitate the achievement of the SDGs.

Inequality in the 2030 Agenda expands beyond Goal 10



ENDNOTES

¹ Other notable contributions also included the ADB-published book, "Inequality in Asia and the Pacific: Trends, Drivers and Policy Implications", edited by Kanbur et al. (2014).

² United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) (2018c) (forthcoming).

³ Bénabou (1996).

⁴ Fosu (2006).

⁵ Stewart (2016).

⁶ Gaventa (2016).

⁷ United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) (2015a).

⁸ See Pasquier-Doumer (2016); Baillergeau et al. (2016).

⁹ Payne (2017).