INEQUALITIES IN HUMAN DEVELOPMENT IN THE 21ST CENTURY

1990: Concept and Measurement
1991: Financing
1992: Global Dimensions
1993: People's Participation
1994: Human Security
1995: Gender
1996: Economic Growth
1997: Poverty
1998: Consumption
1999: Globalization
2000: Human Rights
2001: New technologies
2002: Democracy
2003: MDGs
2004: Cultural Liberty
2005: Aid, trade and security
2006: Water
2007-8: Climate Change
2009: Human Mobility
2010: Pathways to Human Development
2011: Sustainability and Equity: A Better Future for all
2013: The Rise of the South: Human Progress in a Diverse World
2014: Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience
2015: Work for Human Development
2016: Human Development for Everyone
2018: Human Development Indices and Indicators: Statistical Update

BROAD IMPACT OF THE HDR INDICES

Photo in Santiago, Chile (Rodrigo Marquez)

10 September 2018

HSBC
Global Research

Sovereigns and ESG

Is there value in virtue?

▸ We develop a model to score countries according to their main ESG attributes

▸ The model has a strong correlation with sovereign CDS spreads…

▸ …and appears to predict long-term performance
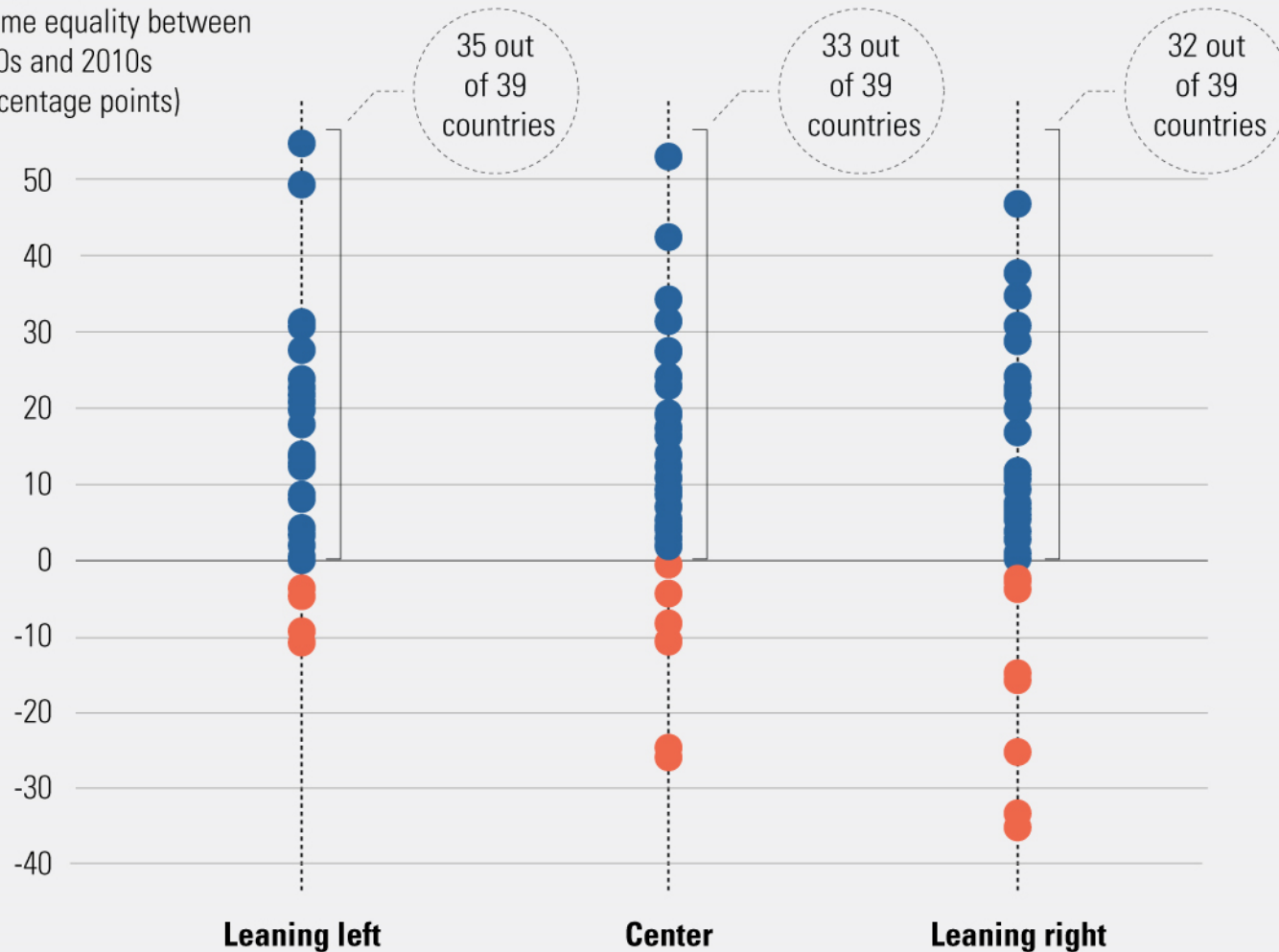
Social

Measure 2: Human Development Index (HDI)

This is compiled by the United Nations Development Programme and looks at the development of a country, combining (1) a long healthy life, (2) being knowledgeable and (3) having a good standard of living. Combining measures of these comes up with an aggregate score. In our dataset, Norway has the highest HDI score with Senegal the lowest.

Why: This is a broad measure of development which is important from a social point of view and can have implications on a government's ability to meet its obligations.

Le Président de la République, Chef de l'Etat SEM Issoufou Mahamadou a présidé, les 13 et 14 mars 2019 au Palais de la Présidence, une réunion du Comité Interministériel de Suivi de l'Indice de Développement Humain (CI/IDH) au Niger. Cette réunion, qui fait suite à celle tenue le 04 octobre 2018, juste après la publication du Rapport IDH 2018, a regroupé, autour du Chef de l'Etat, le Premier Ministre et président dudit Comité, SE Brigi Rafini, les membres du Gouvernement concernés par la question, mais aussi les responsables de l'Institut National de la Statistique (INS) et les partenaires techniques et financiers du Niger (PNUD, UNFPA, OMS, Banque Mondiale, etc.).

PEOPLE DEMANDING MORE INCOME EQUALITY

Change in preference for income equality between 2000s and 2010s (percentage points)

35 out of 39 countries

33 out of 39 countries

32 out of 39 countries

Leaning left   Center   Leaning right

Population in selected countries by political self-identification

Each dot represents one of 39 countries with comparable data. The sample covers 48 percent of the global population. Relative preference for equality is based on answers on a 1–5 scale, where 1 is "income should be more equal" and 5 is "we need larger income differences."

Source: Human Development Report Office calculations based on data from the World Values Survey, waves 4, 5 and 6.

5

INEQUALITY IN HUMAN DEVELOPMENT: OUR APPROACH
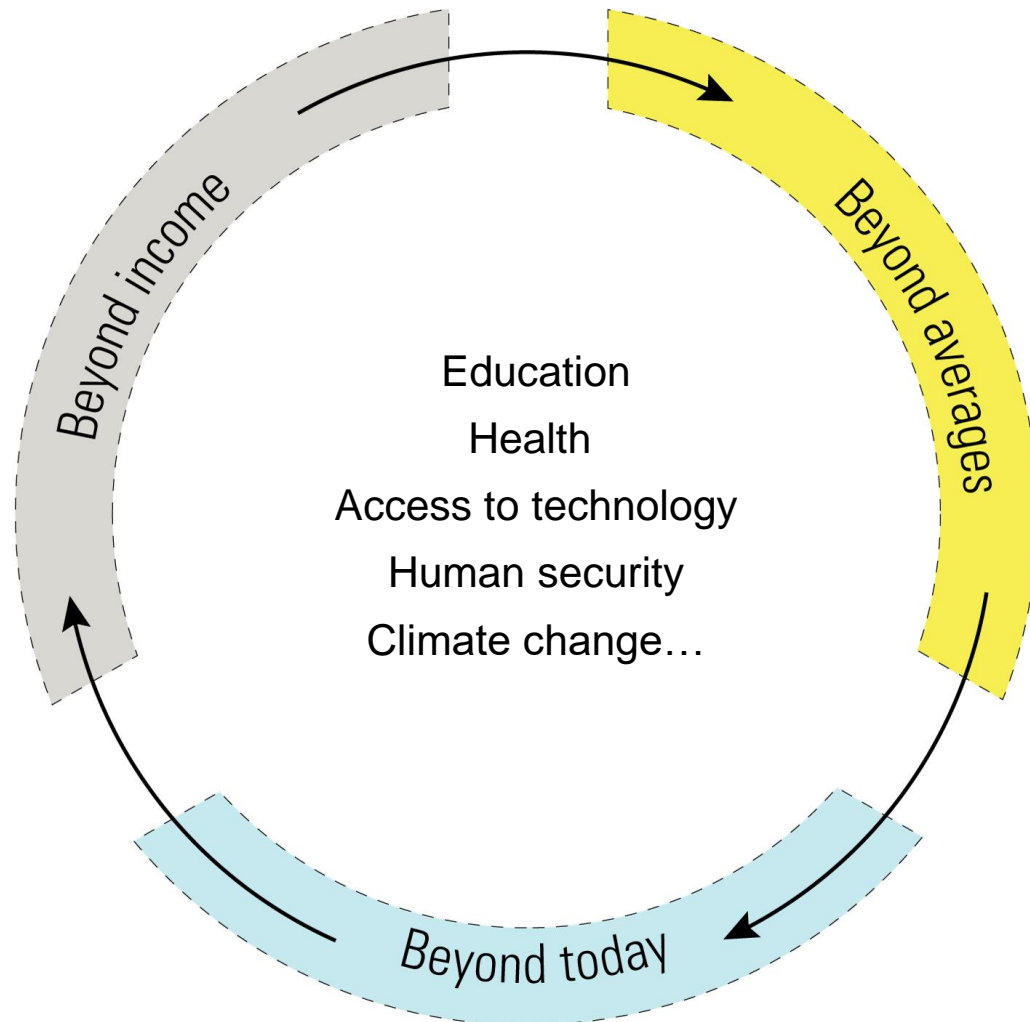
- **Beyond Income:** centered on people's capabilities and functionings.

- **Beyond averages:** beyond summary measures like the Gini coefficient; new data and methods to account for dispersion

- **Beyond today**: how is inequality likely to be shaped tomorrow? The role of technology and climate change.

THE CAPABILITIES LENS

UNDP | HUMAN **DEVELOPMENT** REPORT OFFICE

Consolidating Convergences
1990s HDRs, MDGs

Emerging Divergences
in the 21st century: SGDs and beyond

Examples:

- Primary Education

- Early childhood survival

- Entry level technology

- Resilience to recurrent shocks

BASIC ACHIEVEMENTS
(Subsistence and participation)

Examples:

- High quality education at all levels

- Access to quality health at all ages

- Effective access to frontier technologies

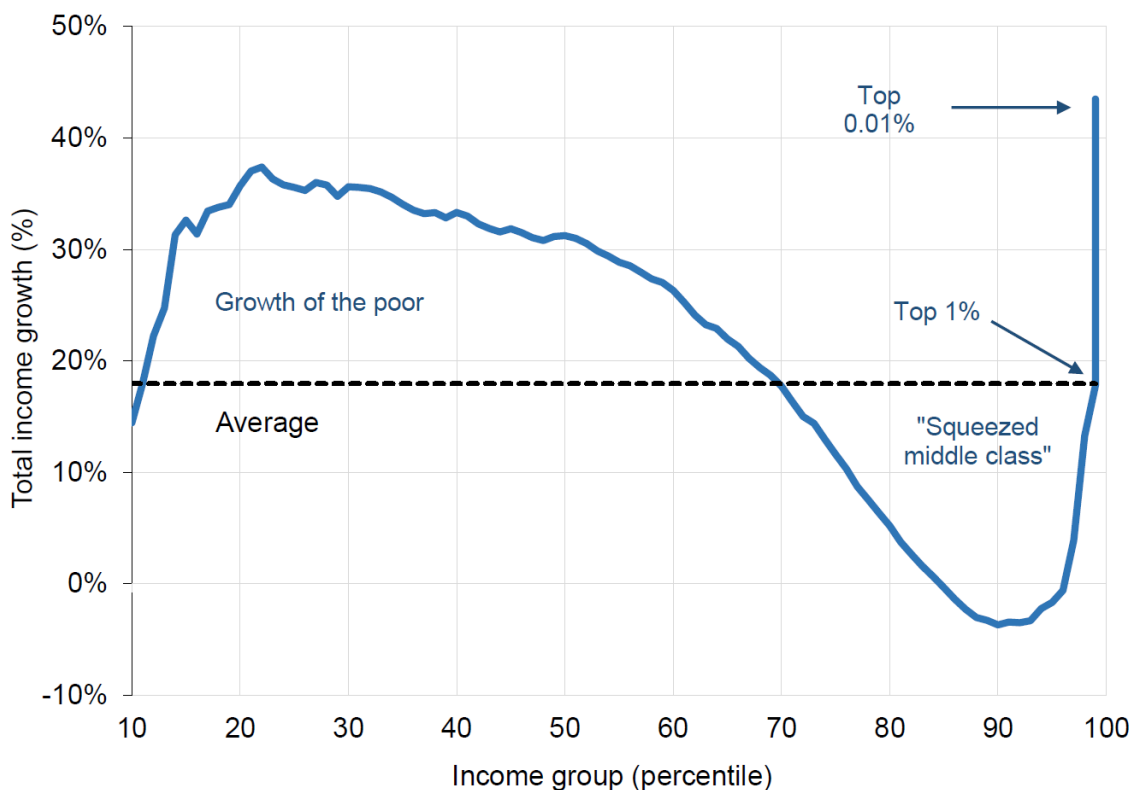- Resilience to unknown new shocks

STRATEGIC ACHIEVEMENTS
(Towards agency and change)

Deaton's GREAT ESCAPE

Deaton's DEATHS OF DESPAIR?

STILL, PEOPLE BEING LEFT BEHIND

INEQUALITIES DEFINING THE 21st CENTURY:
LARGER AND/OR INCREASING
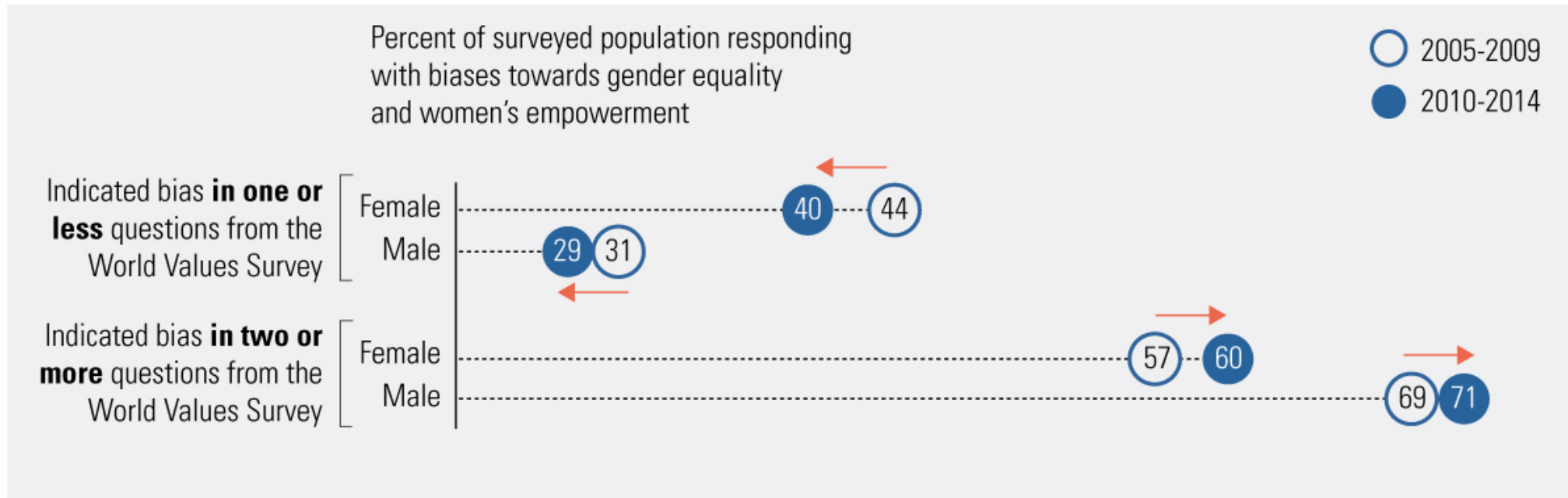
BEYOND THE GINI

Figure 2. Income inequality in Brazil, 2002-2014: Growth Incidence Curve

Source: authors' elaboration based on data from Morgan (2017). *Interpretation*: the income of poorer Brazilians grew significantly faster than that of the "middle class" between 2002 and 2014.

"[In examining] the problem of measuring inequality […] at present this problem is usually approached through **the use of such summary statistics as the Gini coefficient**[…]. I have tried to argue, however, that this conventional method of approach **is misleading [because the] examination of the social welfare functions implicit in these measures** shows that in a number of cases they **have properties which are unlikely to be acceptable, and in general there are no grounds for believing that they would accord with social values**. […] I hope that these conventional measures will be rejected." (Atkinson 1970).

Source: Gethin and Morgan (2018).

BACKLASH: SOCIAL NORMS SHOW GENDER BIAS

Percent of surveyed population responding with biases towards gender equality and women's empowerment

○ 2005-2009
● 2010-2014

Indicated bias **in one or less** questions from the World Values Survey
- Female: 40 (2010-2014) — 44 (2005-2009)
- Male: 29 (2010-2014) — 31 (2005-2009)

Indicated bias **in two or more** questions from the World Values Survey
- Female: 57 (2005-2009) — 60 (2010-2014)
- Male: 69 (2005-2009) — 71 (2010-2014)

Balanced panel of 32 countries and territories with data from both wave 5 (2005–2009) and wave 6 (2010–2014) of the World Values Survey, accounting for 59 percent of the world population.
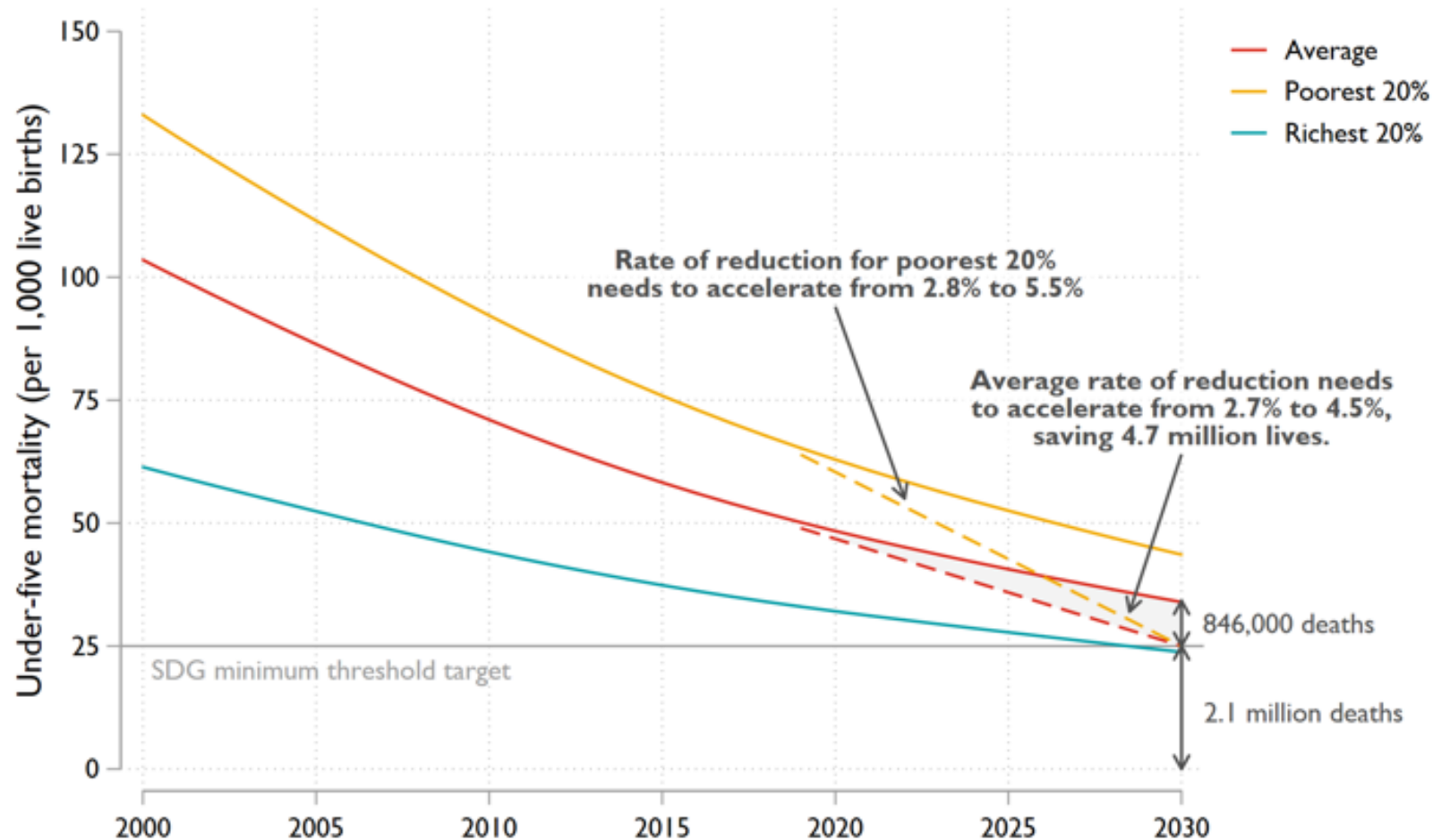
Source: HDRO based on based on data from the World Values Survey.

FURTHEST BEHIND STUCK AT THE BOTTOM
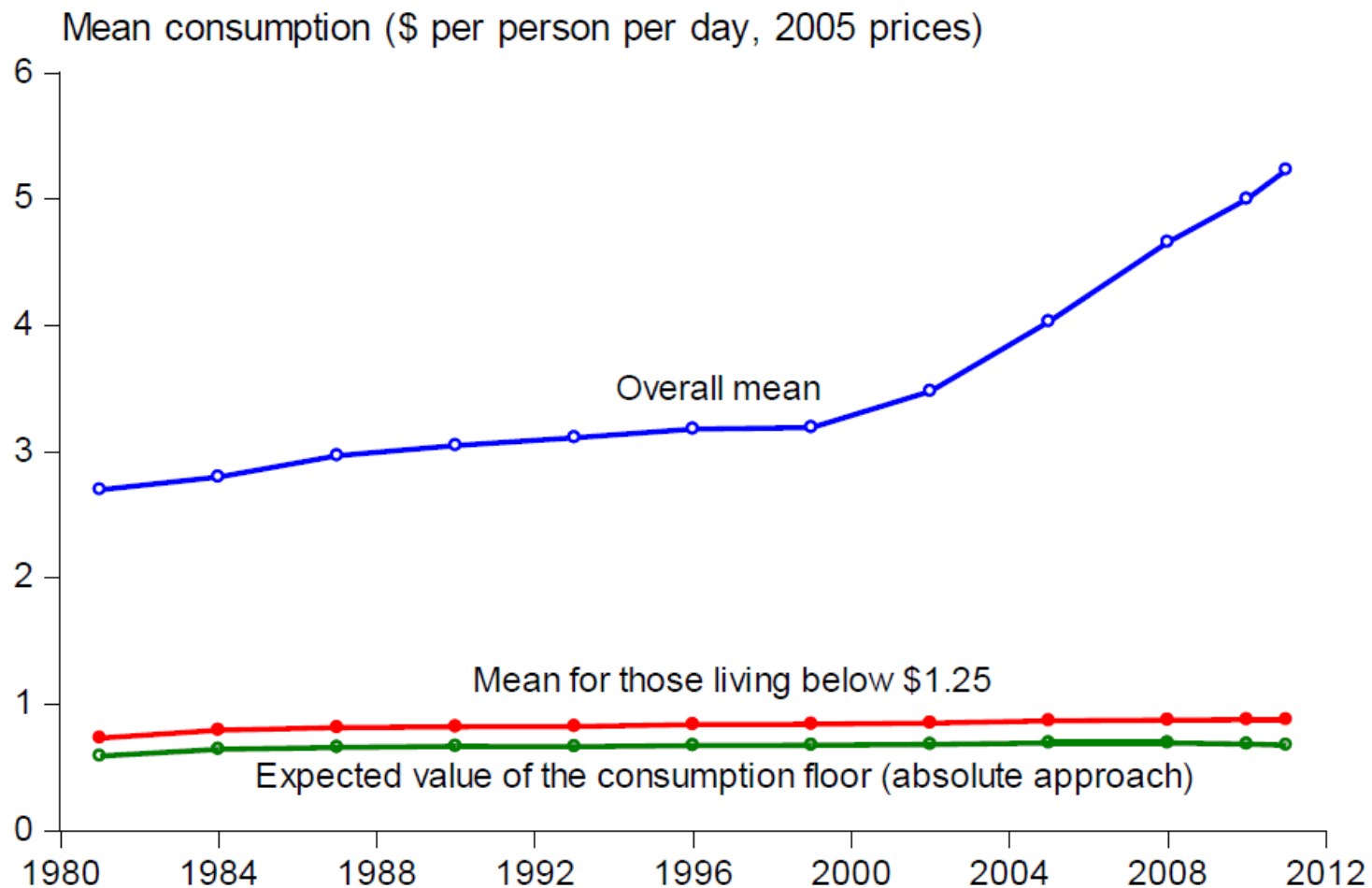
Source: Ravallion 2014. Are the World's Poorest Being Left Behind?

DIVERGENCE FROM SDGS: UNDER-5 MORTALITY

Trends in child mortality for 64 low and middle income countries covering 84% of child deaths in 2017.
Save the Children calculations based on DHS and MICS (with last observations 2012 or later).
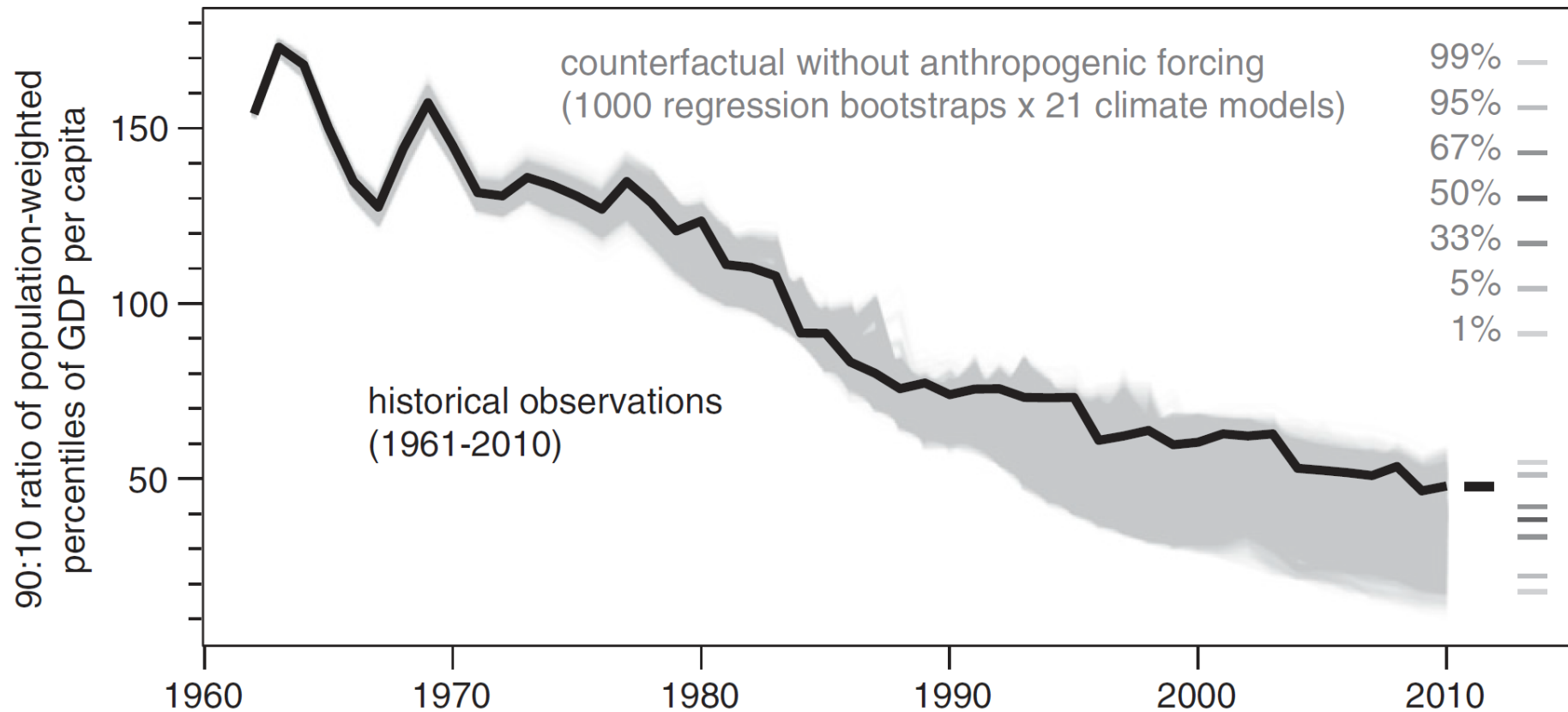
The world needs stronger convergence to achieve SDGs.

4.7 million lives could be saved from now to 2030 if micro-targeting.

CLIMATE CHANGE DRIVES INEQUALITY

A — **Impact of anthropogenic global warming on economic inequality**

Source: Noah S. Diffenbaugh, Marshall Burke. 2019. "Global warming has increased global economic inequality."
Proceedings of the National Academy of Sciences. April.

TECHNOLOGICAL CHANGE SHAPES INEQUALITY

Decline in the Relative Price of Investment Goods

5. Communications Equipment

6. Computing Equipment (IT)

Average Mark-ups (IMF)

High-Markup (Top Decile) · Middle (Decline 50-90) · Laggards (Bottom half)

Average Mark-ups in ICT Intensive firms

ICT Intensive — All
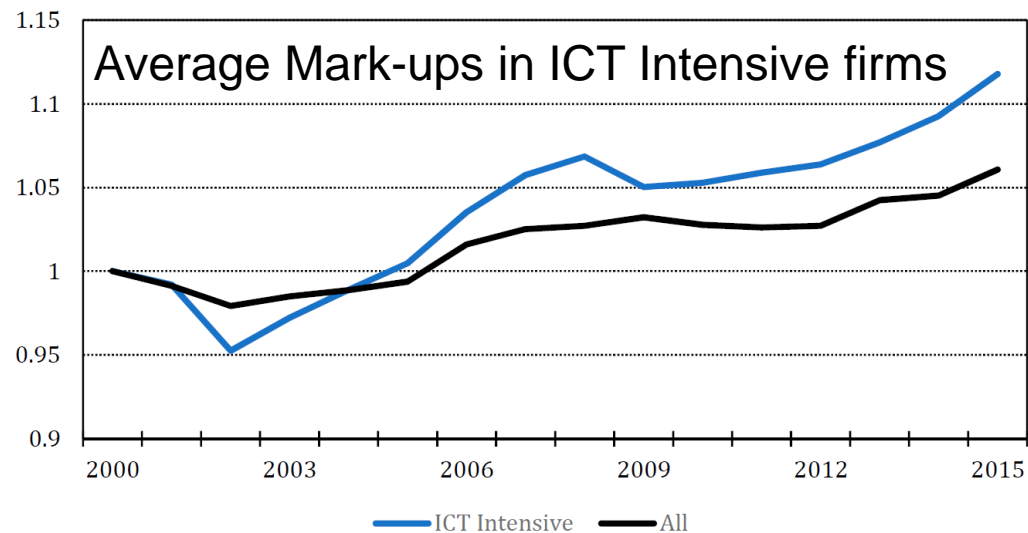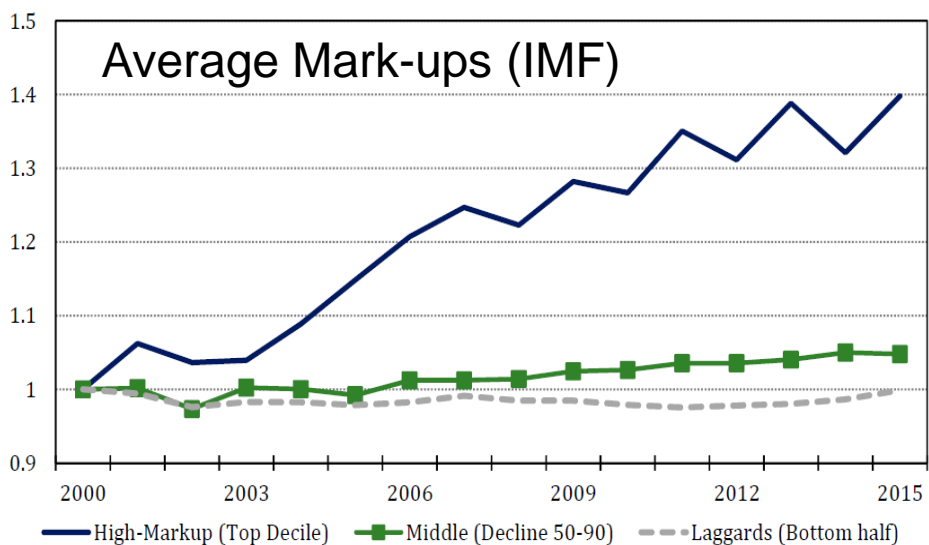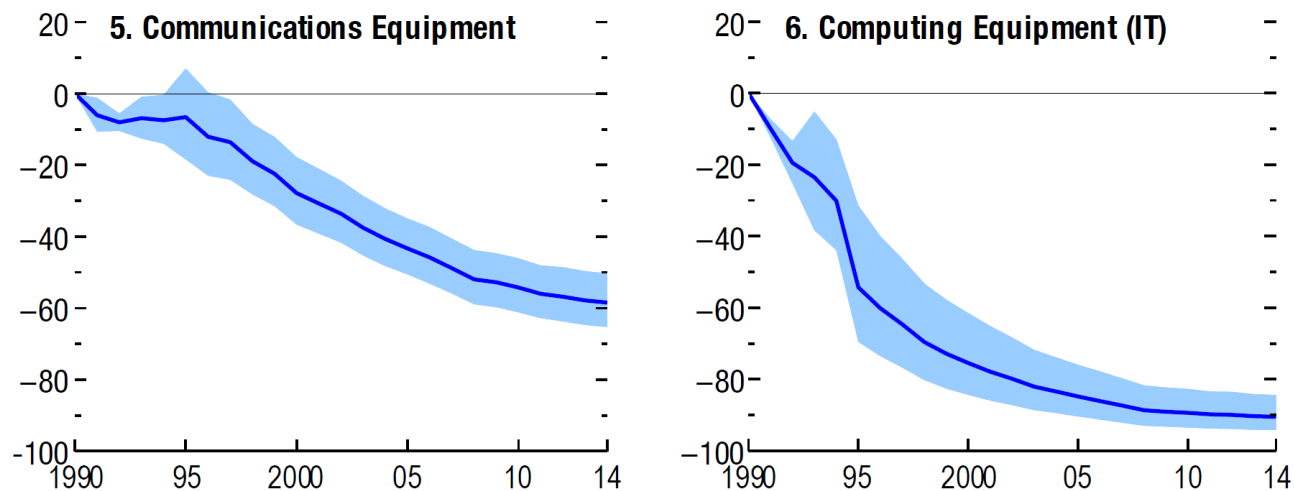
REDISTRIBUTION IS A POWERFUL TOOL...
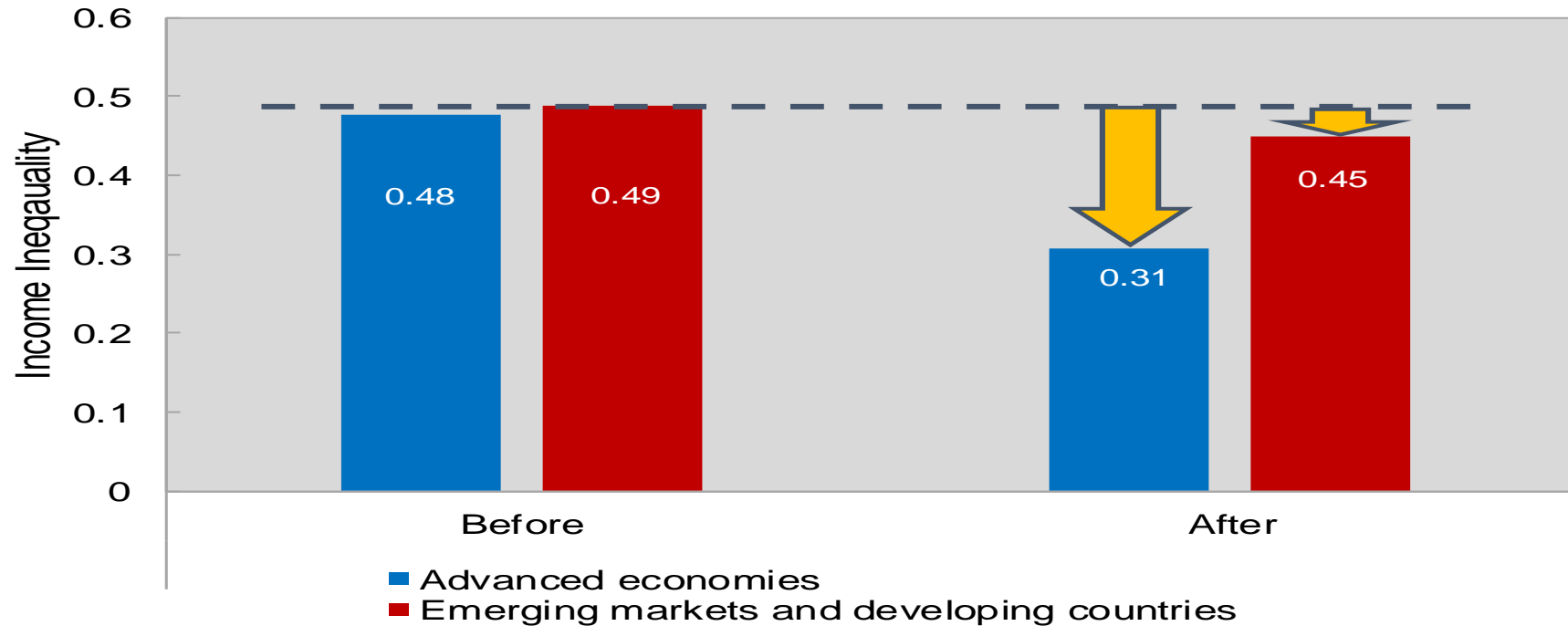
Sources: IMF Staff Esitmates using Lustig 2017; and OECD income Distribution Database.
Note: Inequality is measured with the Gini coefficient, which takes values between 0 and 1, with 0 representing perfect equality.
Emerging marketsv and developing countries include Argentina, Armenia, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Ethiopia, Georgia, Ghana, Guatemala, Honduras, Indonesia, Iran, Jordan, Mexico, Nicaragua, Peru, Russia,

...PREDISTRIBUTION X REDISTRIBUTION

Pre-Market Inequalities

- Investing in infant health, nutrition, and early childhood education
- Equalizing land and housing ownership, savings, access to financial services
- Promoting skills development that accounts for disruptions in, automation, future of work
- Ending child marriage, enhancing availability of child care and equal parental leave

In-Market Inequalities

Post-Market Inequalities

- Equalizing labor income and skills through services and assets targeting youth and gender gaps
- Equalizing access to capital markets
- Eliminating wage discrimination
- Reduce firms' labor-market power (through legislation or minimum wage floors)
- Universal labor guarantee (as proposed by the ILO) for decent hours, wages and conditions may go a long way towards reducing inequalities
- Credit guidance to help steer financial institutions towards more productive forms of credit which are more inclusive
- Incentivizing more equally distributed forms of capital income (e.g. interest vs. capital gains or dividends)

- Making the taxation of capital and labor income more equal
- Enforcing corporate taxation more strictly
- **Redistribution**—equalizing post-fiscal income through taxes, transfers and subsidies
- Equalizing access to contributory and non-contributory pensions
- Disability insurance
- Cash transfers

A FRAMEWORK TO UNDERSTAND LNOB
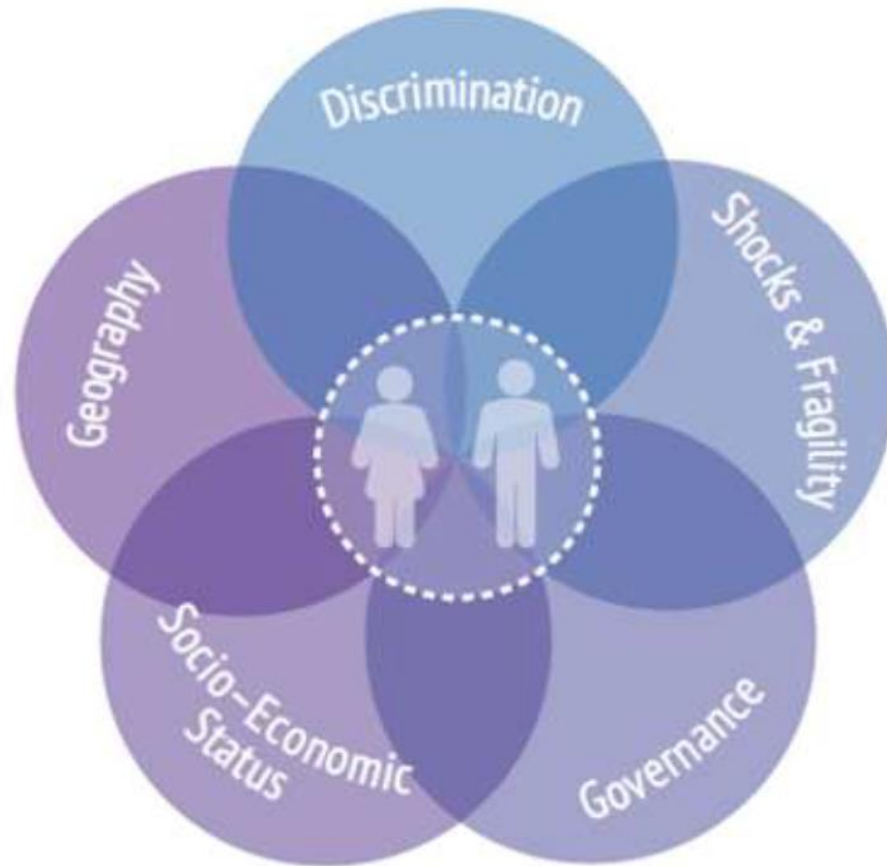
Source: UNDP. 2018. What does it mean to LNOB? A UNDP framework for implementation.