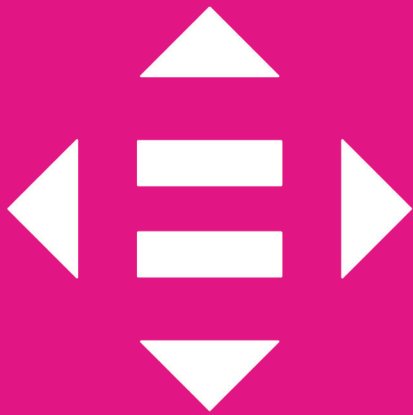


10 REDUCED INEQUALITIES



Reduce inequality within and among countries

I. SUMMARY

Despite the region's high and enduring economic growth and significant progress in poverty reduction, the gains have not always benefited those most in need. Growing disparities in income and wealth continue to persist.

These disparities are strongly linked to other dimensions of development reflected in unequal access to basic services and opportunities such as education, health care, finance, clean energy and water and sanitation. While differences in income are expected, reflecting levels of individual effort and talent, no inequality in access to basic services and opportunities should be permissible in countries aspiring to the commitments of the 2030 Agenda.

Inequality is a complex and cross-cutting phenomenon. If not addressed, it threatens social cohesion, economic growth and environmental sustainability. Inequality calls for a range of policy interventions, undertaken in a coherent manner. Social protection is at the heart of these policies and central to reducing inequality. To be effective, social protection policies, including access to health-care services, should be universal in principle, and should ensure meeting the needs of disadvantaged population groups. Fiscal policies are also an important tool for reducing inequality, as they enable both mobilization of resources for funding public investment in people, as well as direct income and wealth redistribution. Employment policies can encourage decent job creation. Emerging trends, such as technological innovations and climate change risks, also call for inclusive responses. Finally, planned and well managed migration policies are strongly linked to equality, for example by including migrants in social protection systems and public services.

This goal profile has been developed by:



UNITED NATIONS
ASIA-PACIFIC REGIONAL COORDINATION MECHANISM



UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific



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II. CURRENT STATUS

- The region's population-weighted income inequality, measured by the Gini coefficient, has increased by over 5 percentage points in the past 20 years, from 32.7 in the early 1990s to 38 in the mid 2010s.¹ This trend goes contrary to almost all other regions and largely reflects increases in populous countries such as Bangladesh, China, India and Indonesia. By subregion, the average population-weighted Gini coefficient increased the most in East and North-East Asia.²
- Increases in income inequality have often coincided with an increased concentration of wealth. For instance, the wealth share held by the top 1 per cent doubled in both China and the Russian Federation between 1995 and 2015, from 15 per cent to 30 per cent and from 22 per cent to 43 per cent, respectively. In 2017, the net worth of the region's billionaires was more than seven times the combined GDP of the region's least developed countries.³
- **By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average (target 10.1).**

SDG target 10.1 calls on countries to “progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average”. Based on current trends, Armenia, Bangladesh, Bhutan, Sri Lanka, Tajikistan and Turkey are off track in achieving target 10.1, as the bottom 40 per cent of the population had a lower growth rate compared to the overall population. In these countries, the income gap will not only continue to widen, but it will do so at a faster pace.

- **Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies, and actions in this regard (target 10.3).**

Research by the ESCAP Secretariat reveals large inequalities of opportunity, particularly in educational attainment, ownership of a bank account, access to clean fuels and basic sanitation.⁴ Equality in opportunity can be described as a level playing field on which everyone enjoys the same access to basic services, such as clean water, sanitation, electricity and clean fuels; where all children have adequate nutritious food and complete education; where everyone has access to health care services when needed, at affordable prices; and where those who want to work can find a decent job. Inequality of opportunity is highest in South Asian countries, followed closely by South-East Asian nations. The countries that stand out as particularly unequal are Afghanistan, Bangladesh, Cambodia, Lao People's Democratic Republic, Myanmar, Timor-Leste and Vanuatu.

- **Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality (target 10.4).**

The labour income share of gross domestic product (GDP), which reflects the relationship between the growth in average wages and in labour productivity, has been identified as a crucial indicator for achieving greater equality. Most of the countries are showing a slowdown in wage growth in recent years and declining labour shares, which could indicate forthcoming limitations in the degree to which wage gains translate to improved income inequality.⁵

- **Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies (target 10.7).**

There were over 62 million international migrants living in the Asia-Pacific region in 2017. Slightly more than half of all migrants in the region were women. In the same year, over 101 million international migrants who originate from countries of this region lived across the world. The overwhelming majority of migrants from and to Asian and Pacific countries are labour migrants, engaged in temporary, low-status work, undertaken with the aim of sending remittances to their communities and households of origin. It is estimated that in 2017 over

1 The region's Gini coefficient has been calculated as the weighted average of the Gini coefficients of the countries in the region using population weights. See ESCAP, *Inequality in Asia and the Pacific in the era of the 2030 Agenda for Sustainable Development* (Bangkok, 2018).

2 ESCAP, *Inequality in Asia and the Pacific in the era of the 2030 Agenda for Sustainable Development* (Bangkok, 2018).

3 ESCAP, *Inequality in Asia and the Pacific in the era of the 2030 Agenda for Sustainable Development* (Bangkok, 2018).

4 ESCAP, *Inequality in Asia and the Pacific in the era of the 2030 Agenda for Sustainable Development* (Bangkok, 2018).

5 APEC Secretariat, *APEC Regional Trends Analysis: Declining Labour Share and the Challenge of Inclusion* (Singapore, 2017).



US\$316 billion was sent in remittances to Asian and Pacific countries.⁶ However, this potential benefit can be undermined due to high remittance costs and high costs of recruitment of migrants, which can see migrants and their families falling into debt. During the first quarter of 2017, the average transaction costs for sending remittances to Vanuatu were as high as 17.3 per cent, 14.2 per cent to Cambodia and 12.4 per cent to the Lao People's Democratic Republic.⁷ Conversely, transaction costs for remittances to Azerbaijan, Georgia, Kazakhstan, and Uzbekistan were less than 2 per cent. With regards to recruitment costs, Asian migrants in Saudi Arabia paid an average of US\$803 in recruitment costs, compared to US\$237 in Malaysia.

A. AREAS WHERE GOOD PROGRESS IS MADE

- While several of the largest economies in the Asia-Pacific region experienced a considerable rise in income inequality, many other nations saw a decline, albeit from high levels. The largest reduction in income inequality occurred in the Maldives, followed by Kyrgyzstan, Azerbaijan and Georgia. Among all ESCAP subregions, North and Central Asia experienced the sharpest decline with the Gini coefficient dropping on average 11.4 percentage points for six of the nine countries for which data are available. Some South-East Asian countries, such as Malaysia, also saw inequality fall from high levels. Indonesia has even made a commitment to reduce its Gini coefficient to 36 by 2020.⁸
- With an overall average increase in access to opportunities in recent years, even the groups of households and individuals that are furthest behind have experienced some progress. Progress in reducing gaps between those furthest behind and the average household is mostly seen in countries that have prioritized investments in the social sector, including through social protection. Since the early 2000s, public expenditure on education, health and social protection, as a share of total public expenditures has increased in most Asia-Pacific countries. For example, Mongolia, which spends 21 per cent of all its public expenditure on social protection, particularly on children, has been very successful in reducing stunting prevalence even among the most disadvantaged children.⁹
- In December 2018, Member States of the United Nations adopted the Global Compact for Safe, Orderly and Regular Migration.¹⁰ The Compact aims to provide a voluntary framework for cooperation and action according to national priorities by member States across 23 objectives. The purpose is to ensure that migration takes place in a way that is respectful of the rights of migrants, and in line with sustainable development priorities in both countries of origin and destination, and SDG target 10.7.
- Many ESCAP Member States have also seen some progress in closing the digital divide, with certain countries leading connectivity ratings at the global level. For example, cellular subscriptions and mobile broadband subscriptions have expanded rapidly over the past years and have reached 100 per cent in countries such as Australia, Brunei Darussalam, Japan, New Zealand, Republic of Korea and Singapore.¹¹

B. AREAS REQUIRING SPECIFIC ATTENTION AND ASSOCIATED KEY CHALLENGES

- In more than half of the countries in the region for which data is available, income growth of the bottom 40 per cent (target 10.1) developed either at a slower pace than that of the average household, or was insufficiently high for actual income convergence to happen (Figure 1).
- Although the region has experienced significant advances in many development indicators, large population groups are excluded from enjoying equal opportunities (targets 10.2 and 10.3). Circumstances shared by the most disadvantaged groups include having parents with lower education, being older, being a woman, belonging to an ethnic or a religious minority, or simply being poor.

6 World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks, December 2018

7 World Bank, "Remittance Prices Worldwide (Receiving Countries)". Available from <https://databank.worldbank.org/data/reports.aspx?source=remittance-prices-worldwide-%28receiving-countries%29#> (accessed 13 December 2018).

8 World Bank, "Indonesia's Rising Divide", 2015. Available at: <http://www.worldbank.org/en/news/feature/2015/12/08/indonesia-rising-divide>

9 ESCAP, *Social Outlook for Asia and the Pacific: Poorly Protected* (Bangkok, 2018).

10 A/RES/73/195.

11 ESCAP, *Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development* (Bangkok, 2018).



- Emerging challenges relate to the increasing threat of natural disasters and rapid technological advancements. Despite overall improvements in broadband internet access, the less connected countries, usually small island developing States, least developed countries and landlocked developing countries are at a higher risk of being left behind as technologies evolve. Certain types of disasters such as droughts, floods, sand and dust storms are more likely to increase long-term inequalities between those who can develop coping strategies and vulnerable population groups who cannot.

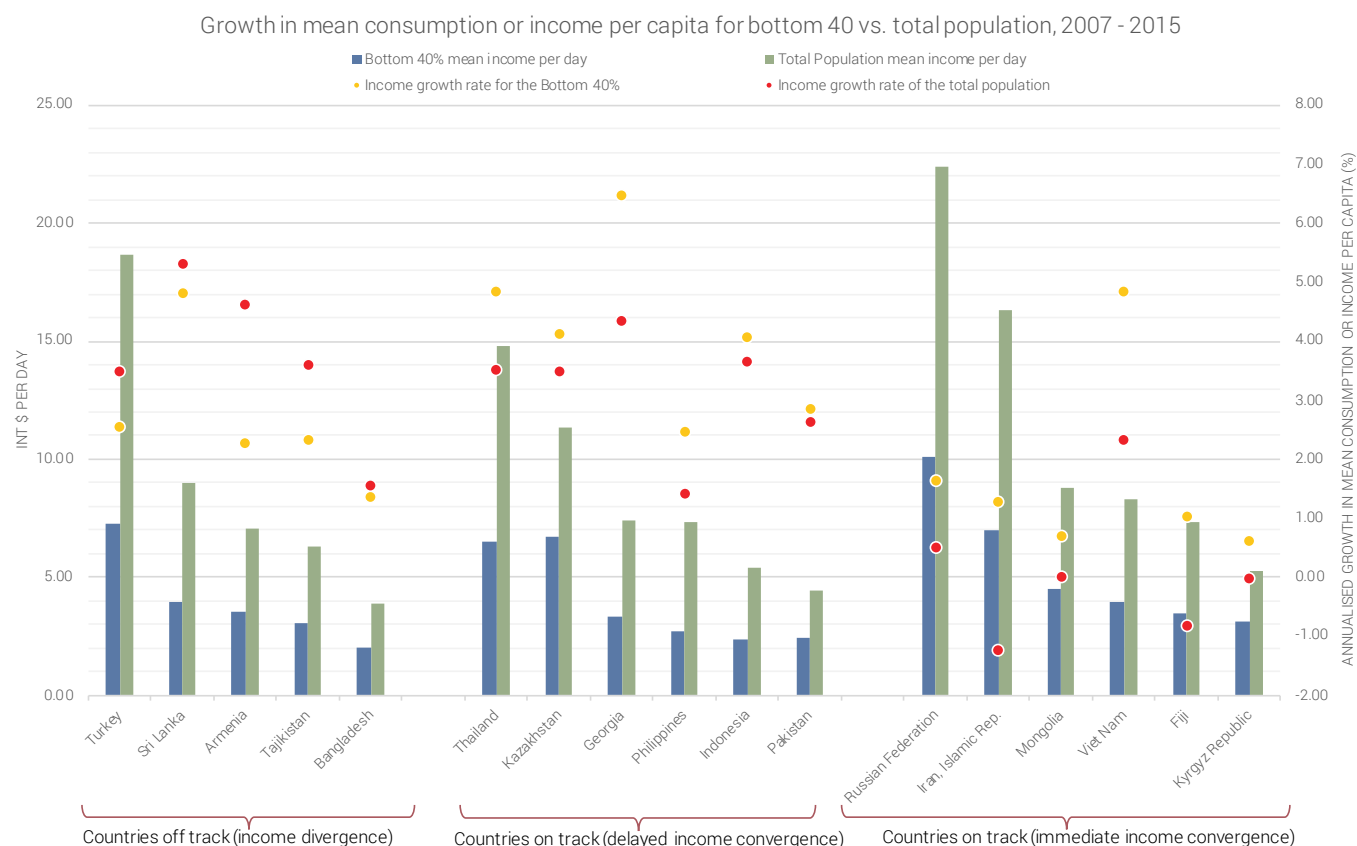


Figure 1. Reaching Target 10.1 – Income per day (US\$) and annualized income growth rates (%) of the bottom 40 and total population for selected countries of Asia-Pacific, 2010-latest¹²

III. PROMISING INNOVATIONS AND BEST PRACTICES

- The governments of Bhutan and Thailand have successfully introduced universal health care schemes. Mongolia has designed and implemented inclusive and universal social protection programmes, hailed as particularly successful in reducing poverty and inequality, in particular the Child Money Programme. Cambodia recently established an inter-ministerial Technical Working Group, led by the Ministry of Economy and Finance, to develop a comprehensive National Social Protection Policy Framework (NSPPF). The NSPPF is a ten-year roadmap which aims to expand non-contributory benefits to include protection for children, older persons, persons with disabilities and pregnant women. Viet Nam stands out as it invests more and better in people, particularly through education and health care, thus somewhat reigning in inequality.¹³ ESCAP's social protection toolbox is an interactive platform that hosts more than 100 examples of countries' efforts in establishing social protection floors.

- Fiscal and labour market policies are fundamental to reducing income inequalities, as well as inequality of opportunities. Progressive taxation can play a significant role in addressing income and wealth inequality. A number of developing countries in the region are reforming their tax systems. In 2016, Thailand introduced an inheritance tax and China is planning to introduce property and inheritance taxes in the coming years. Tackling labour market inequalities is at the core of reducing income inequalities. For example, the United Nurses

12 ESCAP calculations based on World Bank PovcalNet figures: the on-line tool for poverty measurement. Available at: <http://iresearch.worldbank.org/PovcalNet/home.aspx>

13 ESCAP, *Social Outlook for Asia and the Pacific: Poorly Protected* (Bangkok, 2018).



Association of India has unionized more than 60,000 nurses over a period of six years and in that time has increased wages by up to 30 times (from 1000 INR to 30,000 INR in some cases) as well as increased nurse-to-patient ratios, ended employer bonds and increased voice at work.

- Emerging threats to meeting SDG 10, such as a growing digital divide and climate change, require innovative responses. To assist countries in reducing inequality in access to technology, the Asia-Pacific Information Superhighway¹⁴ promotes, among others, the co-deployment of fibre-optic cable infrastructure, thus reducing costs and increasing quality access.
- To control the adverse impact of climate change, particularly droughts, on the most marginalized, ESCAP's Regional Drought Mechanism¹⁵ builds tailored drought monitoring systems linked with season and climate forecasts to address the impacts of drought.

IV. PRIORITIES FOR ACTION

1. **Reap maximum benefits by focusing on social protection investments.**

Had inequality not increased, an additional 140 million people would have been lifted out of poverty in the region.¹⁶ To reverse that trend, all countries need to step up investments in inclusive social protection. Estimates indicate that increased investments in social protection alone could be a game changer for poverty reduction by lifting at least 233 million people out of moderate poverty in the Asia-Pacific region by 2030.¹⁷ Additional investments in people are not only critical for poverty reduction efforts but can also help in boosting economic growth and dampening inequality. The equalizing effect of boosting expenditures on social protection to meet the global spending average would reduce the unweighted Gini coefficient of 26 countries by five percentage points, with the greatest impact in Indonesia, Kazakhstan, Nepal and Sri Lanka.

2. **Promote decent job creation and equal pay.**

Expanding the formal sector means more workers benefit from decent work, including coverage by labour laws and social protection. Minimum wage setting is another tool for supporting the incomes of those in the lower part of the income distribution. A wider range of policies is required to overcome wage gaps across groups that are not explained by human capital and labour market characteristics. For example, achieving equal pay between men and women requires policies aimed at combating discriminatory practices and gender-based stereotypes about the value of women's work, effective policies on maternity, paternity and parental leave, as well as advocacy for better sharing of family responsibilities.

3. **Increase the effectiveness of fiscal policies.**

An effective tax system enhances public revenues and facilitates increasing investments in essential services, such as health care, education and social protection. To this end, better and effective governance will be needed to boost overall tax compliance and improve composition and efficiency of public expenditure. Similarly, reforming tax structures to reduce their adverse effects on the poor through progressive taxes on personal income, property and wealth can ensure greater equality of opportunity within and across generations. Countries can embark on improving their fiscal policies by undertaking comprehensive and transparent reviews of the overall redistributive impact of their expenditure and taxation system. Furthermore, regional cooperation can contribute to public revenue mobilization, including through regional initiatives to address tax evasion, base erosion and harmful tax competition.¹⁸

14 ESCAP, Information and Communications Technology and Disaster Risk Reduction Division, "Asia-Pacific Information Superhighway". Available at <https://www.unescap.org/our-work/ict-disaster-risk-reduction/asia-pacific-information-superhighway/about>

15 ESCAP, Information and Communications Technology and Disaster Risk Reduction Division, "Regional Cooperative Mechanism for Monitoring and Early Warning in Asia and the Pacific (The Drought Mechanism)", brief, March 2014.

16 ESCAP, *Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development* (Bangkok, 2018).

17 ESCAP, *Social Outlook for Asia and the Pacific: Poorly Protected* (Bangkok, 2018).

18 ESCAP and Oxfam, *Taxing for shared prosperity: policy options for the Asia-Pacific region* (Bangkok, 2017). Zheng Jian and Daniel Jeongdae Lee, "Prospects for Progressive Tax Policies in Asia and the Pacific", *Tax policy for Sustainable Development in Asia and the Pacific*, (United Nations publication, Sales No. E.18.II.F.7).



4. Protect the poor and disadvantaged from disproportionate impact of environmental hazards.

Policy measures that reduce exposure of the poor and disadvantaged to environmental hazards and natural disasters can help close inequalities within countries. Such measures include more inclusive urban planning and land use systems, establishing networks of urban greens spaces in cities such as 'green corridors' and the establishment of universal health care systems to address impacts on human health, supported by monitoring mechanisms, including regular health check-ups in schools. Further, strengthened regional cooperation for monitoring of emerging transboundary disaster 'hotspots' is needed. These hotspots are areas that are expected to suffer the impacts of climate change most, while also being homes to large numbers of poor and vulnerable people.¹⁹

5. Address the digital divide and information and communication technology infrastructure.

Addressing the digital divide and developing affordable, resilient and reliable broadband infrastructure should be a development priority in Asia and the Pacific. If left unaddressed, inequality could worsen, with implications for many other areas of development, including labour market outcomes. As broadband development is geography-dependent, regional and subregional cooperation is key to addressing the challenge. Ensuring that current curricula correspond to future labour market needs, including through emphasis on science, technology, engineering and mathematics (STEM) subjects, can facilitate school-to-work transition.

6. Include migrants in efforts to achieve greater equality.

The scale and complexity of migration and its impacts on society mean that efforts to achieve equality must include migrants. In realizing this goal, it will be essential that migration takes place in a safe, orderly and regular way, respecting the rights of migrants. The Global Compact for Safe, Orderly and Regular Migration provides guidance on steps countries can take to achieve this goal.



ANNEX

The official indicator framework for SDG 10 proposes 11 indicators for Goal 10. However, only 3 out of 11 indicators are Tier 1, meaning that they are conceptually clear, have an internationally established methodology and standards, and data are regularly produced by countries. Without enough data to report on the indicators of SDG 10 at the Tier I level, data collection and analysis should be a priority for all Asia-Pacific countries. To identify those at risk of being left behind and to direct policymaking at certain population groups, national data collection also needs to allow for better disaggregation.

Proxy	10.1. P1	Gini index, Income equality coefficient
Proxy	10.2. P1	Population living below 50 per cent of median income, % of population
Proxy	10.4. P1	Labour income share of GDP (ILOSTAT), % of GDP
Official	10.6.1	Proportion of members and voting rights of developing countries in international organizations
Official	10.b.1	Total resource flows for development, by recipient and donor countries and type of flow (e.g. official development assistance, foreign direct investment and other flows)

Table 1. Official and proxy indicators for SDG 10 for which there is at least one data point for more than half of the countries in the ESCAP region



ACKNOWLEDGEMENTS

The profile for SDG 10 was developed by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) with inputs from the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Labour Organization (ILO), the International Organization for Migration (IOM), and the United Nations Development Programme (UNDP).