

Global Inequality: A Multidimensional Perspective



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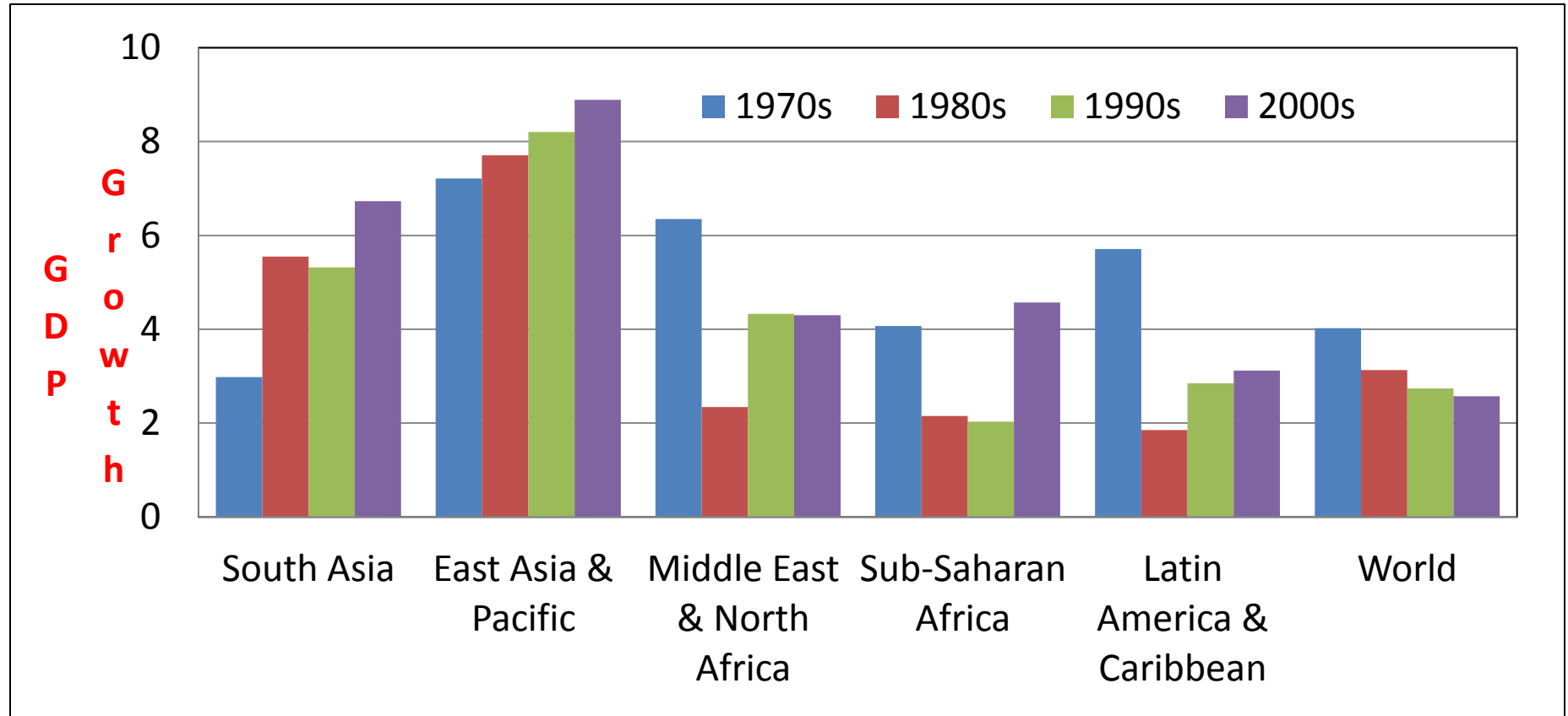
Message 1:

Rapid growth in the developing world has been accompanied by significant reduction in poverty as well as significant increase in income inequality.

The developing world experience, therefore, is not a story of the “rich getting richer and the poor getting poorer.” Rather it is the rich getting richer faster than the poor. In the context, growth has not been sufficiently “inclusive”.

Growth is accelerating over the period

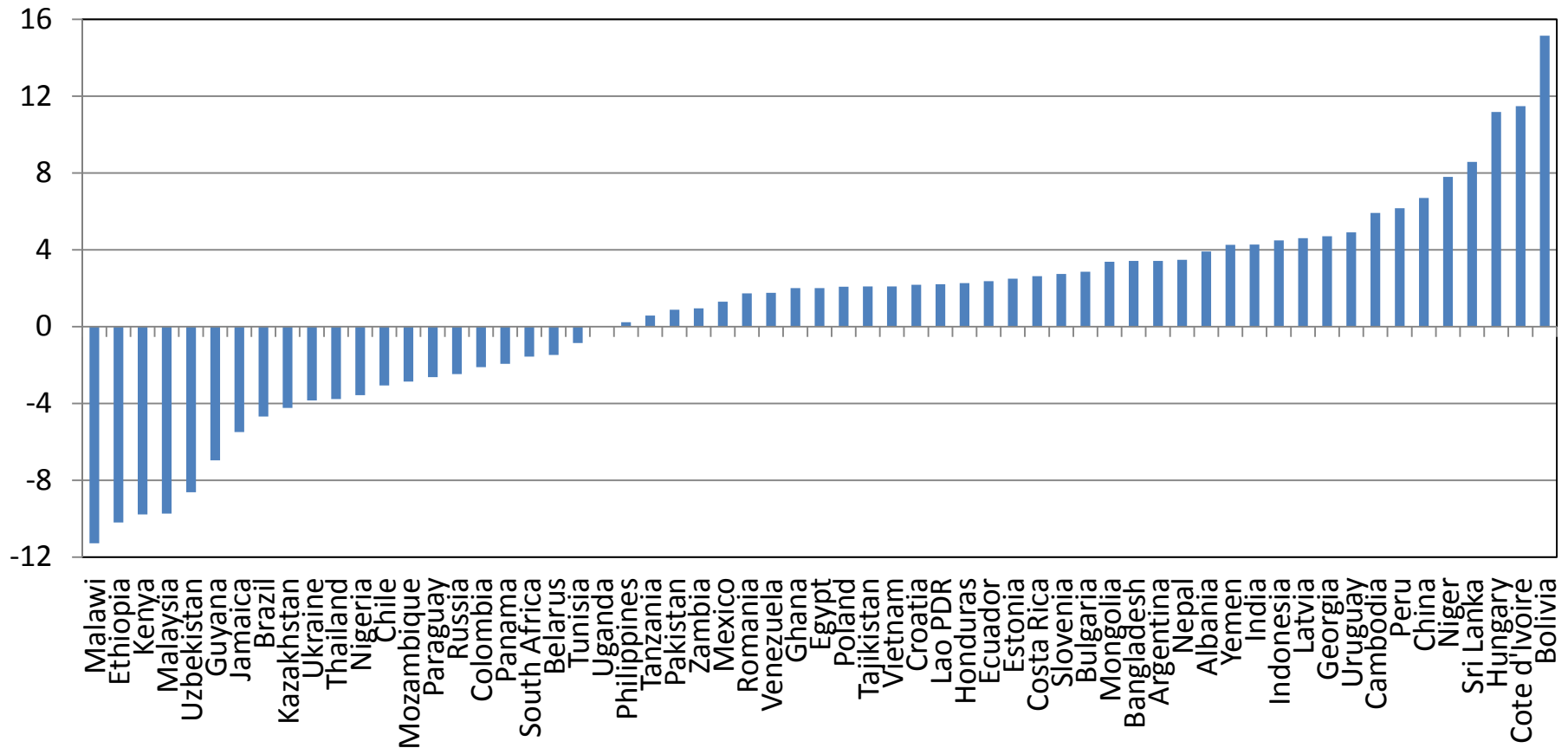
World economic growth has decelerated in the recent decades compared to the 1970s. In the developing world, however, the trend has been the opposite; Asia and Africa have witnessed a considerable acceleration of growth in the 2000s.



Inequality (Gini) increased in many Countries

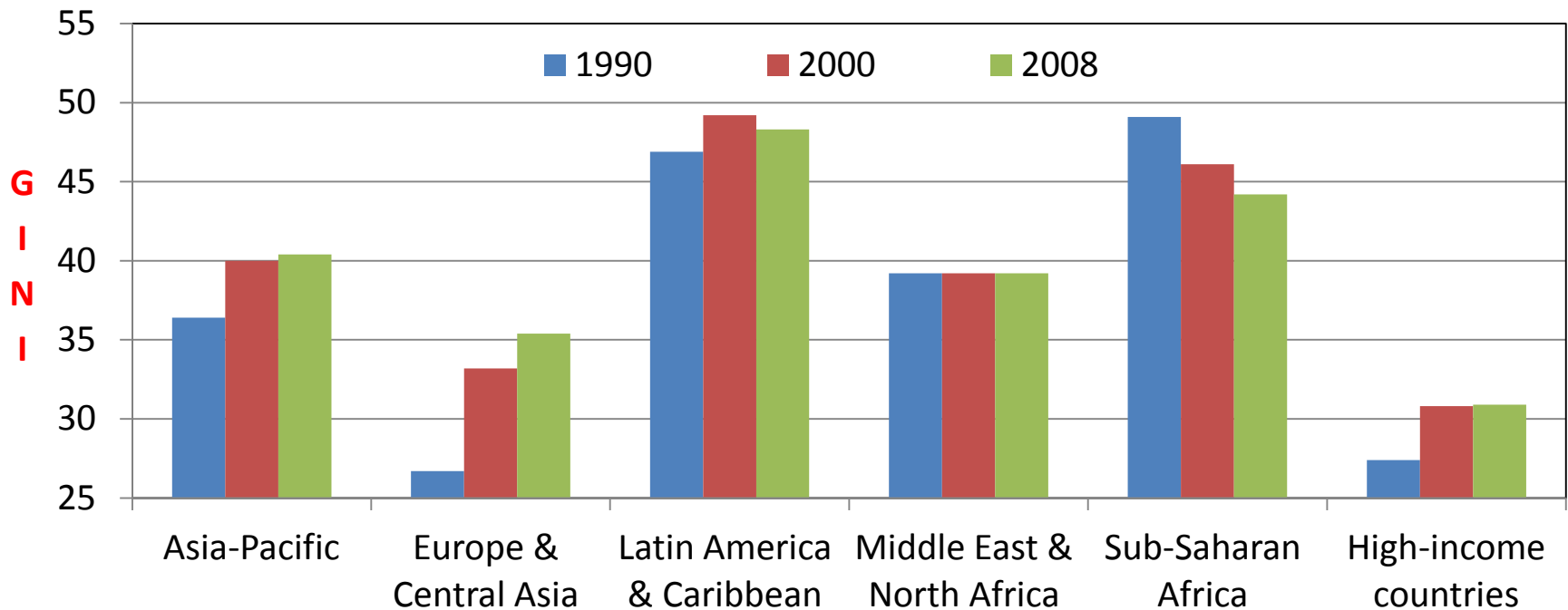
Inequality within country has worsened in most of countries in the last two decades, though inequality between countries seem to have declined due to strong economic growth in countries such as China and India

Changes in Income Inequality (GINI) between early 1990s and late 2000s



Inequalities started to decline recently in the high inequality regions

- Historically inequalities were relatively high in Latin America and the Caribbean, and Sub-Saharan Africa, but recently they experienced some reduction in their inequalities.
- Historically inequalities were relatively low in OECD, Eastern Europe and Central Asia, and Asia-Pacific countries; but recently they witnessed significant increase in their inequalities



Message 2:

Kuznets U shaped – people argue why worry – poverty will reduce in short-run and inequality in long-run

The policy interventions aimed at tackling inequality need to distinguish between multidimensional nature of inequalities.

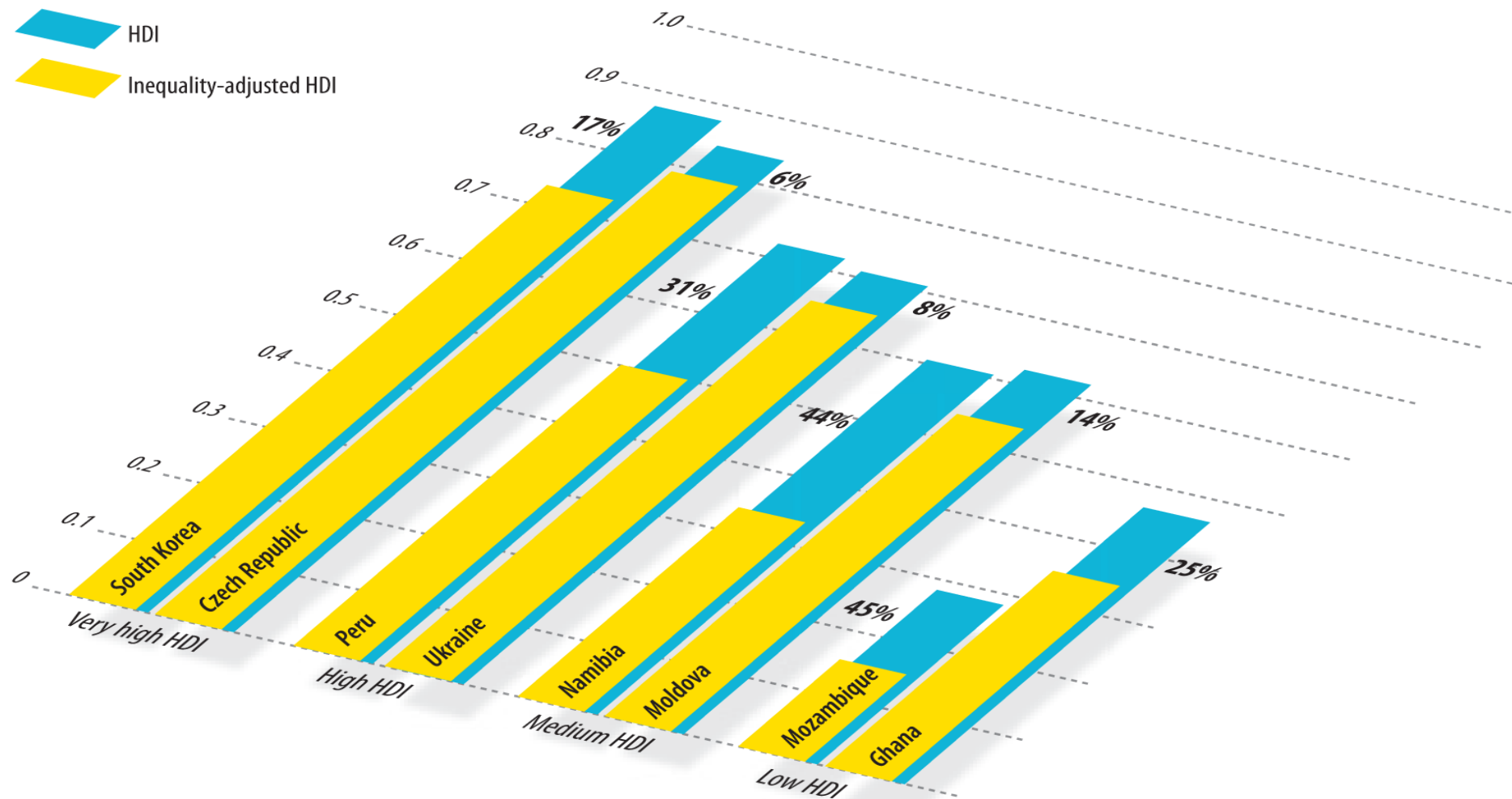
Some inequalities are driven by unequal access to opportunities and circumstances.

Some other inequalities are driven by effort and reflects the rewards and incentives that a market economy provides for people who work harder, look for opportunities, and take risks in seizing them.

It is inequity – not inequalities that must be addressed through public policy.

Inequality has large impacts on human development

Loss in HDI due to multidimensional inequality

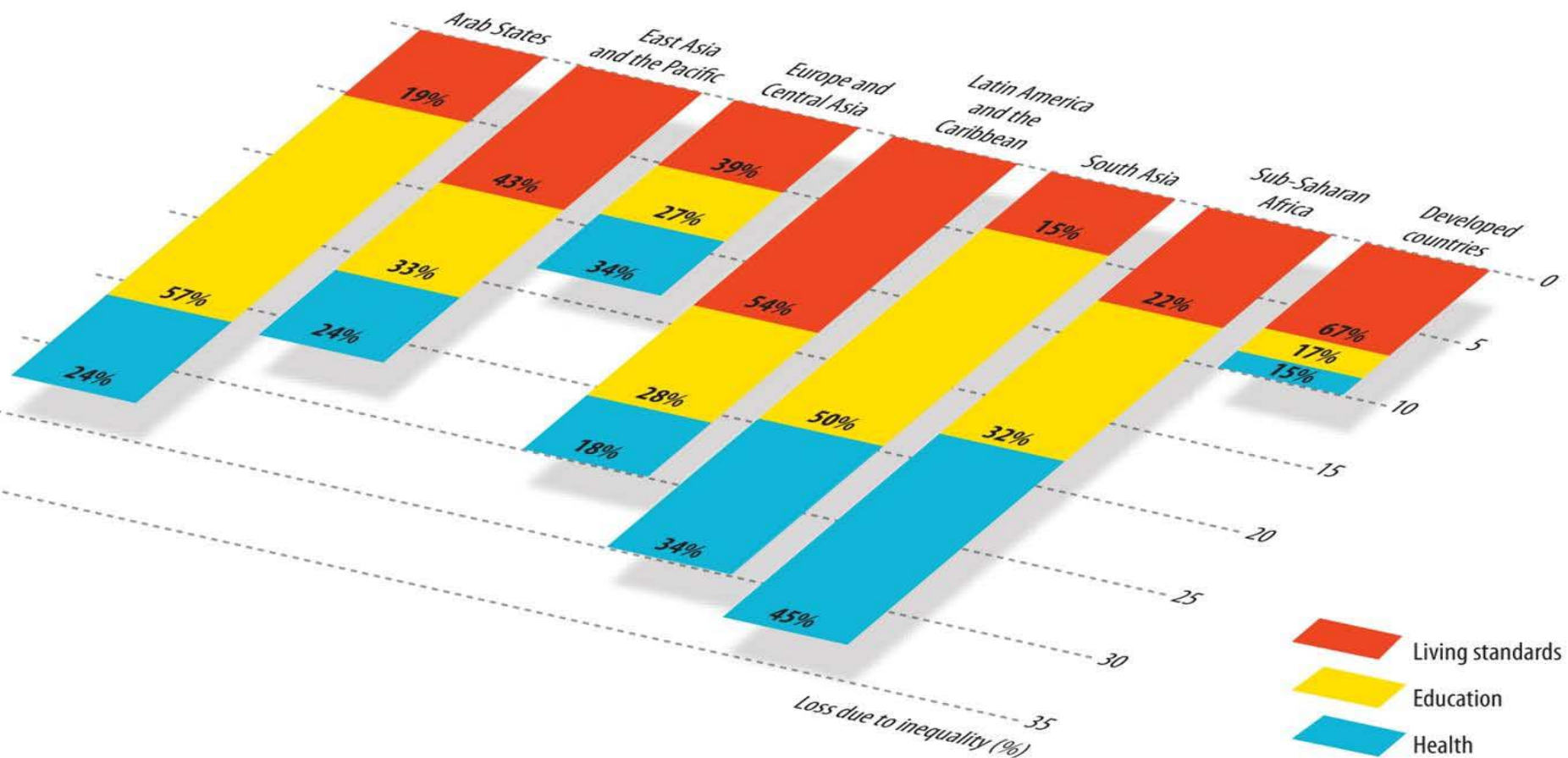


Note: Numbers beside bars are percentage loss due to multidimensional inequality (see statistical table 5).

Source: HDRO calculations using data from the HDRO database.

People in Sub-Saharan Africa, South Asia and Arab States lose most from inequality in human development

Loss in the HDI and its components due to inequality, by region

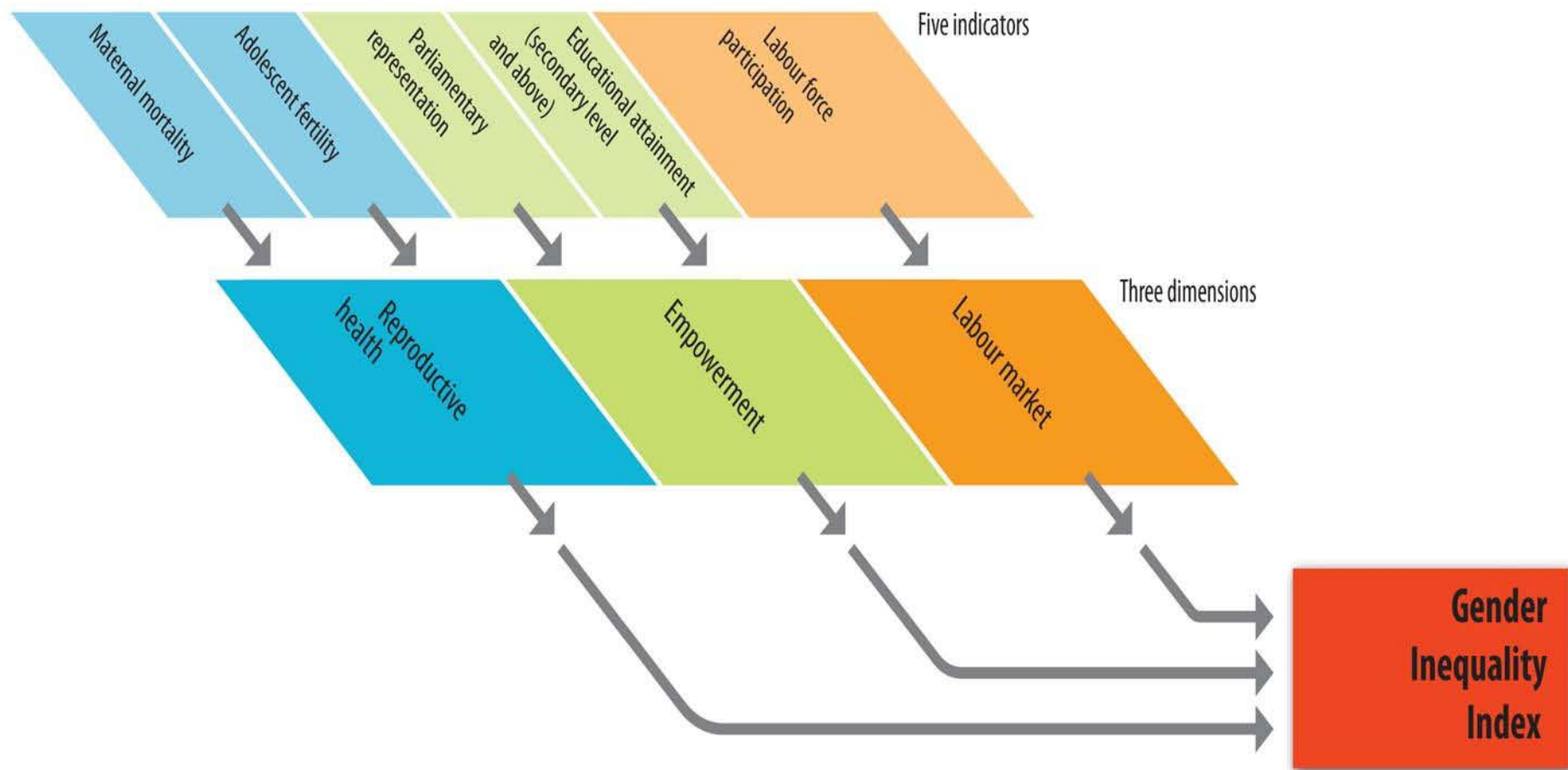


Note: Numbers inside bars are the percentage share of total losses due to inequality attributable to each HDI component.

Source: HDRO calculations using data from the HDRO database.

Components of the Gender Inequality Index

GII—three dimensions and five indicators

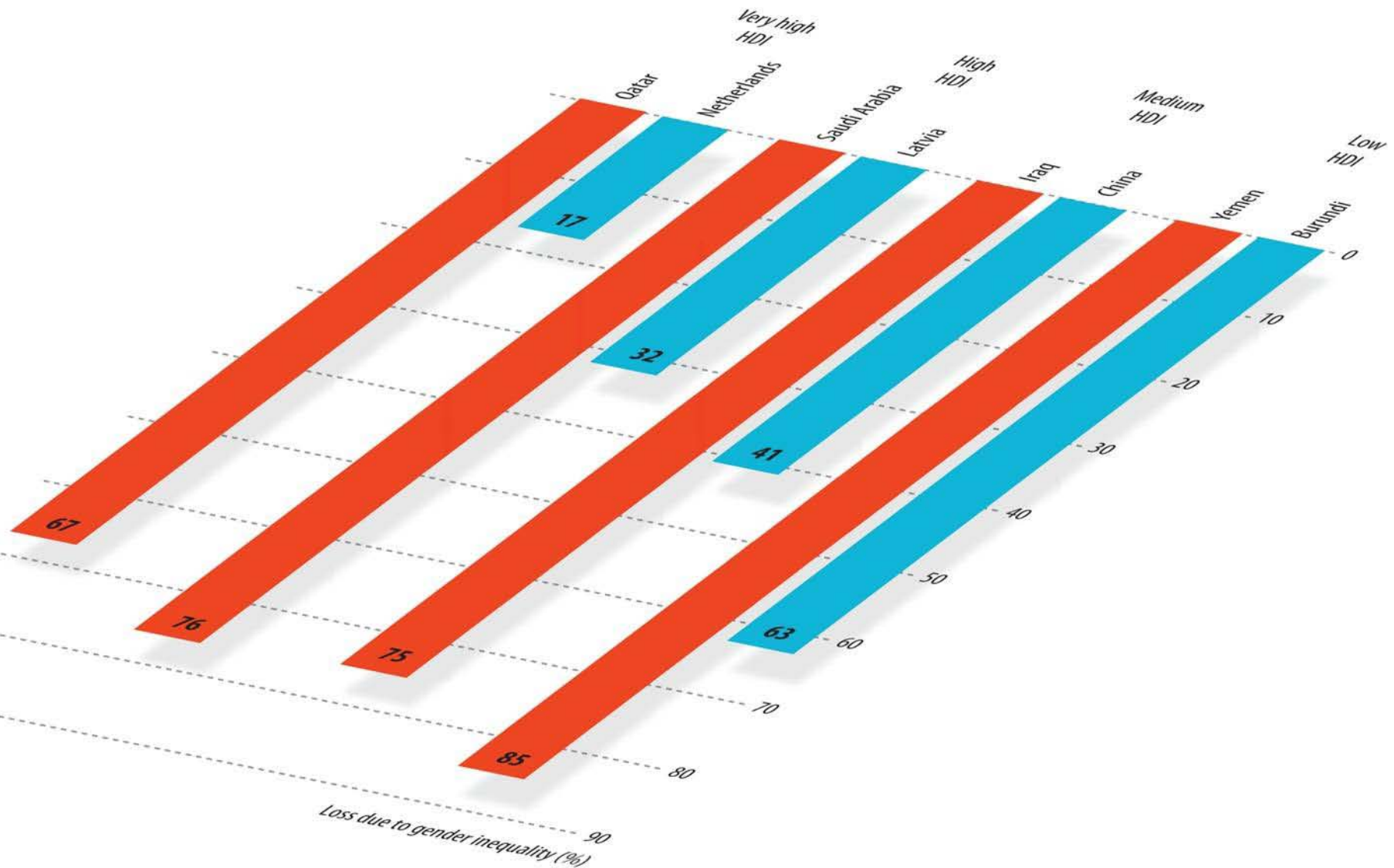


Note: The size of the boxes reflects the relative weights of the indicators and dimensions.

Source: HDRO.

Large losses due to gender inequality across the HDI spectrum

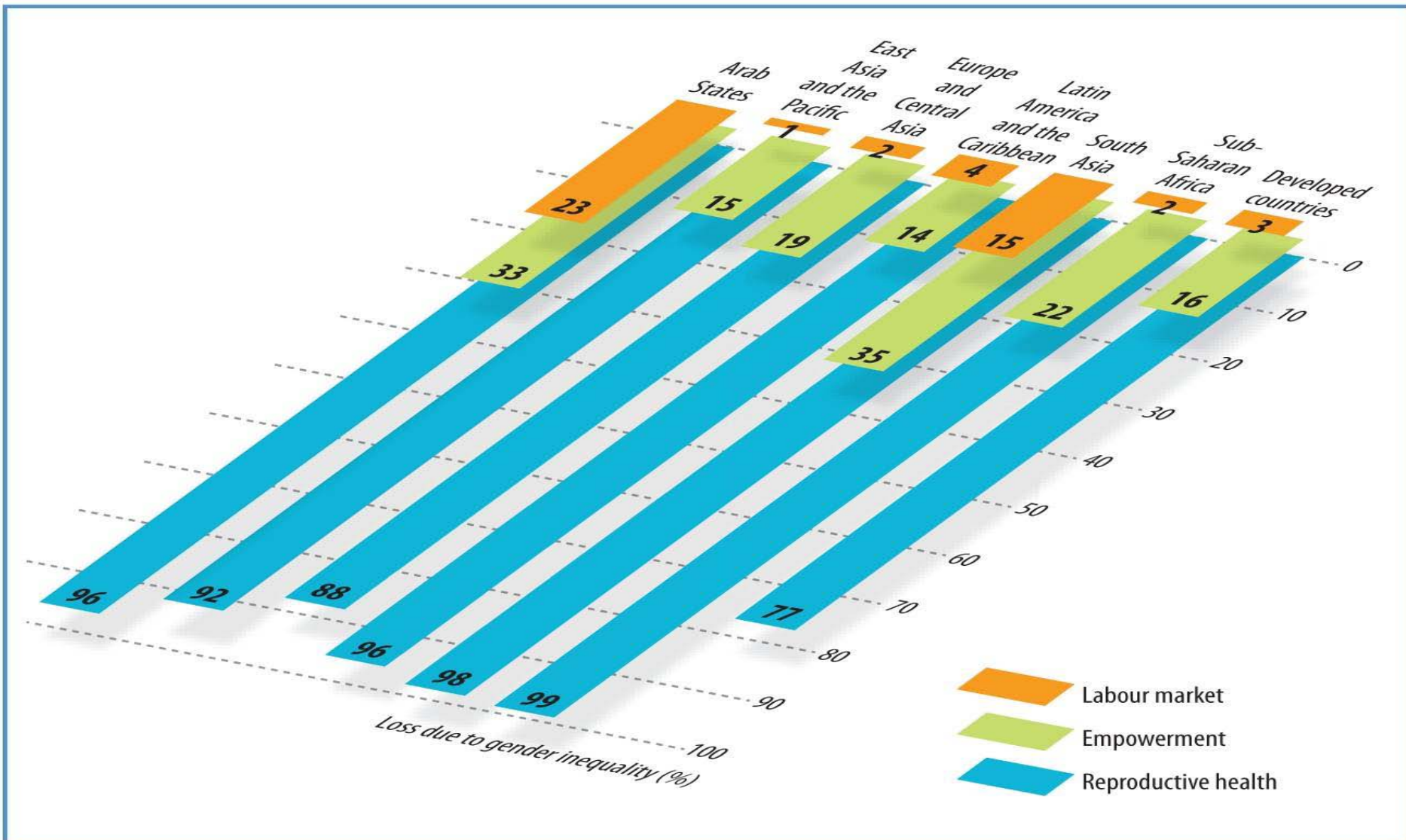
Loss in achievement due to gender inequality, selected countries



Source: HDRO calculations using data from the HDRO database.

Reproductive health is the largest contributor to gender inequality

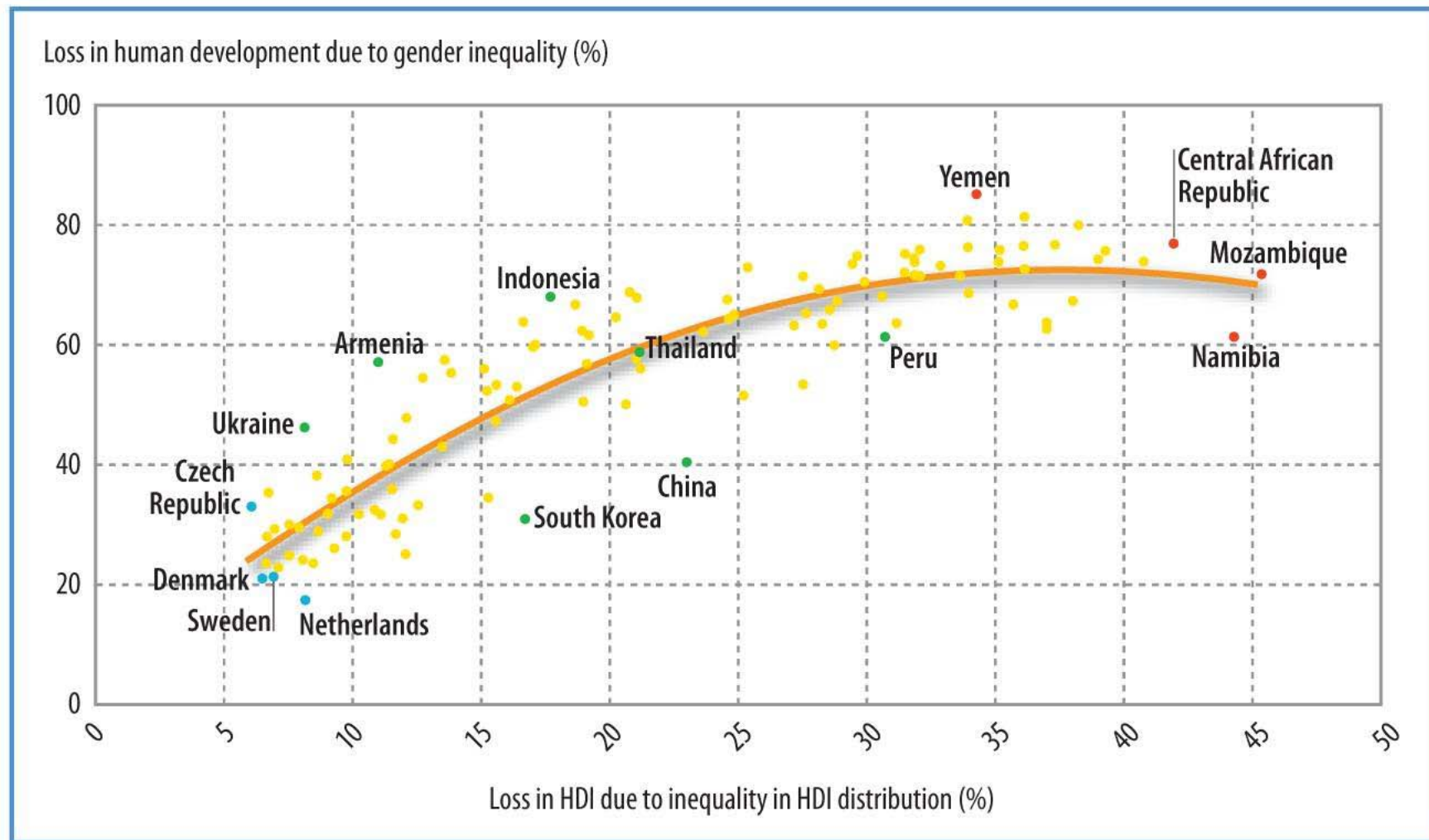
Loss due to gender inequality, by region



Source: HDRO calculations using data from the HDRO database.

Comparing inequality losses in human development

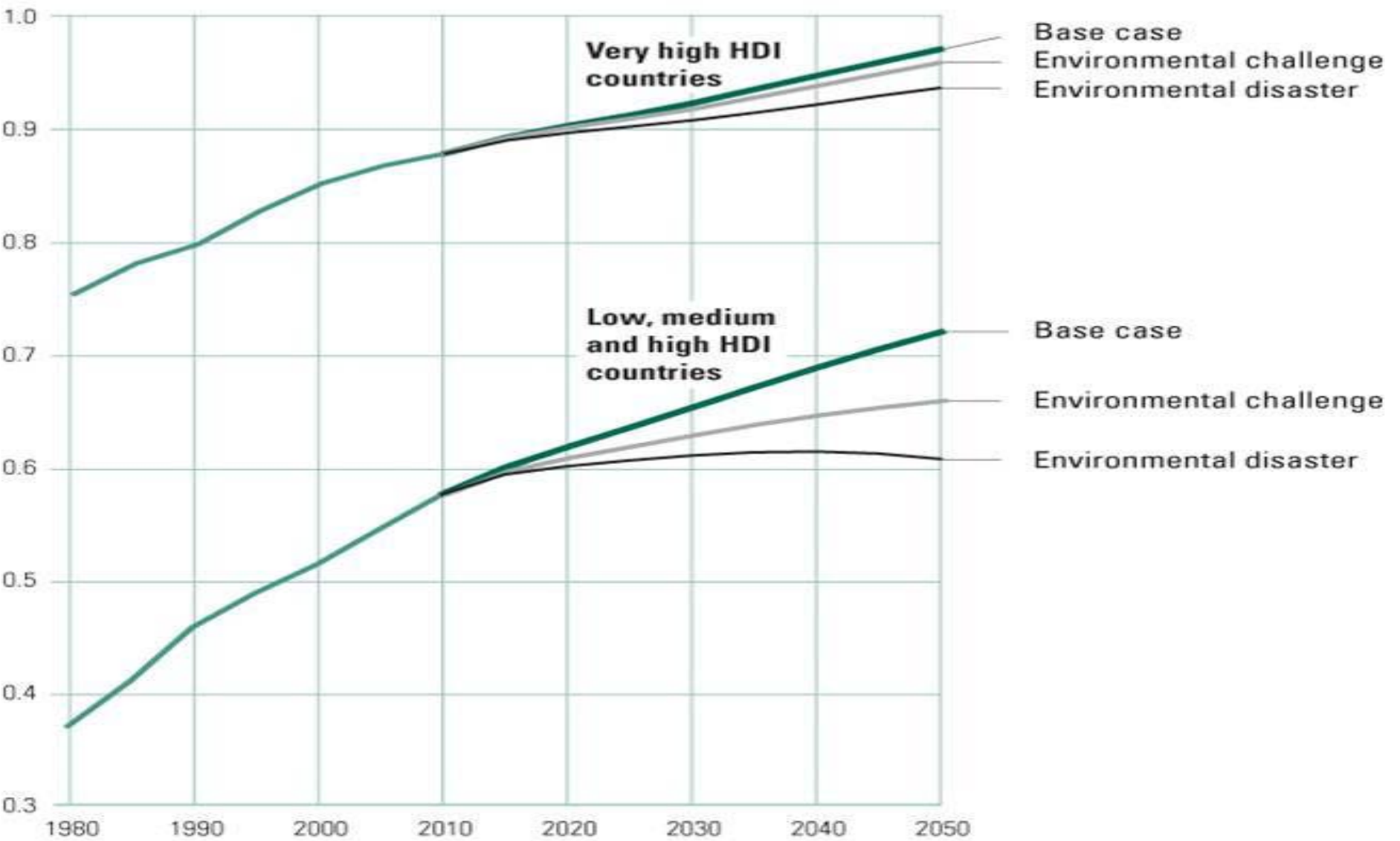
Losses due to gender inequality compared with multidimensional inequality



Source: HDRO calculations using data from the HDRO database.

Scenarios projecting impacts of environmental risks on human development through 2050

HDI

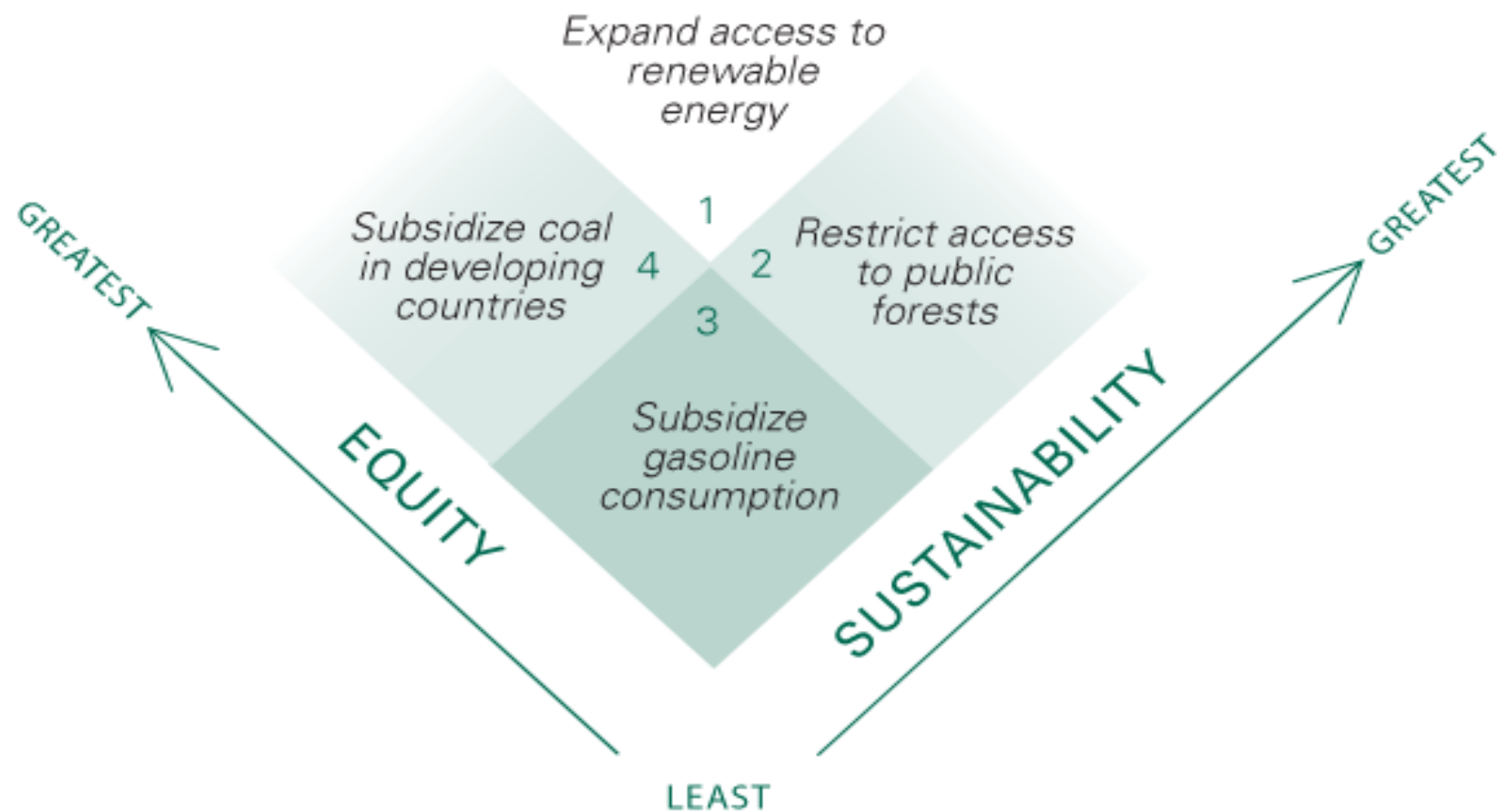


Note: See text for explanation of scenarios.

Source: HDRO calculations based on data from the HDRO database and Hughes, Irfan and others (2011), who draw on forecasts from International Futures, Version 6.42.

An illustration of policy synergies and trade-offs between equity and sustainability

This framework encourages special attention to identifying positive synergies between the two goals and to considering trade-offs.



Message 3:

The tax system in developing countries is generally regressive. Great care, therefore, needs to be taken when using the tax instrument for redistribution purposes.

In developing countries, redistribution should take place through social transfers, including social assistance benefits and social insurance programmes.

Public expenditure in education, health and other social services can also exert a redistributive effect in the medium and long-term

Inclusive Growth Episodes: Some examples

- **East Asia**

- China: first five years of the reform period (1979–84) and mid-1990s
- Indonesia: during the 1970s and the 1980s
- Vietnam: the late 1990s and 2000s

- **South Asia**

- India: the late 1970s and in the first half of the 1980s

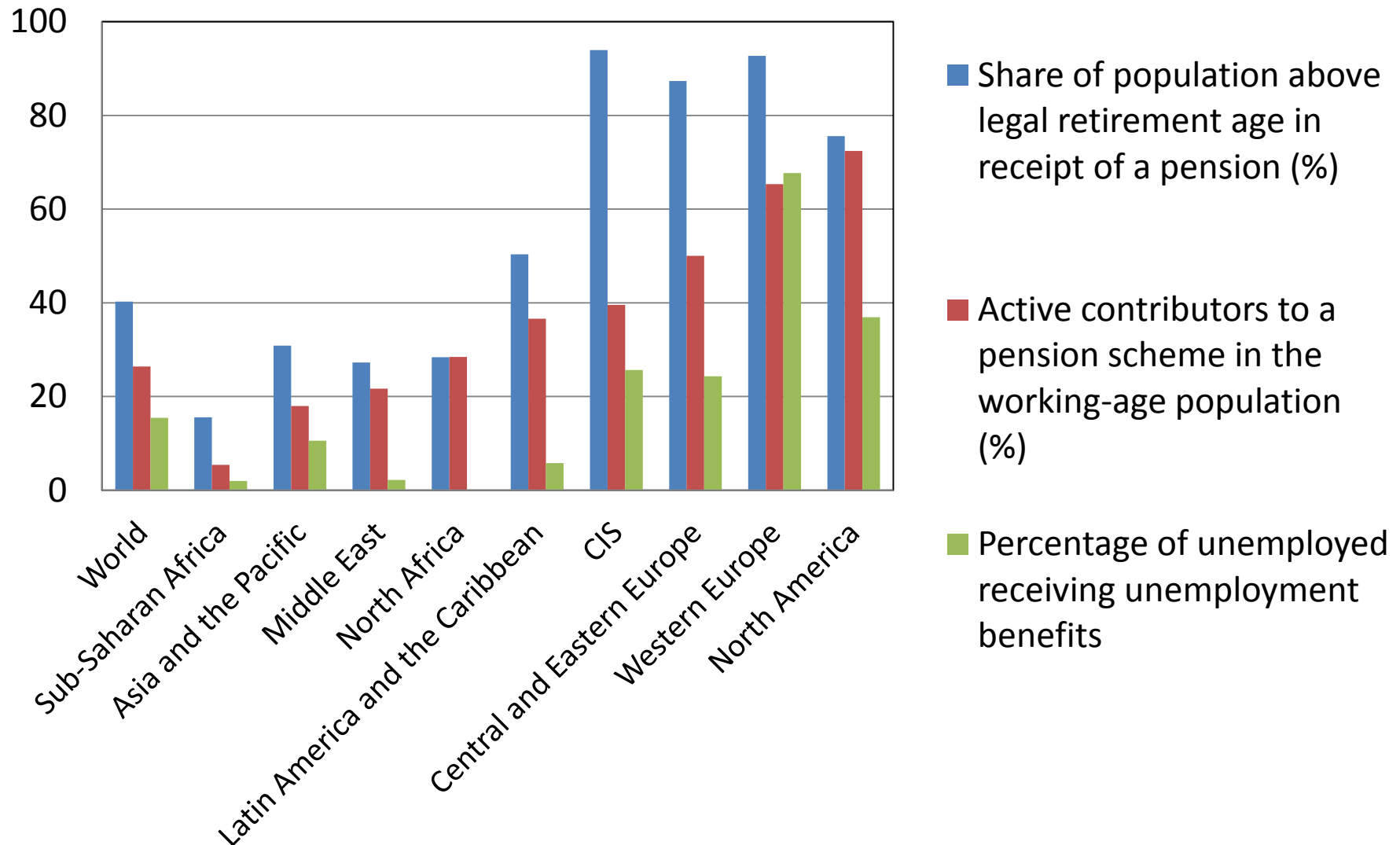
- **Latin America**

- Brazil: the 2000s

- **Africa**

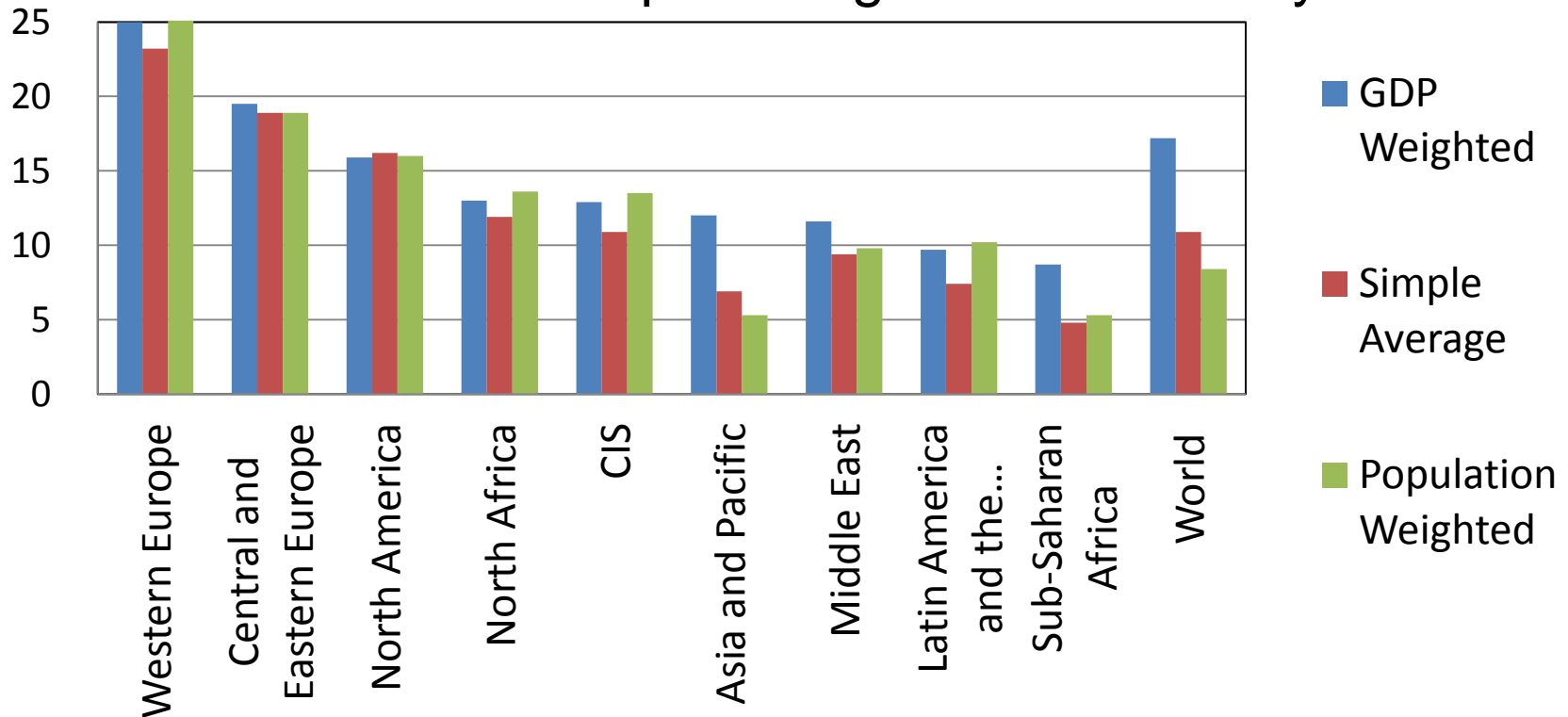
- Mozambique: 1997-2003

Social Protection Coverage is very low in Asia, Africa and Arab States



Social Security Expenditure including Public health expenditure (as % of GDP) is low in the developing world

While residents of Europe can see between 20 and 30 % of GDP invested in their social security, in most African countries only 4–6 per cent of GDP is spent on social security benefits; most of these funds are spent on health care rather than on cash transfers aimed at providing income security.



Many countries are moving in the right direction

- **The focus of recent development plans/strategies is on “inclusive growth” (e.g., 11th Five-Year Plans of India and China).**
- **India’s “National Rural Employment Guarantee Scheme”, China’s “Minimum Livelihood Guarantee Scheme,”, and Thailand’s “Universal Health Insurance Scheme” are good examples of social protection schemes designed to help the poorest and most vulnerable.**
- **Conditional cash transfers are designed to reduce disparity in gender, education and health indicators. E.g., Brazil’s Bolsa Familia and Bolsa Escola, Mexico’s Oportunidades Chile’s Solidario, Colombia’s Familias en Acción and Pakistan’s Benazir Income Support Programme.**
- **Past poverty reduction episodes reveal the importance of agriculture growth. Hence recently many countries are increasing resource allocation into agriculture and rural development ; e.g., Indonesia**

Ignoring Inequality at our Peril

- **Inequality is one of the greatest threats to global prosperity and stability in the 21st Century**
- **Do not ignore inequality- Lessons from Latin America and the Middle East**
 - In the 1960s and 1970s, when countries such as Brazil, Mexico, Morocco and Syria were booming, social policy was neglected. “Grow the cake now, divide it up later”, became the mantra.
 - But the growth slowed down in the 1980s and 1990s due to high level of inequality.
 - With active social policy, inequality declined recently in some of these countries. Consequently growth accelerating gradually.