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## Economic and Social Commission for Asia and the Pacific Committee on Social Development

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Item 2 of the provisional agenda\*

### Review of social development trends and challenges in the context of the development agenda beyond 2015

## Confronting rising inequalities in Asia and the Pacific: trends and opportunities in the context of the development agenda beyond 2015

### Note by the secretariat

#### *Summary*

As the development agenda beyond 2015 takes shape, it is increasingly being recognized that inequality is an impediment to the integration of economic growth, social inclusion and environmental sustainability. Despite high and enduring economic growth and significant progress in terms of poverty eradication, inequalities persist in Asia and the Pacific, and in some instances they have intensified, between women and men, girls and boys, urban and rural areas, and different age and ethnic groups. Over time, the rich and poor may both be better off; yet, the gap between them is increasing in many countries in the region. Multiple forms of inequality reinforce each other, creating “an inequality trap” that disproportionately affects women and the most vulnerable members of society, including the poor, youth, persons with disabilities, migrants and older persons.

An analysis of the different forms and pathways of inequalities in Asia and the Pacific is contained in the present document. It is suggested that market-led growth alone has not been enough to achieve inclusive and sustainable development. It is further suggested that a combination of measures is needed to reduce inequalities of outcome and opportunity, including the enhancement of social protection, the promotion of productive and decent work, the introduction of a progressive tax system and the strengthening of evidence-based policymaking through more and better research and data collection.

The Committee is invited to review the issues and proposed policy recommendations in the present document and provide the secretariat with guidance for its future work in the area of inequality, including gender disparities, particularly in the light of the development agenda beyond 2015.

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## I. Introduction

1. As the development agenda beyond 2015 takes shape, there is growing recognition by the international community of the powerful and corrosive effects of inequalities on sustainable development. The outcome document of the United Nations Conference on Sustainable Development and the Secretary-General's High-level Panel of Eminent Persons on the Post-2015 Development Agenda both underscored the importance of addressing inequality.<sup>1</sup> Moreover, the Open Working Group on Sustainable Development

<sup>1</sup> Outcome document of the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, from 20 to 22 June 2012, entitled "The future we want" (General Assembly resolution 66/288, annex); High-level Panel of Eminent Persons on the Post-2015 Development Agenda, *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*. Available from [www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf](http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf). See pp. 16-17.

Goals has identified inequality as both a stand-alone and cross-cutting issue.<sup>2</sup> Inequalities in Asia and the Pacific in particular were considered by government delegations and stakeholders to be a priority area in several past forums, including the recently concluded Asia-Pacific Forum on Sustainable Development.<sup>3</sup>

2. Despite high and enduring economic growth and significant progress in terms of poverty eradication, inequalities persist in Asia and the Pacific, and in some instances have intensified, between women and men, girls and boys, urban and rural areas, and different age and ethnic groups.<sup>4</sup> These multiple inequalities reinforce each other creating “an inequality trap” that disproportionately affects women and the most vulnerable members of society, including the poor, youth, persons with disabilities, migrants and older persons.

3. The Asia-Pacific region as a whole has had considerable success in achieving the Millennium Development Goals, particularly in reducing levels of poverty.<sup>5</sup> Yet, the framework for those Goals did not fully address the various forms of inequality, nor their structural underpinnings.<sup>6</sup>

4. Given this context, the present document is aimed at examining the different forms and pathways of inequality and their implications for sustainable development in Asia and the Pacific. It also suggests key policy measures for reducing inequality that countries may want to consider. Since the third session of the ESCAP Committee on Social Development is serving as a preparatory body for the Asian and Pacific Conference on Gender Equality and Women’s Empowerment: Beijing+20 Review (17-20 November 2014), particular attention has been given to the gender dimensions of inequality.

## II. Why does inequality matter?

5. **Inequality is an impediment to poverty reduction.** High levels of inequality make it more difficult to reduce poverty through growth.<sup>7</sup> It has been estimated, for instance, that, had income inequality not increased in China, the poverty headcount rate (using the \$1.25-a-day poverty line) would have been reduced to 5 per cent in 2008, instead of stalling at 13 per cent. Similarly, in India, the poverty rate would have declined to 30 per cent, instead of remaining at 33 per cent; and in Indonesia, it would have declined to 6 per cent, instead of 16 per cent.<sup>8</sup> In other words, in terms of absolute numbers, had inequality not increased, an additional 128 million people

<sup>2</sup> Open Working Group on Sustainable Development Goals, “Introduction and proposed goals and targets on sustainable development for the Post-2015 Development Agenda”, Zero Draft. Available from <http://sustainabledevelopment.un.org/focussdgs.html>.

<sup>3</sup> “Chair’s summary”, Asia-Pacific Forum on Sustainable Development, Pattaya, Thailand, 19-21 May 2014. For details of the meeting, see [www.unescap.org/events/apfsd](http://www.unescap.org/events/apfsd).

<sup>4</sup> Economic and Social Commission for Asia and the Pacific, Asian Development Bank and United Nations Development Programme, *Asia-Pacific Aspirations: Perspectives for a Post-2015 Development Agenda. Asia-Pacific Regional MDGs Report 2012/13*. Available from [www.unescap.org/sites/default/files/MDG-Report2012-2013%28lowres%29\\_0.pdf](http://www.unescap.org/sites/default/files/MDG-Report2012-2013%28lowres%29_0.pdf).

<sup>5</sup> Ibid.

<sup>6</sup> See United Nations Millennium Declaration (General Assembly resolution 55/2).

<sup>7</sup> *Combating Poverty and Inequality: Structural Change, Social Policy and Politics* (United Nations publication, Sales No. E.10.III.Y.1).

<sup>8</sup> Asian Development Bank, *Asian Development Outlook 2012: Confronting Rising Inequality in Asia* (Manila, ADB, 2012), p. 41.

would have been lifted out of poverty in China. In India this number would have been 24 million and in Indonesia, 37 million.<sup>9</sup>

6. **Inequality adversely affects economic growth.** Unequal societies constrain the productive capacity of the poor and thus their potential contribution to growth. In highly unequal societies, the poor are more likely to be locked into a subsistence economy and have limited disposable income for the purchase of manufactured goods. This dynamic generates lower effective aggregate demand in the economy, limiting the size of the domestic market.<sup>10</sup>

7. **High inequality also contributes to social instability.** A growing divide between the rich and the poor is often a factor in rising levels of crime and social unrest, as it undermines trust and weakens bonds of solidarity.<sup>11</sup> Under certain conditions, inequality can also lead to political instability. In extreme cases, especially where inequality is manifested along ethnic lines, it can lead to conflict and failure of the State.<sup>12</sup>

8. **Inequality can undermine environmental sustainability.** In equal societies with a high degree of social cohesion, people tend to work together to protect global public goods, including the environment. In contrast, in societies where inequality abounds, collective action is trumped by the pursuit of individual or group interest. In such societies, there is less public support for policies designed to protect the environment and “govern the commons”.<sup>13</sup>

### III. What drives inequality?

9. **Technological change and globalization are considered by some analysts to be the main drivers of the region’s rapid growth as well as the basic forces behind rising inequality.**<sup>14</sup> Technological change and globalization have favoured skilled over unskilled labour, capital over labour, and urban and coastal areas over rural and inland regions. One manifestation of this interplay is that economic growth is not generating sufficient decent and productive employment opportunities, as evidenced by the large and underproductive agricultural sector in many countries, as well as the high share of workers in the informal economy.<sup>15</sup> Another manifestation is the unequal access to science, technology and innovation. This dynamic is exemplified by the “digital divide” that exists between and within countries in the region.<sup>16</sup>

<sup>9</sup> ESCAP calculations.

<sup>10</sup> *Inequality Matters: Report on the World Social Situation* (United Nations publication, Sales No. 13.IV.2); and *Asian Development Outlook 2012*.

<sup>11</sup> Sameer Khatiwada, “Social unrest index: an overview”, International Institute for Labour Studies Discussion Paper, No. 215, forthcoming.

<sup>12</sup> *Combating Poverty and Inequality: Structural Change, Social Policy and Politics* (United Nations publication, Sales No. E.10.III.Y.1).

<sup>13</sup> Joseph Stiglitz, “Inequality & environmental policy”, Resources 2020 lecture, 5 October 2012 (Washington, D.C.); Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (New York, Cambridge University Press, 1990).

<sup>14</sup> Asian Development Bank, *Asian Development Outlook 2012* (Manila, ADB, 2012).

<sup>15</sup> *Economic and Social Survey of Asia and the Pacific 2013* (United Nations publication, Sales No. E.13.II.F.2).

<sup>16</sup> Refer to the work of the Asian and Pacific Training Centre for Information and Communication Technology for Development, a regional institute of ESCAP based in Incheon, Republic of Korea, see [www.unapict.org](http://www.unapict.org).

10. **Some of the policies that have dominated the development agenda since the 1980s have exacerbated inequalities in the region.**<sup>17</sup> Designed to create a “race to efficiency” through market incentives, these policies have, in certain contexts, created a “race to the bottom”. Such policies include financial liberalization, regressive taxation, privatization in the context of weak regulation, public expenditure policies that fail to protect the poor during crises or adjustment periods and labour market policies that lead to precarious forms of employment.

11. **Inequality is also perpetuated in and through discriminatory political, legal and sociocultural norms, based on gender, ethnicity, race and language.** These discriminatory structures disproportionately affect women and vulnerable population groups, excluding them from civic and political life, undermining their access to land, asset ownership, credit, education, health services and other resources needed for leading a productive life.<sup>18</sup>

#### IV. What forms does inequality take?

12. In order to do justice to its multifaceted nature, the many forms and pathways of inequality need to be considered. These can be divided into four main types:

- (a) Inequality in income;
- (b) Inequality in access to health care;
- (c) Inequality in access to education;
- (d) Inequality across key population groups.

##### A. Income inequality remains high

13. During the last two decades income inequality, as measured by the Palma index,<sup>19</sup> has increased in Bangladesh, China, India, Indonesia, the Lao People’s Democratic Republic, Mongolia and Sri Lanka (see figure 1). In contrast, it has decreased in Armenia, Cambodia, Pakistan, Kazakhstan, Malaysia, the Russian Federation, Thailand and Turkey. It should also be pointed out that in China and Sri Lanka income inequality rose strongly over the 1990s, but has been falling slightly since 2000 in the case of Sri Lanka and since about 2004 in China. Particularly in China, social protection

<sup>17</sup> *Combating Poverty and Inequality: Structural Change, Social Policy and Politics* (United Nations publication, Sales No. E.10.III.Y.1).

<sup>18</sup> *Report on the World Social Situation 2013: Inequality Matters* (United Nations publication, Sales No. 13.IV.2).

<sup>19</sup> The Gini coefficient is the most commonly used indicator to measure income inequality. Recently, arguments have been made in favour of an alternative measure – the “Palma index” – which measures the ratio of the income share of the top 10 per cent to the bottom 40 per cent of a country’s population. The Palma index offers a way to more intuitively understand income inequality. For a given elevated Palma value, it is clear that the gap between rich and poor can be reduced either by raising the share of national income of the poorest 40 per cent or decreasing the share of the top 10 per cent. See Alex Cobham and Andy Sumner, “Putting the Gini back in the bottle? ‘The Palma’ as a policy-relevant measure of inequality”, working paper, King’s International Development Institute (London, King’s College, 2013). See also, José G. Palma, “Homogeneous middles vs. heterogeneous tails, and the end of the ‘Inverted-U’: it’s all about the share of the rich”, *Development and Change*, vol. 42, No. 1 (January 2011), pp. 87-153.

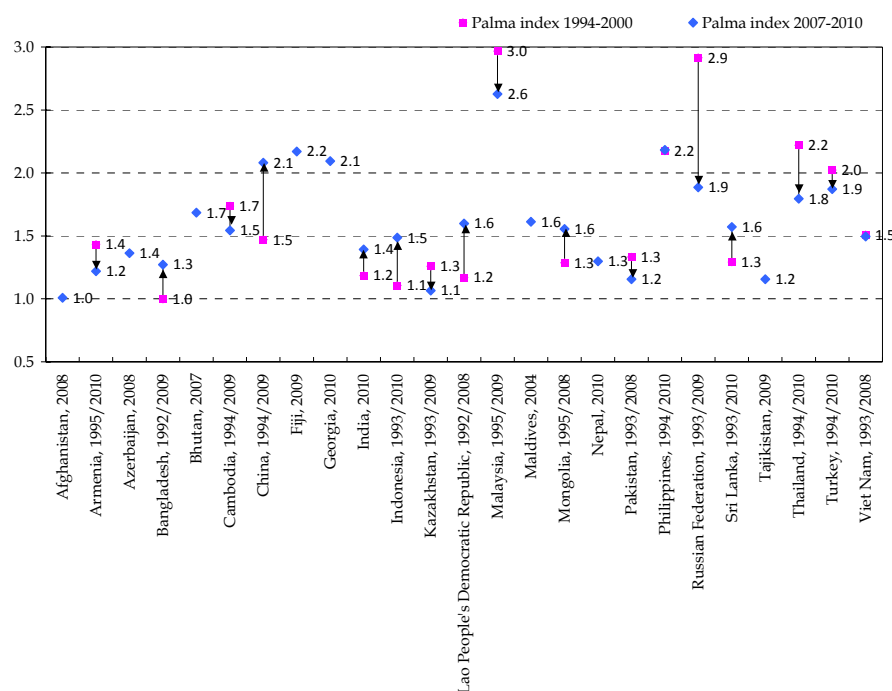
policies aimed at increasing the income of the poor may have contributed to reversing this trend.<sup>20</sup>

14. An analysis of each income decile over time confirms the basic idea behind the Palma index, namely that change usually occurs in the highest and lowest quintiles, while the share of the middle quintiles remains relatively stable in the majority of countries. This suggests that over time the rich and poor both may be getting better off; yet, because the rich are getting disproportionately richer, the gap between the rich and the poor is increasing. The figure for China in the annex illustrates how there was a sharp increase in the income share of the highest income decile over the 1990s in this country, while the income share of the lowest decile fell. In contrast, the income share of the middle classes remained relatively stable.

15. There are, however, some notable cases where changes in income inequality can be attributed to a rise of the middle classes. In Thailand, where overall inequality has fallen over time, the income share of the top income decile has decreased since about 2000, giving space to the rise of the middle classes and lower income groups. In like fashion, in Cambodia, the income share, particularly of the highest income decile, has decreased sharply since about 2007; while the share of the fifth and sixth income deciles – the middle classes – rose, and the share of the poorest group remained relatively stable.

Figure 1

**The richest 10 per cent have almost twice as much income as the poorest 40 per cent: Palma index in selected Asian and Pacific countries, 1994-2010**



Source: ESCAP calculations based on World Bank's PovCalNet.

16. A structural factor explaining the persistent – and at times increasing – gap between rich and poor is that in the last decades the income of capital owners has grown faster than the income of workers in the major economies in the region. As a result, the labour income share has fallen. For example, although wages in China roughly tripled over the last decade, GDP increased

<sup>20</sup> International Labour Organization, *World of Work Report 2014: Developing with Jobs* (Geneva, 2014).

faster than the total wage bill, thus leading to a decrease in the labour income share. There have been similar trends in the Republic of Korea and Turkey.<sup>21</sup>

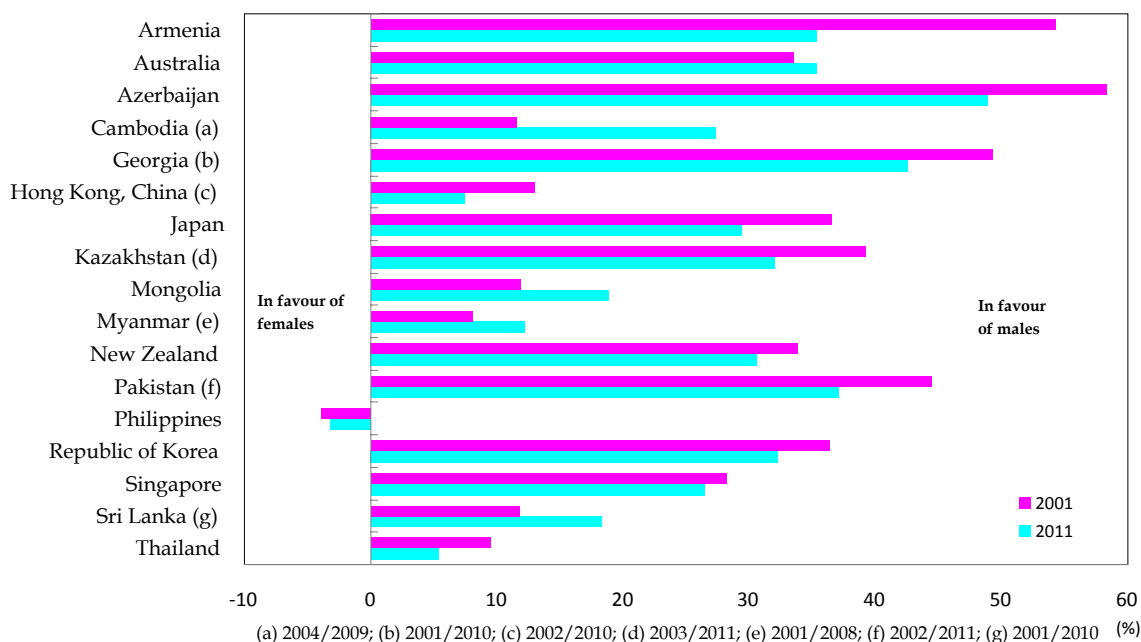
17. Agricultural wages in particular have grown at a slower pace than wages in other sectors, reinforcing and even exacerbating inequalities between rural and urban areas. This is the case in China, for instance, where wages in the agricultural sector have grown significantly slower than overall wages, including wages in the industrial sector. In many countries in the region, moreover, the share of the labour force working in agriculture does not proportionally correspond to the agricultural sector's share in GDP.<sup>22</sup> This implies low productivity and wages. For instance, in India and Nepal more than half the labour force is employed in agriculture, whereas the share of agriculture in GDP is 14 per cent and 35 per cent respectively. In Papua New Guinea, about 90 per cent of the labour force is occupied in rural areas, whereas the agricultural sector accounts for only 36 per cent of GDP.

18. Significant income inequalities between men and women abound in Asia and the Pacific. Figure 2 depicts the uneven progress that has been made over the past decade in closing the gender wage gap across the region. The gender wage gap is particularly high in Azerbaijan, Georgia and Pakistan. In contrast, in the Philippines this gap is negative, that is, women on average receive a higher income than men. Moreover, while the gap has fallen in several economies, such as Armenia; Azerbaijan; Georgia; Hong Kong, China; and Thailand, it has increased or remained the same in other economies where data are available.

Figure 2

**The gender wage gap is still high, but falling in some economies**

Selected Asian-Pacific economies, 2001 and 2011



Source: ESCAP Online Statistical Database

<sup>21</sup> International Labour Organization, *Global Wage Report 2012/13: Wages and Equitable Growth* (Geneva, 2013), p. 42.

<sup>22</sup> *Economic and Social Survey of Asia and the Pacific 2013* (United Nations publication, Sales No. E.13.II.F.2), p. 159.

19. The gender wage gap persists in part because women are more likely to be in vulnerable employment than their male counterparts: in East Asia, 52.7 per cent of women are engaged in vulnerable employment, compared with 45.4 per cent of men; in South-East Asia and the Pacific, the corresponding percentages are 65.9 and 58.5; and in South Asia, the figures are 83.8 per cent and 75.5 per cent respectively.<sup>23</sup> Moreover, the need to combine work with childcare often pushes women into insecure jobs in the informal sector. It also needs to be mentioned that in the Asian and Pacific region in 2012, 28.9 per cent of females were engaged as contributing family workers compared with 9.2 per cent of males.<sup>24</sup>

20. Several countries in the region have already taken measures to address increasing income inequality by introducing cash transfers for the poor and other vulnerable groups. For example, to facilitate the transition from a planned to a market economy, China established minimum living standard guarantee schemes (*dibao* in Chinese), which provide means-tested cash transfers to those living under the established minimal standard of living; and India developed a scheme under the Mahatma Gandhi National Rural Employment Guarantee Act, which guarantees 100 days of wage employment in a financial year to any rural household whose adult members are willing to participate in unskilled manual work.<sup>25</sup>

## **B. Poor access to health-care services exacerbates inequality**

21. In addition to income inequality, there are also inequalities that stem from unequal access to the resources required to sustain and improve livelihoods and lead meaningful lives. Such inequalities take form principally through unequal access to health services and education.

22. Availability and access to affordable health-care services is a key determinant of inequality of well-being. Sometimes, services are not available in certain areas, even to those who can afford it. In other cases, services may be available, but unaffordable to the large majority. There may also be cases where sociocultural norms, which can vary across population and income groups, limit the use of health-care services.

23. In many countries in the region, availability of health-care services in rural – remote and mountainous – areas is limited. For example, in the Lao People’s Democratic Republic in 2006, skilled birth attendance was six times less likely in rural than in urban areas.<sup>26</sup> The adverse effects of this scarcity is compounded by the underdeveloped transportation and communication infrastructure which makes it a challenge for rural residents to access the services that tend to be concentrated in urban areas. These barriers were identified as fundamental by countries in a survey conducted for a regional

<sup>23</sup> International Labour Organization, *Global Employment Trends 2012: Preventing a Deeper Jobs Crisis* (Geneva, 2012), p. 11.

<sup>24</sup> *Statistical Yearbook for Asia and the Pacific 2013* (United Nations publication, Sales No. E.13.II.F.1), p.147.

<sup>25</sup> For a more detailed overview of these and other income support schemes see Economic and Social Commission for Asia and the Pacific, *Income Support in Asia and the Pacific* (Bangkok, ESCAP, forthcoming).

<sup>26</sup> World Health Organization, Global Health Observatory – Resources. Available from <http://apps.who.int/gho/data/node.resources> (accessed 5 June 2014).



review of the Programme of Action of the International Conference on Population and Development.<sup>27</sup>

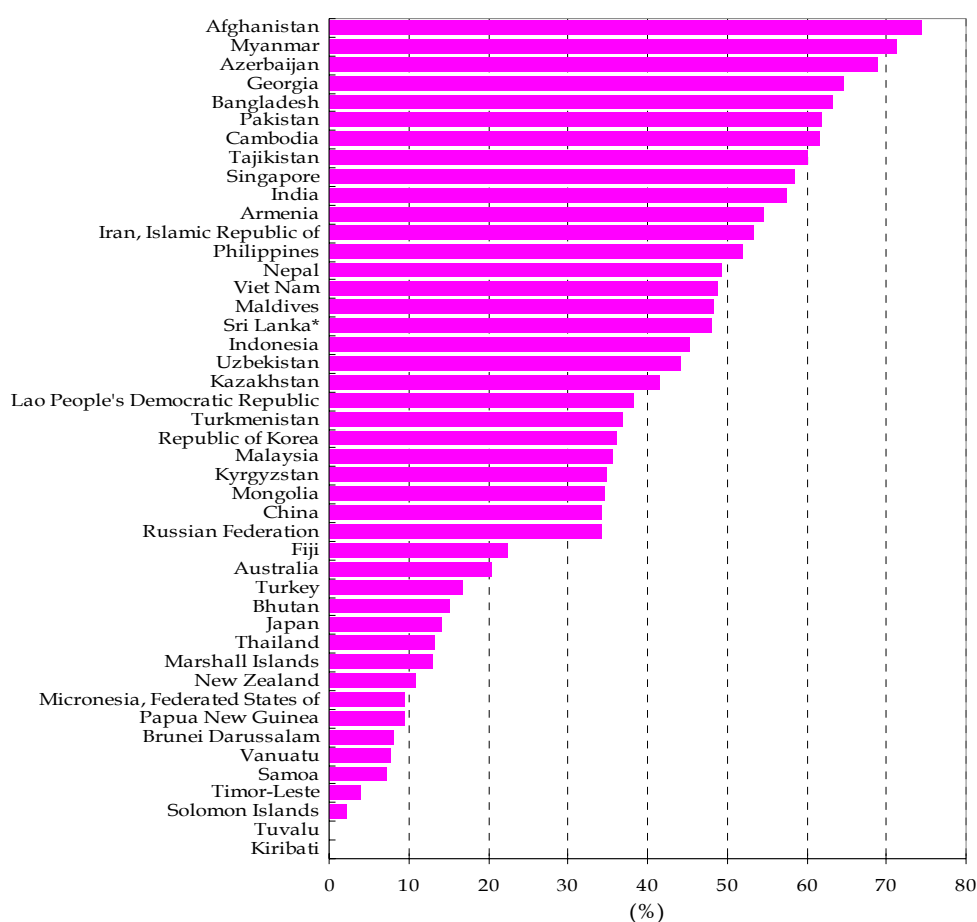
24. An indicator to measure the affordability of health-care services is out-of-pocket expenditure as a percentage of total health expenditure. When out-of-pocket expenditures exceed a certain threshold, they limit people's access to health care. Often, poorer households can access such services only after detrimental reductions have been made to other expenditures, such as education and nutrition. Owing to high out-of-pocket expenditure, moreover, people may not seek care when needed.

25. In several countries in the region, more than half the total health expenditure originates from private households. In Afghanistan, Azerbaijan and Myanmar, private households bear even more than two thirds of total health expenditure, making health care difficult to afford for lower income groups (figure 3).

Figure 3

**Out-of-pocket health expenditures remain high in a third of Asia-Pacific countries**

Percentage of total expenditure on health, 2012



\* 2011

Source: World Health Organization National Health Account Database

<sup>27</sup> Economic and Social Commission for Asia and the Pacific and International Conference on Population and Development beyond 2014, *Sustaining Progress on Population and Development in Asia and the Pacific: 20 Years after ICPD (ST/ESCAP/2670)* (Bangkok, ESCAP and ICPD beyond 2014, 2014).

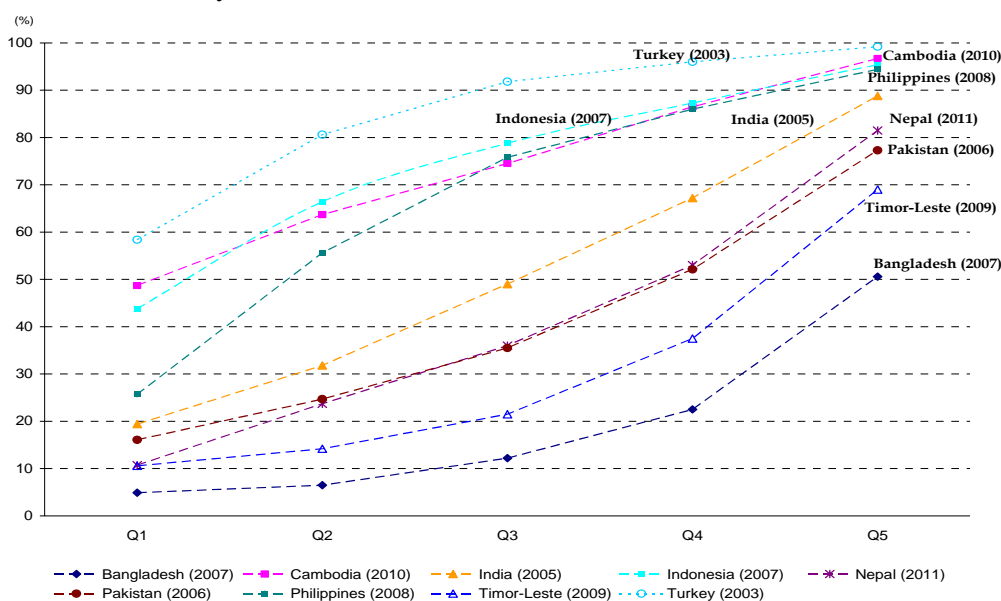
26. In several countries, income seems to be a strong factor determining access to reproductive health services. In India, for example, the percentage of births attended by skilled personnel increases almost proportionally with income. In countries such as Bangladesh and Nepal, skilled birth attendance remains scarce in the lower four income quintiles, with a significant increase between the fourth and fifth quintile (see figure 4). In these two countries, improvements over time have taken place mainly in the highest income quintile. For instance, in Bangladesh in 1996, 1.8 per cent of births in the lowest income quintile were attended by skilled personnel, compared with 29.7 per cent in the highest quintile. In 2011, these figures had increased to 4.9 and 50.6 respectively. In other countries, such as the Philippines and Turkey, the lack of attendance of skilled personnel at births seems to prevail only in the lowest income quintile.<sup>28</sup>

27. Sociocultural and language barriers, moreover, are additional reasons why people may not use health-care services. Country responses to the aforementioned ICPD survey stated that “limited cultural acceptability” was as an important barrier, particularly when it comes to using sexual and reproductive health services.<sup>29</sup> A study on the use of health-care services by ethnic minorities in Viet Nam, for example, revealed that these population groups often perceived public health-care centres as inappropriate for their needs and faced negative attitudes from medical staff.<sup>30</sup>

Figure 4

### Births attended by skilled personnel rises sharply with income

Percentage of total number of births by income quintile, selected countries, latest available year



Source: World Health Organization Global Health Observatory Database

<sup>28</sup> S.M. Abul Bashar, “Determinants of the use of skilled birth attendants at delivery by pregnant women in Bangladesh”, Master’s degree thesis, Department of Public Health and Clinical Medicine, Umea University, Sweden, 2012.

<sup>29</sup> Economic and Social Commission for Asia and the Pacific and International Conference on Population and Development beyond 2014, *Sustaining Progress on Population and Development in Asia and the Pacific (ST/ESCAP/2670)* (Bangkok, ESCAP and ICPD beyond 2014, 2014).

<sup>30</sup> Bettina Schwind, “Barriers to health care for the poor and ethnic minorities in Vietnam”, Discussion Papers on Social Protection, No. 2 (Gesellschaft für Technische Zusammenarbeit (GTZ), 2010).

28. In an attempt to reduce inequalities, several countries in the region, including China, the Islamic Republic of Iran, the Republic of Korea and Thailand, as well as some least developed countries, are providing universal access to health-care services. While some countries have opted for public provision of services, others have introduced public insurance or other financing options. For example, in Solomon Islands, out-of-pocket expenditures are among the lowest in the region due to a system of public health-care provision under which all general out-patient services and hospitalization are free of charge. Bhutan has also aimed at achieving universal access through the Bhutan Health Trust Fund, and by charging for non-essential health-care services.<sup>31</sup> Cambodia's quest for universal health coverage has moved forward through the innovative health equity funds, which now cover more than three quarters of all citizens living below the poverty line.<sup>32</sup>

29. Countries in the region, moreover, are taking action to expand access to health-care services, including sexual and reproductive health services, in rural areas. While most countries focus on expanding service delivery, 45 per cent of the countries that responded to the ICPD survey sought to create demand through cash transfers.<sup>33</sup> For instance, the Government of Bangladesh has recently introduced a system of demand-side financing that furnishes vouchers to women who use antenatal care.<sup>34</sup>

### C. Lack of access to education further accentuates inequalities

30. Despite the remarkable progress that has been achieved in improving overall access to education, as many as 18 million children of primary school age are not in school. The region, moreover, has three of the world's top five largest out-of-school populations: namely in Pakistan (5.4 million in 2011); India (1.7 million in 2010); and the Philippines (1.5 million in 2009). Often it is children living in war-stricken areas or isolated communities, or those belonging to ethnic minorities or with disabilities that have less access to education.<sup>35</sup>

31. Disparities in terms of the quality of primary education are particularly prominent between countries in the region. For instance, in a 2011 study of 52 school systems from across the globe, the top four performers in fourth-grade mathematics came from Asia and the Pacific namely: China; Hong Kong, China; Republic of Korea; and Singapore. The majority of fourth-grade students in these school systems achieved a "high

<sup>31</sup> Bhutan, "National Health Policy," Ministry of Health, Royal Government of Bhutan. Available from [www.nationalplanningcycles.org/sites/default/files/country\\_docs/Bhutan/pages.pdf](http://www.nationalplanningcycles.org/sites/default/files/country_docs/Bhutan/pages.pdf) (accessed 27 May 2014).

<sup>32</sup> Mathieu Noirhomme and others, "Improving access to health care services for the poorest: the case of health equity funds", Université de Montréal, July 2009.

<sup>33</sup> Economic and Social Commission for Asia and the Pacific and International Conference on Population and Development beyond 2014, *Sustaining Progress on Population and Development in Asia and the Pacific* (ST/ESCAP/2670) (Bangkok, ESCAP and ICPD beyond 2014, 2014).

<sup>34</sup> S. M. Abul Bashar, "Determinants of the use of skilled birth attendants at delivery by pregnant women in Bangladesh", Master's degree thesis, Umeå International School of Public Health, Umeå University, Sweden, 2012.

<sup>35</sup> Economic and Social Commission for Asia and the Pacific, Asian Development Bank and United Nations Development Programme, *Asia-Pacific Aspirations: Perspectives for a Post-2015 Development Agenda, Asia-Pacific Regional MDGs Report 2012/13*. Available from [www.unescap.org/sites/default/files/MDG-Report2012-2013%28lowres%29\\_0.pdf](http://www.unescap.org/sites/default/files/MDG-Report2012-2013%28lowres%29_0.pdf), p. 34.

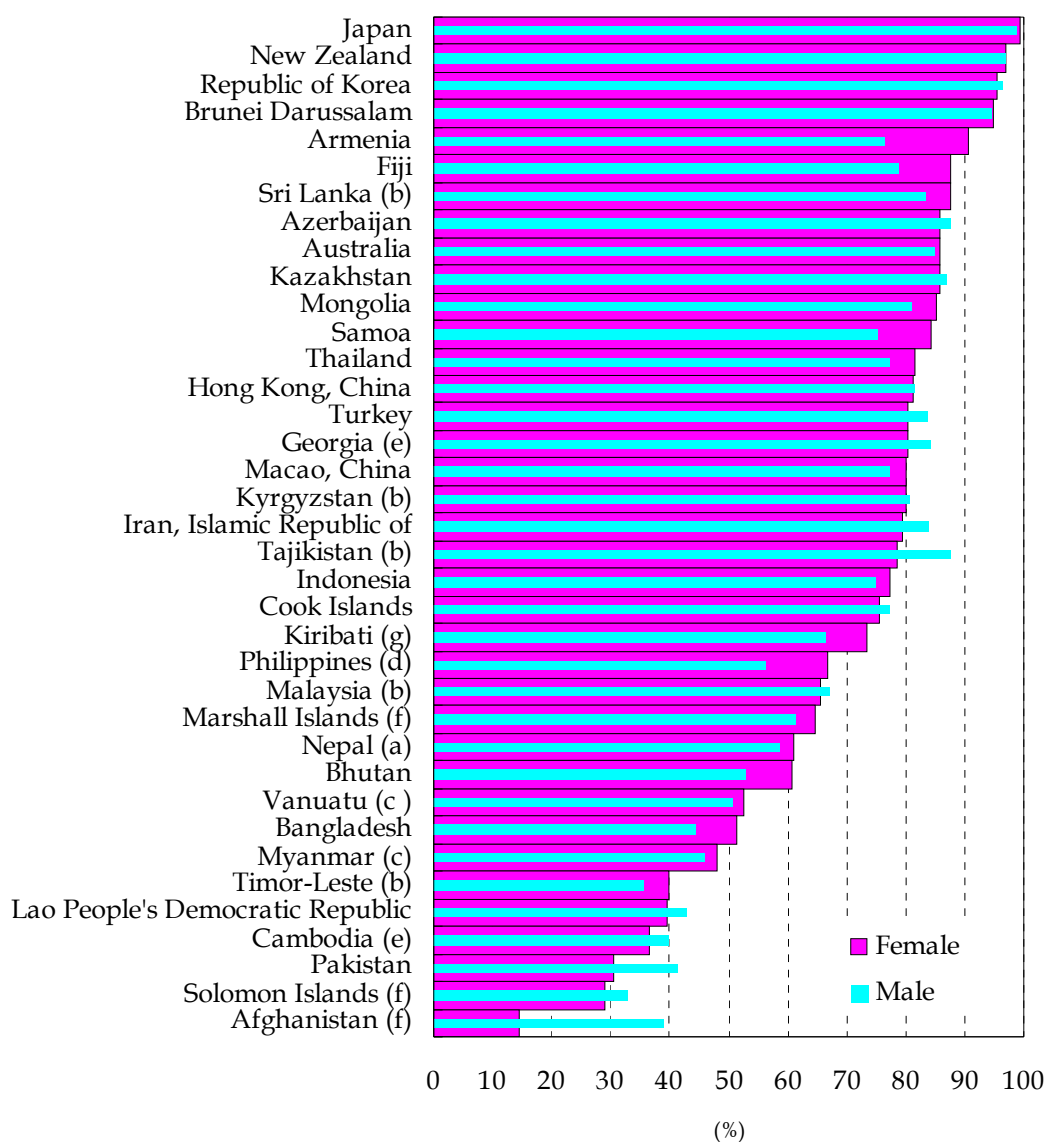
benchmark". In contrast, in a number of countries in the region, as many as one in five students failed to achieve the "low benchmark". These countries included Armenia, Azerbaijan, Georgia, the Islamic Republic of Iran and Thailand.<sup>36</sup>

32. Inequalities in access to education within countries become more pronounced in secondary and tertiary education. There are still several countries in the region where more than half of children or young people are not in secondary school. Generally, countries with high levels of secondary enrolment have also closed gender gaps. Inversely, in several of those countries where secondary enrolments are low, the gender gap is relatively large.

Figure 5

**Enrollment rates are closely linked to the income of the country**

Secondary education, 2012



(a) Data refer to 2013; (b) 2011; (c) 2010; (d) 2009; (e) 2008; (f) 2007; (g) 2005

Source: UNESCO Institute for Statistics Database

<sup>36</sup> Ibid, p. 34-35.

33. There are also several economies where significantly more girls than boys are enrolled in secondary education, such as in Armenia, Bangladesh, Bhutan, Fiji, Mongolia, Samoa, the Philippines and Thailand (see figure 5). In Bangladesh, girls outnumber boys, particularly in rural areas.<sup>37</sup> This country's female stipend programme, which is aimed at promoting rural girls' secondary education, may be among the drivers of this reverse gender imbalance.<sup>38</sup>

34. Differences also prevail in rural areas for girls' secondary enrolment rates, which are lagging significantly behind boys' enrolments and girls' enrolment in urban areas. For example, in Nepal surveys in 2001 revealed that in rural areas only 59 per cent of girls between 11 and 15 years of age were enrolled in school, compared with 80.2 per cent of boys in rural areas and 81.3 of girls in urban areas.<sup>39</sup>

35. Educational completion tends to be lower among low-income groups, particularly in times of crisis, when poor households are often pressed to take their children out of school due to financial constraints. The table below shows that, for most countries in the region, average years of education tend to increase with income level. In some countries, moreover, there are significant gender gaps in average years of schooling in the lower income quintiles, but these gender gaps decrease or diminish in higher income quintiles.

Table

**Number of years in school increases with family income**

Select countries, 2005

	Q1 (lowest)		Q2		Q3		Q4		Q5 (highest)	
	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys
Armenia	8.3	8.1	8.8	9.2	9.3	9.0	9.5	9.6	9.6	10.1
Azerbaijan	9.4	10.1	10.1	10.3	10.4	11.0	10.9	11.1	11.4	11.4
Bangladesh	3.5	3.8	4.5	4.8	5.6	5.6	6.6	6.8	8.1	8.0
Cambodia	2.8	4.0	3.7	4.9	4.7	5.8	5.8	6.9	7.8	8.7
Georgia	10.6	10.2	11.2	11.0	11.3	11.4	12.0	11.7	12.7	12.4
India	3.0	5.7	5.0	7.2	7.3	8.4	9.2	9.5	11.2	11.1
Indonesia	6.7	6.6	7.9	7.8	9.0	9.0	10.0	10.0	11.0	11.3
Kazakhstan	11.6	11.2	12.1	11.4	12.4	11.9	12.8	12.5	13.4	13.1
Kyrgyzstan	10.5	10.4	10.6	10.4	10.6	10.4	10.7	10.4	11.0	10.8
Lao People's Democratic Republic	4.5	7.4	8.6	9.0	8.3	9.0	7.6	9.0	8.2	8.0
Myanmar	3.4	3.8	4.5	4.9	5.5	5.6	6.6	6.5	7.7	7.7
Nepal	2.4	5.0	3.3	5.6	4.3	6.4	5.9	7.4	8.2	9.3
Pakistan	1.1	3.8	2.3	5.0	4.4	6.2	6.4	7.3	8.8	9.1
Philippines	7.1	5.8	8.9	7.7	9.9	9.0	10.9	9.9	11.0	11.0
Tajikistan	8.6	9.8	8.6	10.1	9.2	10.1	9.2	10.3	10.3	11.3
Turkey	5.2	7.4	7.4	9.0	8.4	9.2	7.4	8.7	8.9	9.4
Viet Nam	5.2	5.3	7.8	7.8	8.5	8.8	9.5	9.2	10.2	10.7

Source: UNESCO, Deprivation and Marginalization in Education (DME) database

<sup>37</sup> ICF International, DHS Program STAT compiler. Available from [www.statcompiler.com](http://www.statcompiler.com) (accessed 25 May 2014).

<sup>38</sup> Shahidur Khandker, Mark Pitt and Nobuhiko Fuwa, "Subsidy to promote girls' secondary education: the female stipend program in Bangladesh", Munich Personal (MPRA) MPRA Paper No. 23688, March 2013.

<sup>39</sup> ICF International, DHS Program STAT compiler. Available from [www.statcompiler.com](http://www.statcompiler.com) (accessed 25 May 2014).

36. School completion also varies between different regions of a country. The educational completion rates are significantly lower in less developed and peripheral regions than in more developed regions.<sup>40</sup>

37. Social inequalities tend to lead to uneven access to education, resulting in lower educational outcomes, which in turn result in lower earnings, and thereby cementing the circle between inequality in income and inequality in opportunity. These factors have a tendency to mutually reinforce each other. In order to reduce these inequalities, particular attention has to be given to improving access to good-quality education for socially disadvantaged groups.

38. Many countries have already made efforts to increase female school attendance through, for instance, cash transfers conditional on school attendance of girls in the household. Several countries have also improved the overall quality of education. For example, in the Programme for International Student Assessment (PISA) 2009 study of the Organisation for Economic Co-operation and Development, which measured the skills in mathematics, reading and science of secondary students, Indonesia was identified as one of the countries that had made the most progress since 2000. These overall improvements are largely attributed to improvements among the lowest income groups.<sup>41</sup> New Zealand, moreover, has made progress in improving early childhood education for Maori children, involving Maori communities in curriculum development, and Maori language speakers in teaching, thus responding better to the needs of indigenous children.<sup>42</sup>

#### **D. Inequalities persist across key population groups, in particular for women and girls**

39. Characteristics that identify a social group to which an individual belongs, including gender, age, ethnicity, disability or migrant status, also have considerable influence on well-being and economic outcomes.<sup>43</sup>

40. These group or horizontal inequalities are reinforced by lack of voice and power and impede the full and free participation of all persons in civic and political life. This in turn undermines good governance and the capability of all people to be agents of sustainable development. Beyond individual exclusion, inequalities in power, voice and participation threaten economic growth and national stability by weakening social bonds, undermining environmental sustainability and feeding disengagement and dissent.

41. It is important to address horizontal inequalities because they constitute a large component of overall inequalities within countries. In the region, women and girls, youth, older persons, persons with disabilities and international migrants are particularly susceptible to social exclusion. In the

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<sup>40</sup> Asian Development Bank and United Nations Children's Fund, *Non-State Providers and Public-Private Partnerships in Education for the Poor* (ADB and UNICEF, 2011), p. 9.

<sup>41</sup> Organisation for Economic Co-operation and Development, *PISA 2009 Results: Learning Trends – Changes in Student Performance Since 2000* (Paris, OECD, 2010).

<sup>42</sup> United Nations Educational, Scientific and Cultural Organization, *Reaching the Marginalized: Education for All Global Monitoring Report 2010* (Oxford and Paris, Oxford University Press and UNESCO, 2010).

<sup>43</sup> *Inequality Matters: Report on the World Social Situation* (United Nations publication, Sales No. 13.IV.2).

rest of this section there will be a discussion of the particular disadvantages women and girls face in a large number of Asia-Pacific countries.

42. In their diversity, women and girls across Asia and the Pacific are connected by inequality, discrimination and oppressive gender stereotypes. Deriving from the unequal distribution of power between women and men, and the associated greater sociocultural value attached to males than to females, gender inequalities pervade.

43. In terms of economic power and participation, gender-based inequalities of opportunity and outcome prevail. Women encounter direct and indirect discrimination in pursuing livelihoods, reflected in higher rates of unemployment, lower rates of labour force participation (such as 67.7 per cent for women compared with 89.5 per cent adult men in South-East Asia and the Pacific), lower employment-to-population ratios for women, than for men (for example 30.4 per cent for women compared with 78.5 per cent for men in South Asia)<sup>44</sup> and the enduring gender wage gap discussed above.<sup>45</sup> For female own-account workers, moreover, inequalities are manifested in limited access to property, assets and credit, or access being conditional on the existence of a male guarantor.<sup>46</sup>

44. With occupational segregation drawing upon traditional and restrictive gender roles, women predominate in vulnerable employment, characterized by low-pay, low productivity, restricted occupational options and little, if any, social protection.<sup>47</sup> While discriminatory and oppressive gender stereotypes and sociocultural norms confine women to catering, caring, cashiering, clerical and cleaning work, de jure discrimination reinforces inequalities between women and men. This is manifested, for example, by policies and/or legislation where women are treated as minors and thus denied legal property and inheritance rights;<sup>48</sup> legislation that is devoid of maternity protection measures;<sup>49</sup> legislation that does not cover the groups of workers where the majority are women; and the absence of legislative protection against sexual harassment and other forms of violence.<sup>50</sup>

45. Promisingly, however, gender-based inequalities are recognized and commitment to their elimination exists across Asia and the Pacific. The foundation for achieving equality between women and men has been established with almost universal ratification of the Convention on the Elimination of All Forms of Discrimination against Women and universal ratification of the Convention on the Rights of the Child. Gender equality has also been advanced by existing action agendas, most notably the Beijing

<sup>44</sup> International Labour Organization, *Global Employment Trends for Women* (Geneva, ILO, 2012).

<sup>45</sup> International Labour Organization, "Equality at work: the continuing challenge", Report of the Director-General, International Labour Conference, 100th session, Geneva, 1-17 June 2011.

<sup>46</sup> Economist Intelligence Unit, "Women's economic opportunity 2012: a global index and ranking" (London, EIU, 2012).

<sup>47</sup> International Labour Organization, *Global Employment Trends for Women* (Geneva, ILO, 2012).

<sup>48</sup> Sylvia Chant and Carolyn Pedwell, *Women, gender and the informal economy: an assessment of ILO research and suggested ways forward* (Geneva, ILO, 2008).

<sup>49</sup> International Labour Organization, "Equality at work: the continuing challenge", Report of the Director-General, International Labour Conference, 100th session, Geneva, 1-17 June 2011.

<sup>50</sup> *Ibid.*

Declaration and Platform for Action, and the outcome document of the 2012 United Nations Conference on Sustainable Development.

## V. What can be done to tackle inequalities?

46. Measures to address inequalities tend to be framed from two different perspectives: the first perspective is concerned primarily with *inequality of outcomes* in the material dimensions of human well-being, such as the level of income or level of educational attainment; the second is concerned principally with *inequality of opportunities*, such as unequal access to employment, education or political processes.<sup>51</sup>

47. These two perspectives are based on different understandings of the relationship between outcomes and opportunities. Will higher incomes lead to improved opportunities, or will greater opportunity lead to improved outcomes? Should the aim of policies be to redistribute income, or to create a more level playing field? Framing the discussion in this way, however, is based on a false dichotomy as outcomes and opportunities are in fact interdependent: equal outcomes cannot be achieved without equal opportunities, and equal opportunities cannot be achieved with unequal starting points.

48. A broad set of complementary social and economic policies thus need to be designed to address both outcome and opportunity inequality. With this in mind, three policy measures are proposed for the consideration of the Committee: namely enhancing social protection; strengthening redistributive policies through the tax system; and ensuring decent and productive work. Furthermore, the Committee is encouraged to consider strengthening research and improving data collection in support of evidence-based policymaking aimed at reducing inequalities.

### A. Enhance social protection

49. In the last decade, social protection has emerged as a critical development instrument in Asia and the Pacific. Originally understood exclusively in terms of poverty reduction, today social protection is being integrated into broader national economic and social development policies. Social protection is anchored in the universal rights of everyone to social security, and to a standard of living adequate for the health and well-being of themselves and their families. In addition to fulfilling basic rights, social protection is also an investment in the future. By generating resilience, equity and opportunity, social protection establishes a solid foundation for both social and economic development, and as such it is a fundamental pillar of inclusive and sustainable development. Social protection addresses not only the symptoms of poverty and inequality, but also some of their underlying structural causes. It plays a transformative role in contributing to long-term inclusive and sustainable development.

50. Social protection improves equality at both national and local levels by reducing poverty and destitution, with strong support for people working in the informal sector and for key populations, including women and girls, migrants and persons with disabilities. Equally important, by addressing social and economic inequalities across population groups and generations, social protection contributes to social and political stability within countries. Social protection then is a source of social integration. It is based on

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<sup>51</sup> United Nations Development Programme, *Humanity Divided: Confronting Inequality in Developing Countries* (New York, UNDP, 2014).



solidarity – on the principle that society as a whole accepts the responsibility to provide those in greatest need with basic levels of benefits and services.

51. Social protection promotes the opportunity to improve people's productivity and incomes, through preserving and building their human capital and through access to better jobs and income, which can propel them out of poverty.<sup>52</sup> With a more secure foundation, and with greater security against the risk of failure, individuals and families can invest in their own futures and have greater confidence to engage in economic activity, beyond ensuring basic economic survival in order to meet their own basic needs and the needs of those who are dependent upon them.<sup>53</sup> By promoting opportunities and generating income then social protection can stabilize the economy by providing replacement income that smoothes consumption in recessions and thus prevents a deepening of recessions due to collapsing consumer confidence and its negative effects on domestic demand.<sup>54</sup>

52. In recognizing the central role of social protection in economic and social development, countries in Asia and the Pacific have made substantial progress in strengthening this dimension. Indonesia, for example, embodied a rights-based approach to social protection through constitutional amendments in 2002. Thailand now hosts a universal health-care system, ensuring that all Thais have free access to health care. Health coverage is expanding quickly in China where authorities have made great progress in providing health care for everyone. In Sri Lanka, elementary and secondary education is compulsory and provided free of charge. Children in the Philippines have improved access to nutrition. Working-age groups below the poverty line in India are guaranteed employment up to 100 days a year, and all older persons in Maldives and Samoa now have access to a non-contributory pension.<sup>55</sup>

53. Despite the progress that has been made, important social protection coverage gaps remain. Lack of fiscal space results in poor availability and quality of public social services and low levels of social protection benefits. In addition, demographic and social changes and increasingly frequent and intense natural and economic crises challenge the viability of social protection systems. Only 30 per cent of persons above the retirement age receive an old-age pension. Only 10 per cent of the unemployed receive any benefits. Only 30 per cent of all persons with disabilities have enough income for self-support. In addition, more than 1 billion people are employed in the informal sector and lack basic social protection and so too do the large majority of migrants. Furthermore, 80 per cent of the population has no access to health-care assistance. These coverage gaps present a major opportunity for countries in Asia and the Pacific to strengthen social protection systems.<sup>56</sup>

54. Implementing the social protection floor (SPF) initiative is an effective strategy for moving towards broader and more robust social

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<sup>52</sup> World Bank, *Resilience, Equity and Opportunity: Social Protection and Labour Strategy* (New York, 2013).

<sup>53</sup> *The Promise of Protection: Social Protection and Development in Asia and the Pacific* (United Nations publication, Sales No. E.11.II.F.5).

<sup>54</sup> International Labour Organization, "Social protection as a productive factor", Committee on Employment and Social Policy, ILO, Geneva, November 2005.

<sup>55</sup> See ESCAP database of social protection good practices. Available from [www.socialprotection-toolbox.org](http://www.socialprotection-toolbox.org).

<sup>56</sup> Economic and Social Commission for Asia and the Pacific, *Building on the Promise: Experiences in Strengthening Social Protection in Asia and the Pacific* (Bangkok, forthcoming).

protection coverage. The SPF framework corresponds to a set of essential social services and income security measures that all persons everywhere should enjoy in order to ensure the realization of the rights embodied in human right treaties. The essential social services and income security along the life course or components of the SPF framework ensure that all in need have access to social services in the area of health and income security for children, as well as working-age and older persons.

55. At the sixty-seventh Commission session in May 2011, members and associate members of ESCAP endorsed SPF by adopting a resolution on strengthening social protection systems in Asia and the Pacific. That resolution calls upon member States to “invest in building social protection systems that might form the basis of a ‘social protection floor’, which would offer a minimum level of access to essential services and income security for all, and subsequently enhancing the capacity for extension, according to national aspirations and circumstances”.<sup>57</sup>

56. SPF represents a move from a fragmented approach towards an integrated system of social protection. The SPF framework facilitates the implementation of a guaranteed basic social protection package for all and should be prioritized over an ad hoc addition of new programmes for different conditions and population groups. Following the rights-based approach, these basic guarantees are grounded on a constitutional and legal framework.

57. Social protection, in such a framework, can be seen as being at the core of an integrated and holistic development policy rather than solely a response to crisis. Poverty and vulnerability in turn are addressed not as isolated and static issues but as multidimensional and interdependent experiences.

## **B. Promote productive and decent work**

58. One reason why the Asia-Pacific region continues to experience persistent inequality is that economic growth is not generating sufficient productive and decent employment. This is due to the nature of growth and the pattern of structural change in many countries in which workers move from agriculture into low-productivity services. A consequence has been that many people are trapped in vulnerable employment, and economic insecurity has risen together with rapid growth.<sup>58</sup>

59. Pervasive vulnerable and underemployment hamper growth and development by reinforcing inequality of income and inequality between rural and urban areas. Low productivity levels, labour standards and the underutilization of a country’s labour force usually indicate that its full growth potential is not being realized. Moreover, the inability of large proportions of the labour force to earn a safe and decent living limits their capacity to accumulate savings, leading to a low level of capital available for investment, thereby further hindering development. It also limits their ability to invest in their children’s education, thereby increasing not only the vulnerability of current, but also of future, generations.

60. Although social protection in the form of social insurance and social assistance mitigates risks and supplements income for the poor and

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<sup>57</sup> Commission resolution 67/8.

<sup>58</sup> *Economic and Social Survey of Asia and the Pacific 2013* (United Nations publication, Sales No. E.13.II.F.2).

marginalized, it does not draw on an important determinant of their vulnerability. Active labour market programmes, consisting of skill development and training initiatives, special work schemes and wage and employment subsidies, are not common in Asia and the Pacific. Expenditures on such programmes account for about 5 per cent of total spending on social protection. Although labour market programmes are gaining in prominence in some countries, particularly in South Asia, such countries remain small in number.<sup>59</sup>

61. Labour market programmes reshape and enhance the core asset of the poor and vulnerable, namely their labour. These programmes also enable the unemployed and underemployed to develop skills and enrich their human capital. Increased employability reduces labour market structural imbalances by better matching labourers to market demand. This virtuous circle facilitates the relocation of human capital from traditional, low productive sectors such as agriculture to higher productive sectors.

62. The positive impact of active labour market programmes on individuals and households has a positive spillover effect at the community level. As the Food-for-Work programme in Afghanistan illustrates, engaging households in productive public work, such as building local infrastructure in exchange for cash or food rations, directly creates assets for communities. These assets generate returns not only for individual households, but also for communities as a whole with multidimensional complementarities, including stimulating demand, connecting local communities to a larger labour market and preventing environmental degradation.<sup>60</sup>

63. Furthermore, labour market programmes also generate positive externalities at the macro-level. Income and assets generated from such programmes stimulate the economy through further consumption, taxation and investments. Concurrently, an increase of labour force participation and labour productivity among currently underrepresented groups improves overall resource allocation and is a strong driving force behind economic growth.<sup>61</sup>

### C. Strengthen redistributive policies

64. While cash transfers contribute to reducing inequality, the key is the financing side of these transfers. A progressive tax system with clear redistributive aims is an important tool to reduce income inequalities, including inequalities between men and women. This implies a shift from taxing consumption, which is typically easier to capture, to taxing personal income and capital gains. Taxing consumption is usually regressive and anti-poor, as often flat rates or only a small number of different rates are applied, and the consumption share of low-income groups is typically higher than that of higher income groups. As women are more likely to be found in lower income groups, taxing consumption and applying flat rates is also more likely to perpetuate gender income inequalities.<sup>62</sup> Moreover, the tax system should

<sup>59</sup> Asian Development Bank, *The Social Protection Index: Assessing Results for Asia and the Pacific* (Manila, ADB, 2013), p. 61.

<sup>60</sup> Harold Alderman and Ruslan Yemtsov, "Productive role of safety nets", Discussion Paper No. 1203 (Washington, D.C., World Bank, 2012).

<sup>61</sup> Andrea Bassanini and Danielle Venn, "The impact of labour market policies on productivity in OECD countries", *International Productivity Monitor*, vol. 17 (2008), pp. 3-15.

<sup>62</sup> Irene van Staveren, "Gender biases in finance", *Gender & Development*, vol. 9, No. 1 (2010), pp. 9-17.

be based on individual income, not combined household income, as the latter often discourages women from participating in the labour force.

65. Tax reforms also require the creation of a compliance framework, which would include more rigorous law enforcement and public awareness initiatives. Studies have shown that progressive tax systems significantly contribute to reducing inequality.<sup>63</sup> However, the inequality-reducing effect is reduced in environments of high tax evasion, while the inequality-reducing effect is stronger in countries with robust law enforcement mechanisms.<sup>64</sup> The reason behind this is that tax evasion by higher income groups has a stronger effect on foregone income to the State (and consequently on the potential for income distribution) than forgone tax from the informal sector. Thus, there is a need to strengthen revenue collection and tax enforcement by strengthening the rule of law and increasing awareness that tax evasion constitutes, not only a crime, but also a breach of the social contract. It is also incumbent upon government to demonstrate transparency and accountability in the utilization of tax revenues in order to ensure public support for progressive taxation.

66. Several countries in the Asia-Pacific region have already taken measures to address tax evasion. For example, the Philippines has started a campaign to increase transparency on tax payments and to encourage people to be conscientious about paying the right taxes.<sup>65</sup> The campaign particularly targets upper income groups. In a recent initiative, 47 countries world wide, among them 9 countries in the Asia-Pacific region, signed an agreement to share bank data to fight tax evasion.

#### **D. Support evidence-based policymaking**

67. Effective policymaking must be evidence-based. Towards this end, there is a need to strengthen research on inequality. Specifically, there is a need to conduct studies that go beyond disparities in income and are aimed at conceptualizing the pathways and intersection of multiple forms of inequality. Furthermore, more detailed analysis is required on the drivers of inequality as well as on the effectiveness of certain policies in reducing inequality. A regional platform such as ESCAP could be instrumental in supporting countries to pursue this agenda.

68. To support evidence-based research on inequality, more and better data are required. These steps should comprise the collection of more detailed and sex-disaggregated data on incomes and wages, as well as on access to health-care services and other social services, such as good-quality education, disaggregated by sex, income and area of residence. More detailed data are also needed on vulnerable groups, such as persons with disabilities, older persons, youth and migrants and their access to social services and political participation.

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<sup>63</sup> Isabelle Joumard and others, "Tackling income inequality", Discussion Paper Series, Forschungsinstitut zur Zukunft der Arbeit, No. 6910 (2012).

<sup>64</sup> Denvil Duncan and Klara Sabirianova Peter, "Unequal inequalities: do progressive taxes reduce income inequality?", Discussion Paper No. 6910, October (Bonn, Germany, IZA, 2012).

<sup>65</sup> Philippines, "Tax watch: a campaign for transparency and conscientiousness". Available from [www.gov.ph/2013/07/31/tax-watch-a-campaign-for-transparency-and-conscientiousness](http://www.gov.ph/2013/07/31/tax-watch-a-campaign-for-transparency-and-conscientiousness) (accessed 26 May 2014).

## VI. Conclusion

69. The persistence of inequality in the region suggests that market-led growth alone is not enough to achieve inclusive and sustainable development. This document has shown, moreover, that there are several layers of inequality that reinforce each other creating “an inequality trap” that disproportionately affects women and girls and vulnerable groups, including youth, older persons, migrants and persons with disabilities. While income inequality is an important cause of poor access to education and health, in other cases, the social marginalization of certain groups or geographic location can lead to similar outcomes, which in turn drives income inequality.

70. Income inequality has increased in several countries in the region, largely driven by fast industrial growth. In most countries where income inequality increased, the highest income deciles benefitted more from economic growth than other income groups, whereas the income shares of the bottom deciles decreased. At the same time, the share of the middle classes remained relatively stable in most cases. Even in those countries where inequality has fallen in the last 10 years, it still remains at relatively high levels. The region’s experience over past decades also shows that the combination of macroeconomic stabilization, social protection and redistributive policies is effective for reducing inequalities.

71. Despite improvements in health and education, there are still pockets of deprivation in access to social services in the region. In several countries, lower income groups have limited access to health-care services and education than higher income groups. There are also pronounced differences in access to health care and education between rural and urban areas and between boys and girls, particularly in secondary education. Owing to exclusion based on social ascription, certain population groups face particular difficulties in accessing basic social services. For example, migrant workers and older persons often face limited access to health-care services.

72. Inequalities jeopardize the social cohesion and stability of societies. The “inequality trap” risks exacerbating social exclusion and creating a “bottom billion” group that would be left behind as countries reap the benefits of global and regional integration. Vulnerable groups are even more at risk of becoming part of this “bottom billion”. Leaving individuals and groups behind could have a negative impact on the long-term development of Asia and the Pacific, for it implies that countries are not fully capitalizing on their economic and social potentials.

73. Given the issues that have been raised in this document, the Committee may wish to deliberate on the following four questions:

(a) How could social protection be enhanced to support the most vulnerable in the face of persistent inequalities?

(b) What policy measures are needed to generate job-rich growth under the decent work agenda?

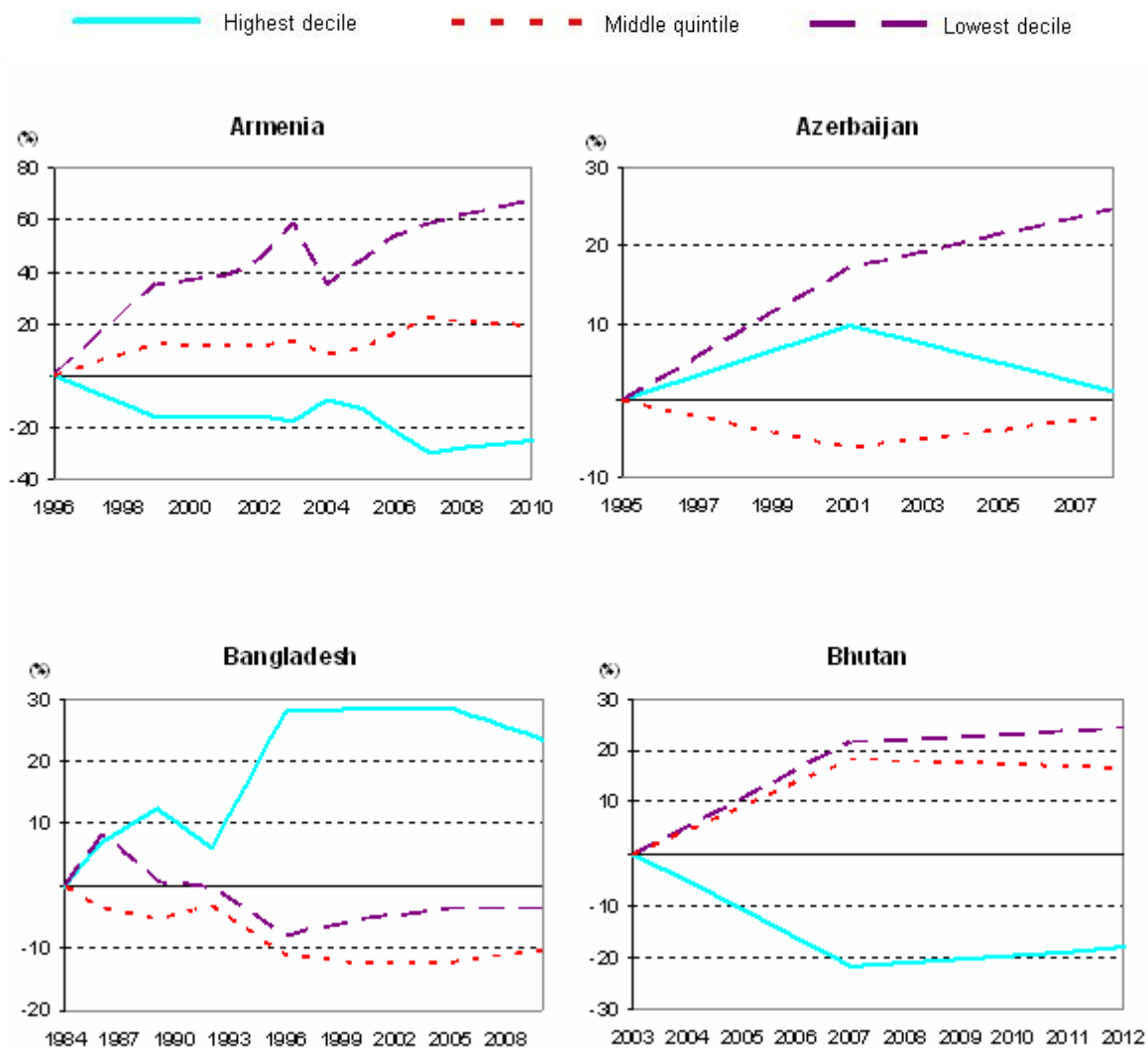
(c) What would be the most appropriate tax policies to both redistribute income and finance basic social services?

(d) What are the key research and data gaps in the area of inequality, and how could they be narrowed?

## Annex

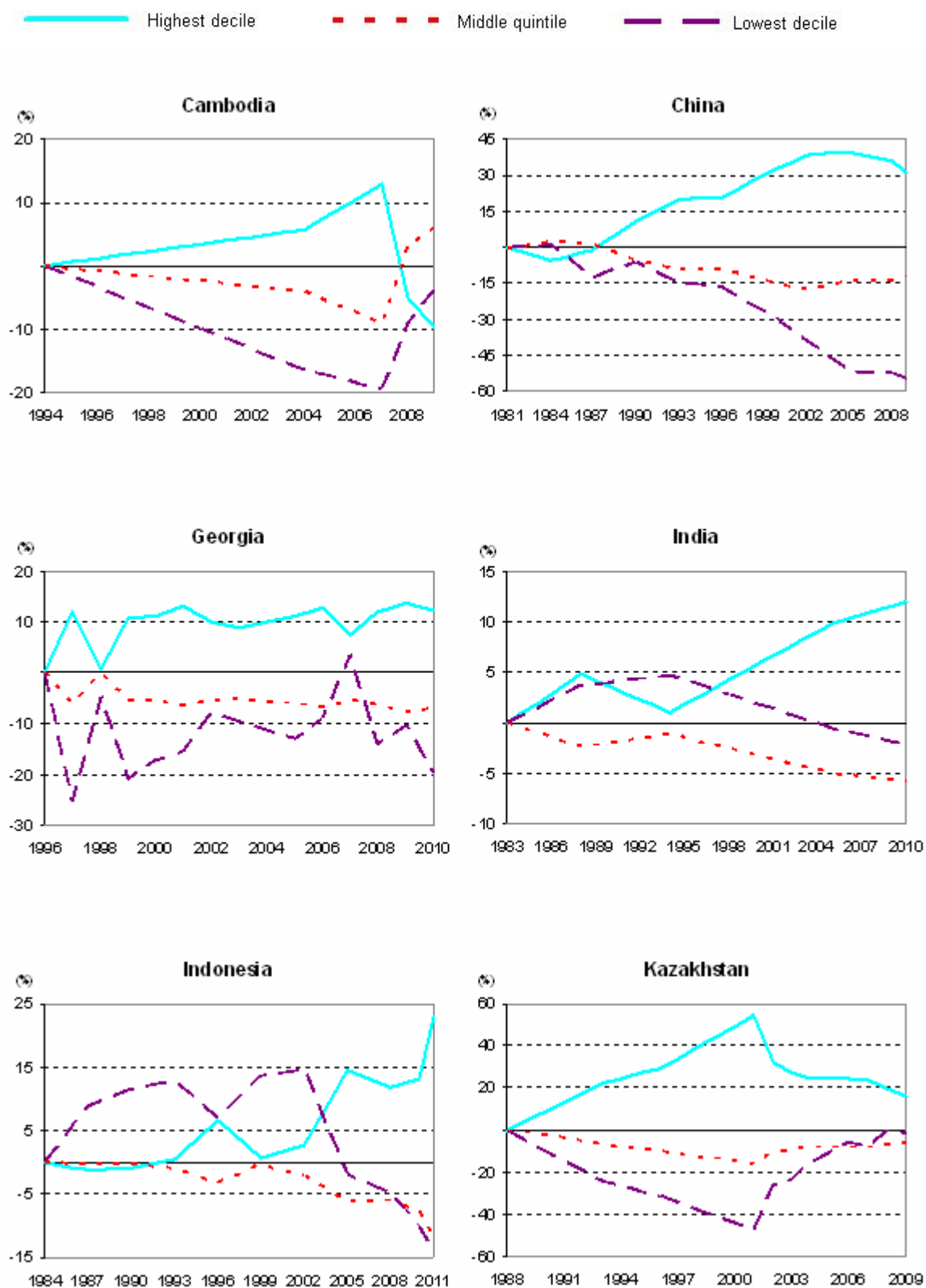
## Figures\*

In most countries the income of the rich is increasing at the cost of those at the bottom. The figures show change in income share (indexed to first available year), in selected countries.

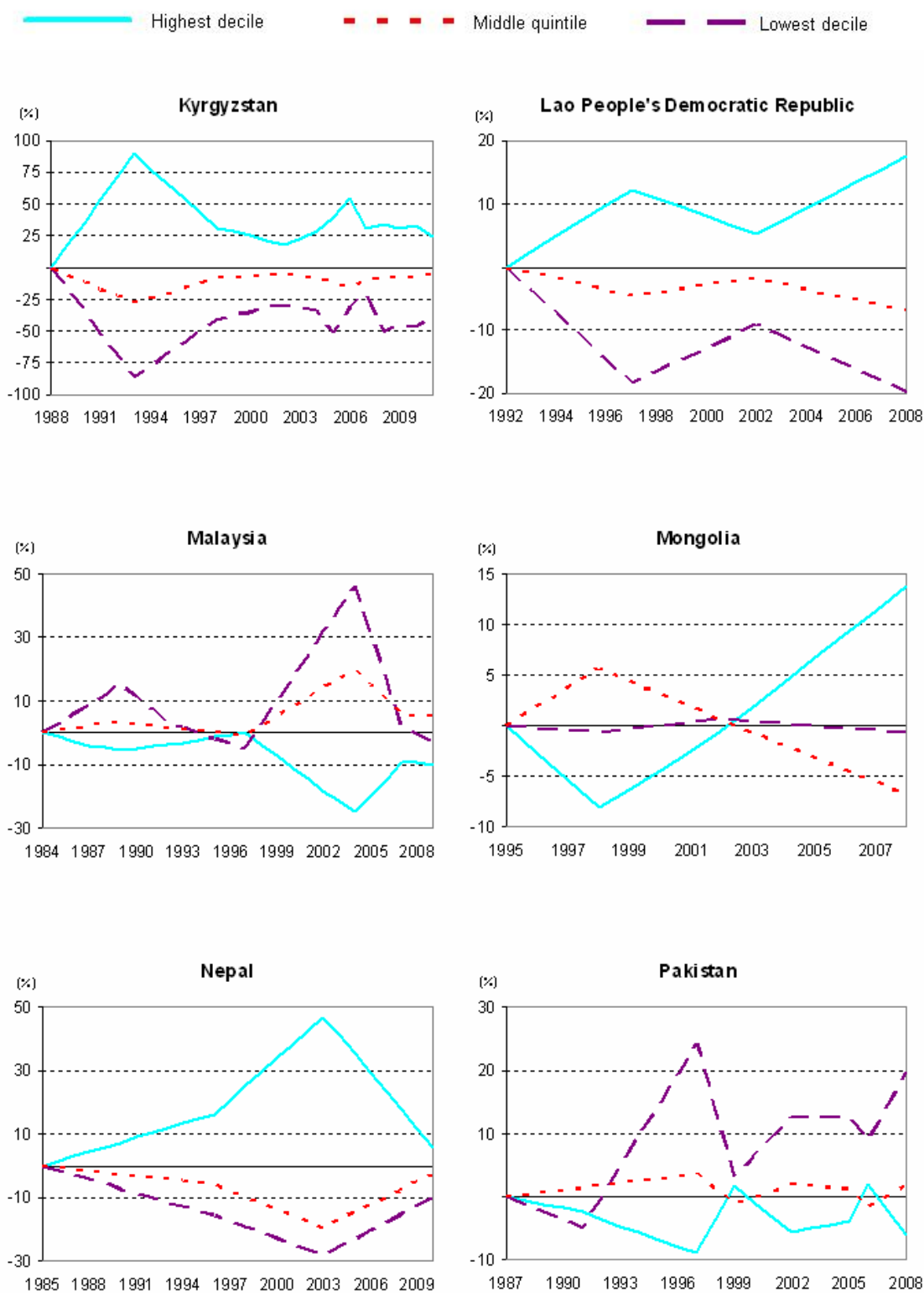


\* The 25 country graphs provided in this annex track the distribution of income between the rich (upper decile), the poor (lower decile), and the middle class (middle quintile) as it has changed in relation to the first available year. For example, in Bangladesh (above) the income share of the rich in 2009 had increased by nearly 25 per cent when compared with that of 1984. By contrast, the income share of the poor had decreased by about 5 per cent, while the income share of the middle class had decreased by 10 per cent.

Figures (cont'd)

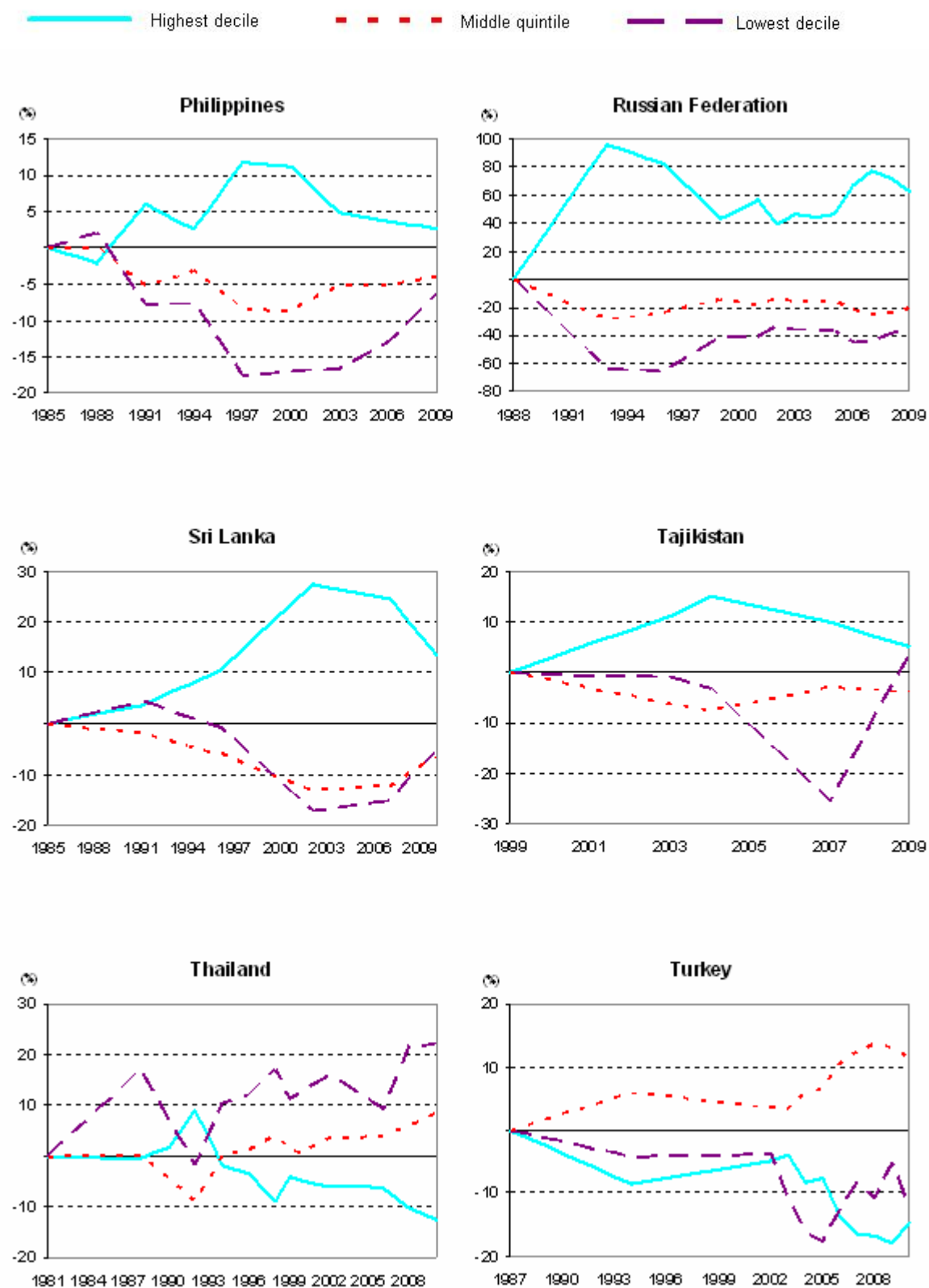


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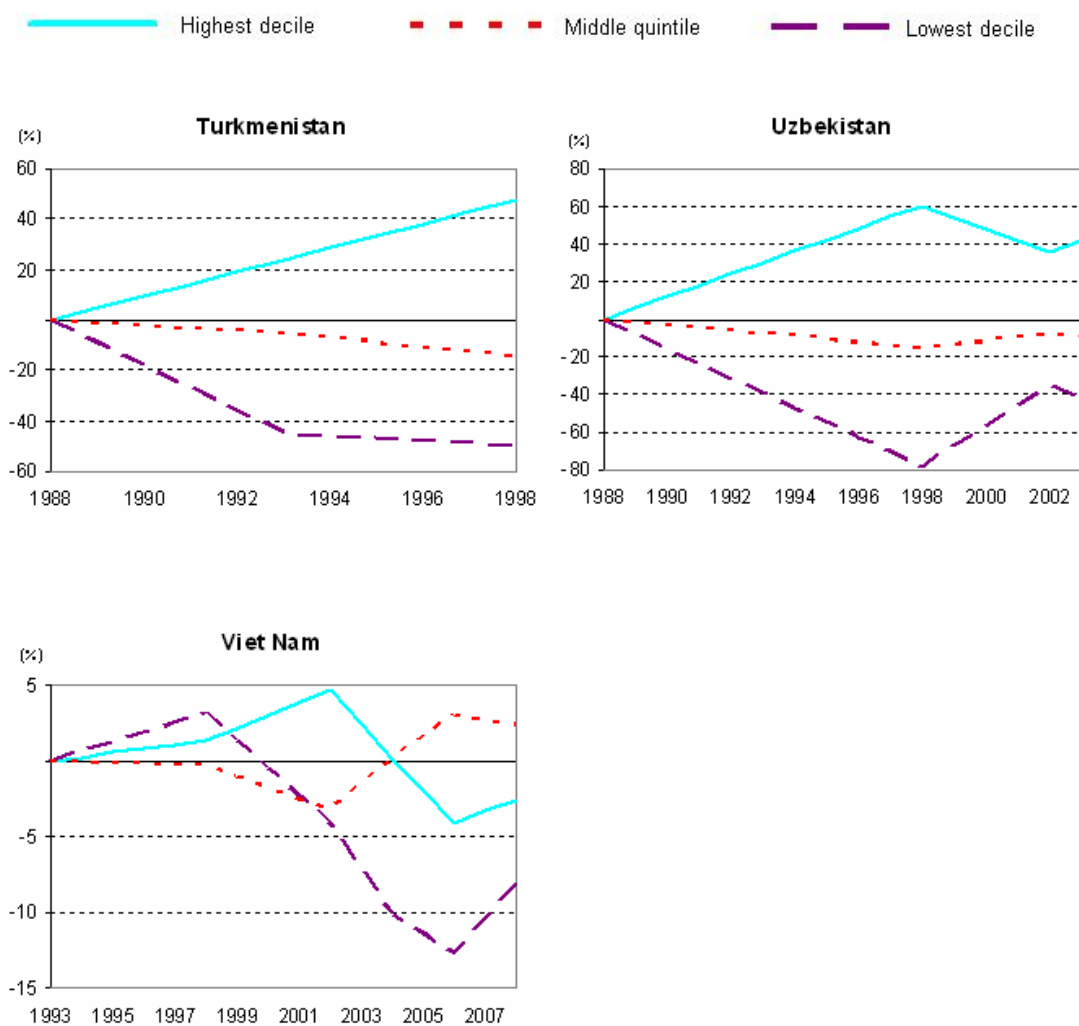




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Figures (cont'd)



Source: World Bank, World Development Indicators database