

UGEC 2819
Grand Challenges for Global Citizens in the 21st Century

Lecture 8
Poverty in a Society of Abundance (I)

Prof. Wong Hung

Associate Professor

Department of Social Work, CUHK

hwong@cuhk.edu.hk

24.12.2018

A black and white photograph of a slum area. The foreground is dominated by a wide, muddy path covered in trash and debris. A person is walking away from the camera in the middle ground. The background shows several small, makeshift buildings with corrugated metal roofs and walls, some appearing to be made of brick or concrete. The overall scene depicts a state of extreme poverty and environmental neglect.

World Poverty

What is poverty?

The Voices of the Poor (World Bank, 2000)

Voices of the Poor

- At the turn of the new millennium, the World Bank collected the voices of more than 60,000 poor women and men from 60 countries, in an unprecedented effort to understand poverty from the perspective of the poor themselves
- this participatory research initiative is called, chronicles the struggles and aspirations of poor people for a life of dignity. Poor people are the true poverty experts. Poor men and women reveal



A poor woman in Moldova



- *Poverty is pain; it feels like a disease.*
- *It attacks a person not only materially but also morally.*
- *It eats away one's dignity and drives one into total despair.*

A young woman in Jamaica

- *Poverty is like living in jail, living under bondage, waiting to be free.*



The poor across five continents

- Poverty is multidimensional and complex -- raising new challenges to local, national and global decision-makers.
- Poverty is voicelessness. It's powerlessness. It's insecurity and humiliation



Family in the Bolivian community of Horengo, with whom the researchers consulted



Poverty around the world

Millennium Development Goals (MDG)

- The Millennium Declaration in 2000 was a milestone in international cooperation, inspiring development efforts that have improved the lives of hundreds of millions of people around the world.
- In 2010, world leaders gather again at the United Nations in New York to review progress, assess obstacles and gaps, and agree on concrete strategies and actions to meet the eight Millennium Development Goals by 2015.

8 MDGs



Goal 1: Eradicate extreme poverty and hunger



Goal 2: Achieve universal primary education



Goal 3: Promote gender equality and empower women



Goal 4: Reduce child mortality



Goal 5: Improve maternal health



Goal 6: Combat HIV/AIDS, malaria and other diseases



Goal 7: Ensure environmental sustainability



Goal 8: Develop a Global Partnership for Development

Global challenges on Poverty Reduction

- poverty reduction and the sustainable growth in the poorest countries, especially in Africa;
- solutions to the special challenges of post-conflict countries and fragile states;
- development solutions with customized services as well as financing for middle-income countries;
- regional and global issues that cross national borders-- climate change, infectious diseases, and trade;
- greater development and opportunity in the Arab world;
- pulling together the best global knowledge to support development

Besley and Burgess (2003)

- Poverty can be reduced by growing the economy or through improvements in the income distribution or both.
- If a country is growing slowly or not at all, then measures that improve the distribution of income will reduce poverty.

Misleading view

- Past researchers have argued that global economic integration should help the poor since poor countries have a comparative advantage in producing goods that use unskilled labor.
- Such a simple interpretation of general equilibrium trade models is likely to be misleading.

Pre-condition

- For comparative advantage to increase the incomes of the unskilled, they need to be able to move out of contracting sectors and into expanding ones.
- Developing countries have historically protected sectors that use unskilled labor, such as textiles and apparel. Trade reforms may result in less protection for unskilled workers, who are most likely to be poor.

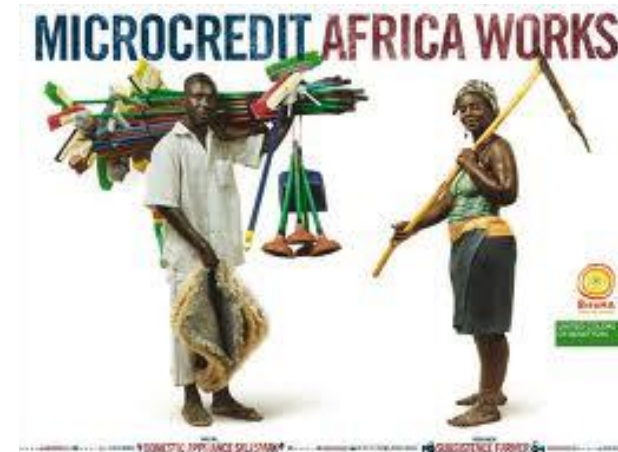
Poor may not possess necessary skills

- Penetrating global markets even in sectors that traditionally use unskilled labor requires more skills than the poor in developing countries typically possess.



Complementary Policies

- The poor are more likely to share in the gains from globalization when there are complementary policies in place.
- Such complementary policies include investments in human capital and infrastructure,
- as well as policies to promote credit and technical assistance to farmers, and policies to promote macroeconomic stability.



India and Colombia

- globalization is more likely to benefit the poor if trade reforms are implemented in conjunction with reducing impediments to labor mobility.



Zambia

- poor farmers are only expected to benefit from greater access to export markets if they also have access to credit, technical know-how, and other complementary inputs. The studies also point to the importance of social safety nets.



Mexico

- if poor corn farmers had not received income support from the government, their real incomes would have been halved during the 1990s.



Ethiopia

- if food aid had not been not well targeted, globalization would have had little impact on the poor



trade and foreign investment reforms

- Trade and foreign investment reforms have produced benefits for the poor in exporting sectors and sectors that receive foreign investment.



Mexico

- the poor in the most globalized regions have weathered macroeconomic crises better than their more isolated neighbors.



Better investment & trade

- In India, opening up to foreign investment has been associated with a decline in poverty.
- The study on Zambia suggests that poor consumers gain from falling prices for the goods they buy, while poor producers in exporting sectors benefit from trade reform through higher prices for their goods.



The Sustainable Development Goals Report 2018





Goal 1: End poverty in all its forms everywhere

Only 45 per cent of the world's population are covered by at least one social protection cash benefit



Economic losses attributed to disasters were **over \$300 billion** in 2017

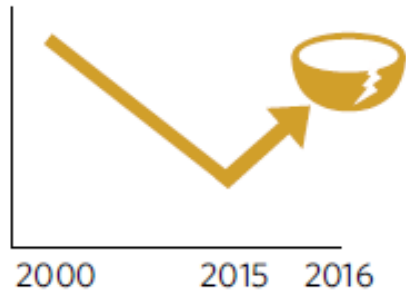


While extreme poverty has eased considerably since 1990, pockets of the worst forms of poverty persist. Ending poverty requires universal social protection systems aimed at safeguarding all individuals throughout the life cycle. It also requires targeted measures to reduce vulnerability to disasters and to address specific underserved geographic areas within each country.

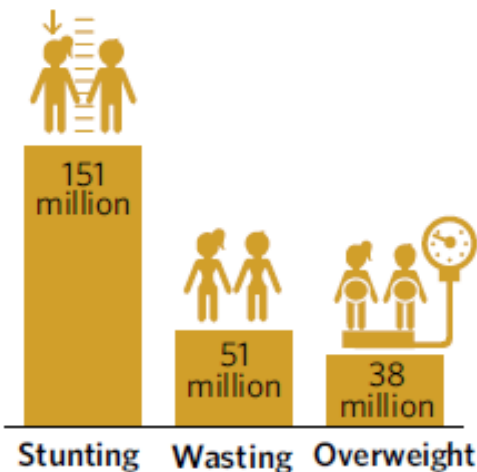
- ▶ The rate of extreme poverty has fallen rapidly: in 2013 it was a third of the 1990 value. The latest global estimate suggests that 11 per cent of the world population, or 783 million people, lived below the extreme poverty threshold in 2013.
- ▶ The proportion of the world's workers living with their families on less than \$1.90 per person a day declined significantly over the past two decades, falling from 26.9 per cent in 2000 to 9.2 per cent in 2017.
- ▶ Based on 2016 estimates, only 45 per cent of the world's population were effectively covered by at least one social protection cash benefit.
- ▶ In 2017, economic losses attributed to disasters were estimated at over \$300 billion. This is among the highest losses in recent years, owing to three major hurricanes affecting the United States of America and several countries across the Caribbean.

Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

World hunger is on the rise again:
815 million people were undernourished in 2016, up from 777 million in 2015



Stunting, wasting and overweight still affected millions of children under age 5 in 2017



After a prolonged decline, world hunger appears to be on the rise again. Conflict, drought and disasters linked to climate change are among the key factors causing this reversal in progress.

- ▶ The proportion of undernourished people worldwide increased from 10.6 per cent in 2015 to 11.0 per cent in 2016. This translates to 815 million people worldwide in 2016, up from 777 million in 2015.
- ▶ In 2017, 151 million children under age 5 suffered from stunting (low height for their age), 51 million suffered from wasting (low weight for height), and 38 million were overweight.
- ▶ Aid to agriculture in developing countries totalled \$12.5 billion in 2016, falling to 6 per cent of all donors' sector-allocable aid from nearly 20 per cent in the mid-1980s.
- ▶ Progress has been made in reducing market-distorting agricultural subsidies, which were more than halved in five years—from \$491 million in 2010 to less than \$200 million in 2015.
- ▶ In 2016, 26 countries experienced high or moderately high levels of general food prices, which may have negatively affected food security.

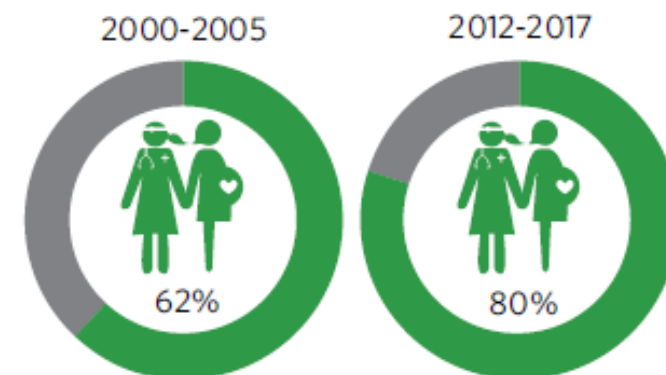
Goal 3: Ensure healthy lives and promote well-being for all at all ages

Many more people today are living healthier lives than in the past decade. Nevertheless, people are still suffering needlessly from preventable diseases, and too many are dying prematurely. Overcoming disease and ill health will require concerted and sustained efforts, focusing on population groups and regions that have been neglected.

Reproductive, maternal, newborn and child health

- ▶ The maternal mortality ratio has declined by 37 per cent since 2000. Nevertheless, in 2015, 303,000 women around the world died due to complications during pregnancy or childbirth. Over the period 2012-2017, almost 80 per cent of live births worldwide occurred with the assistance of skilled health personnel, up from 62 per cent in 2000-2005.
- ▶ Globally, from 2000 to 2016, the under-5 mortality rate dropped by 47 per cent, and the neonatal mortality rate fell by 39 per cent. Over the same period, the total number of under-5 deaths dropped from 9.9 million to 5.6 million.

Births attended by skilled health personnel **increased** globally



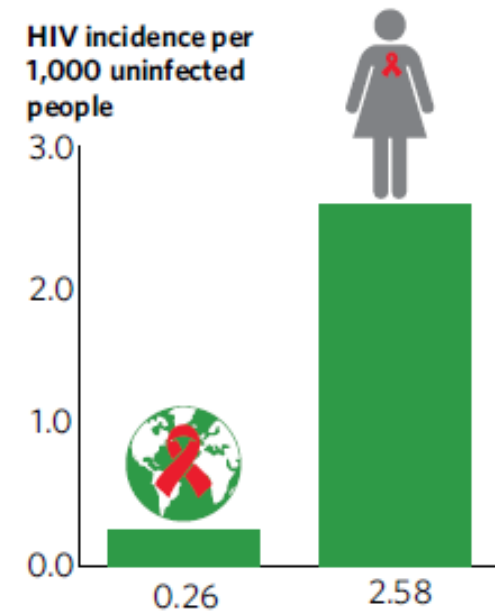
Under-5 deaths **fell** between 2000 and 2016



Infectious diseases and non-communicable diseases

- ▶ Globally, the incidence of HIV declined from 0.40 to 0.26 per 1,000 uninfected people between 2005 and 2016. For women of reproductive age in sub-Saharan Africa, however, the rate is much higher, at 2.58 per 1,000 uninfected people.
- ▶ In 2016, 216 million cases of malaria were reported versus 210 million cases in 2013. There were 140 new cases of tuberculosis per 100,000 people in 2016 compared to 173 cases per 100,000 in 2000. Hepatitis B prevalence declined among children under 5— from 4.7 per cent in the pre-vaccine era to 1.3 per cent in 2015.
- ▶ In 2016, 1.5 billion people were reported to require mass or individual treatment and care for neglected tropical diseases, down from 1.6 billion in 2015 and 2 billion in 2010.
- ▶ Unsafe drinking water, unsafe sanitation and lack of hygiene continue to be major contributors to global mortality, resulting in about 870,000 deaths in 2016. These deaths were mainly caused by diarrhoeal diseases, but also from malnutrition and intestinal nematode infections.
- ▶ Globally, 32 million people died in 2016 due to cardiovascular disease, cancer, diabetes or chronic respiratory disease. The probability of dying from these causes was about 18 per cent in 2016 for people between 30 and 70 years of age.
- ▶ In 2016, household and outdoor air pollution led to some 7 million deaths worldwide.

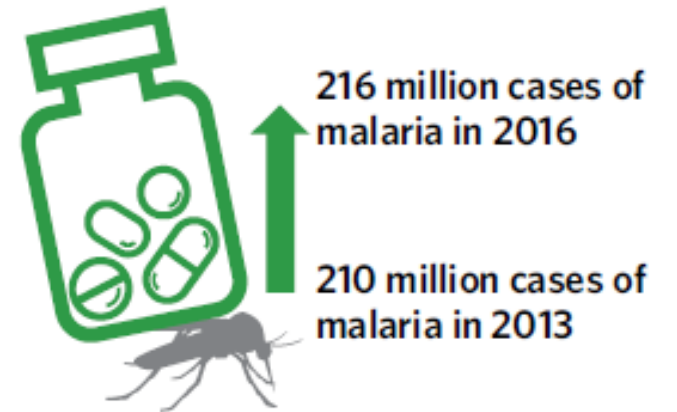
HIV incidence rate for women of reproductive age in **sub-Saharan Africa** is **10 times higher** than the global average



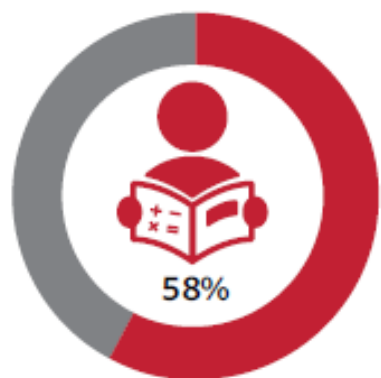
Health systems and funding

- ▶ Globally, almost 12 per cent of the world's population (over 800 million people) spent at least one tenth of their household budgets to pay for health services in 2010, up from 9.7 per cent in 2000.
- ▶ Official development assistance (ODA) for basic health from all donors increased by 41 per cent in real terms since 2010, reaching \$9.4 billion in 2016.
- ▶ Available data from 2005 to 2016 indicate that close to 45 per cent of all countries and 90 per cent of least developed countries (LDCs) have less than one physician per 1,000 people, and over 60 per cent have fewer than three nurses or midwives per 1,000 people.

The world is **not on track** to end malaria by 2030



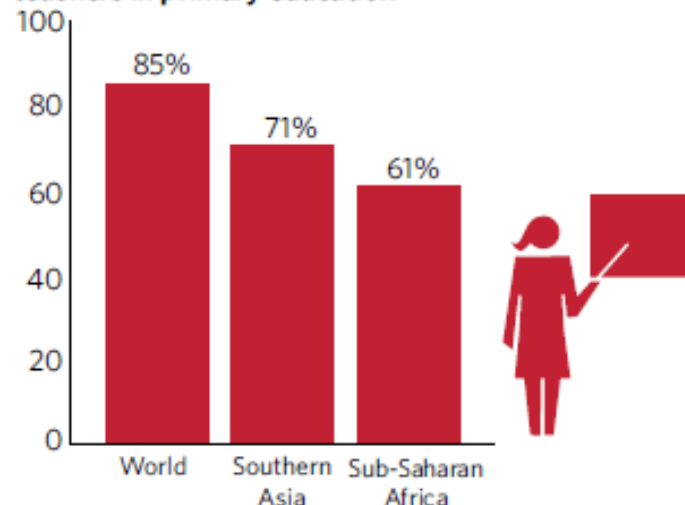
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



More than half of children and adolescents are not achieving minimum proficiency in reading and mathematics

More trained teachers are needed for quality education

Percentage of trained teachers in primary education

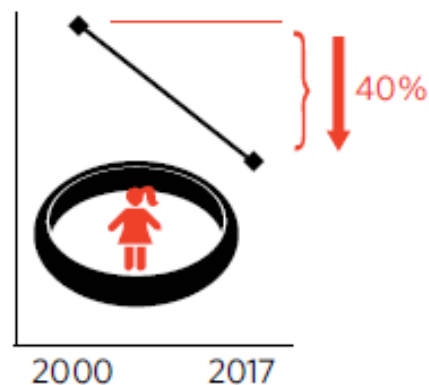


More than half of children and adolescents worldwide are not meeting minimum proficiency standards in reading and mathematics. Refocused efforts are needed to improve the quality of education. Disparities in education along the lines of gender, urban-rural location and other dimensions still run deep, and more investments in education infrastructure are required, particularly in LDCs.

- ▶ At the global level, the participation rate in early childhood and primary education was 70 per cent in 2016, up from 63 per cent in 2010. The lowest rates are found in sub-Saharan Africa (41 per cent) and Northern Africa and Western Asia (52 per cent).
- ▶ An estimated 617 million children and adolescents of primary and lower secondary school age worldwide—58 per cent of that age group—are not achieving minimum proficiency in reading and mathematics.
- ▶ In 2016, an estimated 85 per cent of primary school teachers worldwide were trained; the proportion was only 71 per cent for Southern Asia and 61 per cent for sub-Saharan Africa.
- ▶ In 2016, only 34 per cent of primary schools in LDCs had electricity and less than 40 per cent were equipped with basic handwashing facilities.

Goal 5: Achieve gender equality and empower all women and girls

Child marriage in Southern Asia
decreased by over 40 per cent
between 2000 and 2017



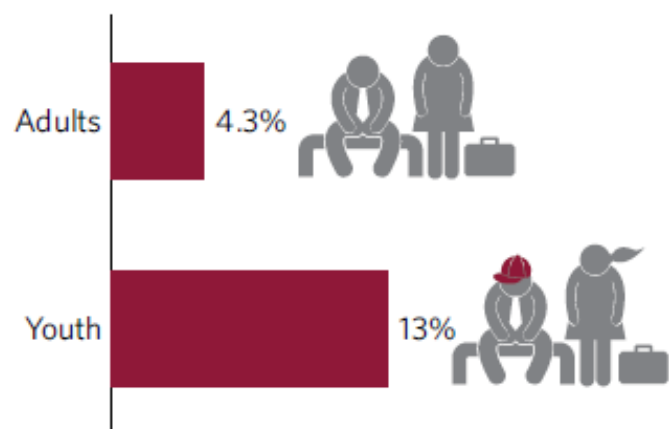
Women spend
about **three times**
as many hours
in unpaid domestic
and care work
as men

While some forms of discrimination against women and girls are diminishing, gender inequality continues to hold women back and deprives them of basic rights and opportunities. Empowering women requires addressing structural issues such as unfair social norms and attitudes as well as developing progressive legal frameworks that promote equality between women and men.

- ▶ Based on 2005–2016 data from 56 countries, 20 per cent of adolescent girls aged 15 to 19 who have ever been in a sexual relationship experienced physical and/or sexual violence by an intimate partner in the 12 months prior to the survey.
- ▶ Around 2017, one in three girls aged 15 to 19 had been subjected to female genital mutilation in the 30 countries where the practice is concentrated, compared to nearly one in two around 2000.
- ▶ Based on data between 2000 and 2016 from about 90 countries, women spend roughly three times as many hours in unpaid domestic and care work as men.
- ▶ Globally, the percentage of women in single or lower houses of national parliament has increased from 19 per cent in 2010 to around 23 per cent in 2018.

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

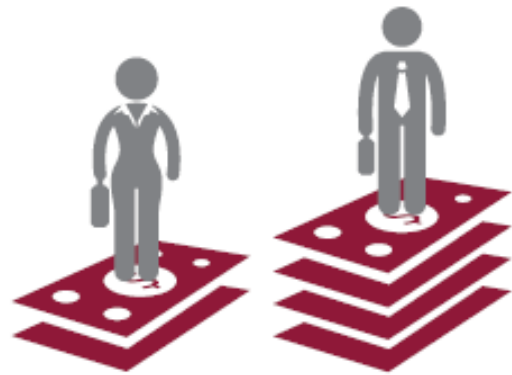
Youth were **three times more likely** to be unemployed than adults in 2017



- ▶ Data from 45 countries suggest that gender inequality in earnings is still pervasive: in 89 per cent of these countries, the hourly wages of men are, on average, higher than those of women, with a median pay gap of 12.5 per cent.
- ▶ The global unemployment rate in 2017 was 5.6 per cent, down from 6.4 per cent in 2000. The decline has slowed since 2009, when it hit 5.9 per cent. Youth are three times more likely to be unemployed than adults, with the global youth unemployment rate at 13 per cent in 2017.
- ▶ In high-income countries, almost every adult has an account at a bank or other financial institution, compared to only 35 per cent of adults in low-income countries. Across all regions, women lag behind men in this regard.

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Earning inequalities are still pervasive: men earned **12.5 per cent more** than women in 40 out of 45 countries with data



Globally, labour productivity has increased and the unemployment rate has decreased. However, more progress is needed to increase employment opportunities, especially for young people, reduce informal employment and labour market inequality (particularly in terms of the gender pay gap), promote safe and secure working environments, and improve access to financial services to ensure sustained and inclusive economic growth.

- ▶ In 2016, real gross domestic product (GDP) per capita grew at 1.3 per cent globally, less than the 1.7 per cent average growth rate recorded in 2010–2016. For LDCs, the rate fell sharply from 5.7 per cent in 2005–2009 to 2.3 per cent in 2010–2016.
- ▶ Labour productivity at the global level, measured as output produced per employed person in constant 2005 US dollars, grew by 2.1 per cent in 2017. This is the fastest growth registered since 2010.
- ▶ Globally, 61 per cent of all workers were engaged in informal employment in 2016. Excluding the agricultural sector, 51 per cent of all workers fell into this employment category.

Goal 10: Reduce inequality within and among countries

Efforts have been made in some countries to reduce income inequality, increase zero-tariff access for exports from LDCs and developing countries, and provide additional assistance to LDCs and small island developing States (SIDS). However, progress will need to accelerate to reduce growing disparities within and among countries.

- ▶ Between 2010 and 2016, in 60 out of 94 countries with data, the incomes of the poorest 40 per cent of the population grew faster than those of the entire population.
- ▶ In 2016, over 64.4 per cent of products exported by LDCs to world markets and 64.1 per cent of those from SIDS faced zero tariffs, an increase of 20 per cent since 2010. Developing countries overall had duty-free market access for about 50 per cent of all products exported in 2016.

Products exported by **SIDS** facing zero tariffs increased by **20 per cent** between 2010 and 2016



Goal 10: Reduce inequality within and among countries

- ▶ In 2016, receipts by developing countries from member countries of the Development Assistance Committee of the OECD, multilateral agencies and other key providers totalled \$315 billion; of this amount, \$158 billion was ODA. In 2016, total ODA to LDCs and SIDS from all donors totalled \$43.1 billion and \$6.2 billion, respectively.
- ▶ Based on provisional data, among the \$613 billion in total remittances recorded in 2017, \$466 billion went to low- and middle-income countries. While the global average cost of sending money has gradually declined in recent years, it was estimated at 7.2 per cent in 2017, more than double the target transaction cost of 3 per cent.

Remittances to low- and middle-income countries represented **over 75 per cent** of total global remittances in 2017



Goal 6: Ensure availability and sustainable management of water and sanitation for all

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 12: Ensure sustainable consumption and production patterns

Goal 13: Take urgent action to combat climate change and its impacts

Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



SUSTAINABLE DEVELOPMENT GOALS

“... Narrow the gaps. Bridge the divides. Rebuild trust by bringing people together around common goals. Unity is our path. Our future depends on it.”

— ANTONIO GUTERRES,
SECRETARY-GENERAL OF THE UNITED NATIONS

Oxfam (2018)

Reward Work, Not Wealth

To end the inequality crisis, we must build an economy for ordinary working people, not the rich and powerful.



Dangerous, poorly paid work for the many is supporting extreme wealth for the few. Women are in the worst work, and almost all the super-rich are men. Governments must create a more equal society by prioritizing ordinary workers and small-scale food producers instead of the rich and powerful.

CLAMP DOWN ON INEQUALITY, NOT ON DEMOCRACY

In country after country where Oxfam works, the space for citizens to speak out is being closed, and freedom of speech suppressed. CIVICUS, an alliance dedicated to strengthening citizens, has found that serious threats to civic freedoms now exist in more than 100 countries.¹⁵

'For my generation, there is no going back to the time before the revolution. Our eyes were opened. And while we suffer oppression, we are reorganizing ourselves, and organizing to fight economic inequality and injustice.'

– Ghouson Tawfik, Social Justice Platform, Egypt

US Supreme Court Justice Louis Brandeis famously said, 'We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can't have both.'¹⁶ Our leaders know this, but rather than act to reduce wealth concentration and inequality, they are instead choosing to suppress democracy and the freedom to demand a fairer society.

EXECUTIVE SUMMARY

In 2016, annual share dividends from the parent company of fashion chain Zara to the world's fourth-richest man, Amancio Ortega, were worth approximately €1.3bn.¹ Stefan Persson, whose father founded H&M,² is ranked 43 in the Forbes list of the richest people in the world, and received €658m in share dividends last year.³

Anju works sewing clothes in Bangladesh for export. She often works 12 hours a day, until late at night. She often has to skip meals because she has not earned enough money. She earns just over \$900 dollars a year.⁴

Last year saw the biggest increase in the number of billionaires in history, with one more billionaire every two days. There are now 2,043 dollar billionaires worldwide. Nine out of 10 are men.⁵ Billionaires also saw a huge increase in their wealth. This increase was enough to end extreme poverty seven times over. 82% of all of the growth in global wealth in the last year went to the top 1%, whereas the bottom 50% saw no increase at all.⁶

'When I got pregnant, they let me work in the warehouse. There were many boxes full of shoes, and my job was to put the stamp on. Those shoes would fit my son perfectly, they are very nice. I'd like my son to have shoes like these, but he can't. I think he'd want them, and I feel sorry for him. The shoes are very pretty. You know that one pair of shoes that we make is valued more than our whole month's salary.'

*– Lan, garment worker,
Vietnam*

Living wages and decent work for the world's workers are fundamental to ending today's inequality crisis. All over the world, our economy of the 1% is built on the backs of low paid workers, often women, who are paid poverty wages and denied basic rights. It is being built on the backs of workers like Fatima in Bangladesh, who works sewing clothes for export. She is regularly abused if she fails to meet targets and gets sick because she is unable to go to the toilet.⁷ It is being built on the backs of workers like Dolores in chicken factories in the US, suffering permanent disability and unable to hold their children's hands.⁸ It is being built on the backs of immigrant hotel cleaners like Myint in Thailand,⁹ sexually harassed by male guests and yet often being told to put up with it or lose their jobs.

STOP TALKING AND GIVE PEOPLE WHAT THEY WANT: A MORE EQUAL WORLD

It is hard to find a political or business leader these days who is not saying they are worried about inequality. Yet actions, not words, are what count, and here most of our leaders are lacking. Indeed, many are actively promoting policies that can increase inequality. President Trump was elected promising to help ordinary workers, but has appointed a cabinet of billionaires and is pushing for huge tax cuts for the richest 1%.¹⁰ President Buhari of Nigeria has said that he believes inequality is leading to growing anger and frustration,¹¹ but in Nigeria billions in oil wealth are suspected of being stolen, inequality continues to grow and 10 million children are still out of school.¹² Oxfam and Development Finance International have compiled a detailed index of 152 governments' actions to tackle inequality, and the majority are shamefully failing to do nearly enough to close the gap.¹³

Box 1: Wanting a more equal world¹⁴

For this paper, Oxfam surveyed over 70,000 people in 10 countries, representing one-quarter of the world's population:

- Over three-quarters of people either agree or strongly agree that the gap between rich and poor in their country is too large – this ranges from 58% in the Netherlands to 92% in Nigeria.
- Nearly two-thirds of the respondents in the 10 countries think the gap between the rich and the poor needs to be addressed urgently or very urgently.
- 60% of total respondents agree or strongly agree it is the government's responsibility to reduce the gap between the rich and the poor. In South Africa, 69% of respondents agree or strongly agree.
- 75% of the respondents prefer lower levels of income inequality than those that exist in their country. In fact, more than half of the people surveyed wanted lower levels of inequality in their country than currently exist in any country in the world.

Extreme poverty vs extreme wealth: how big is the inequality gap?

Billionaire bonanza

Last year saw the biggest increase in billionaires in history, one more every two days. Billionaires saw their wealth increase by \$762bn in just 12 months (March 2016 - March 2017). This huge increase could have ended global extreme poverty seven times over. **82% of the new wealth created has gone to top 1%, while 0% has gone to the world's poorest 50%.**



82%



1%



0%



50%



**In 12 months, the wealth of
billionaires has increased
by \$762bn**

**This is enough to end extreme
poverty 7x over**



**Over the last decade,
ordinary workers have seen
their incomes rise by an
average of just 2% a year**

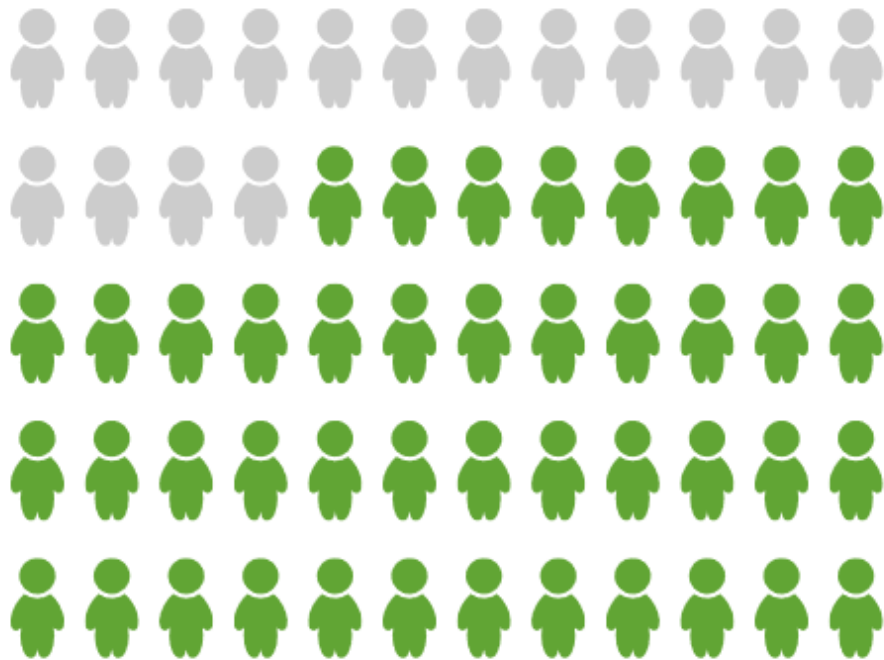
**While billionaire wealth has been rising
by 13% a year**

How workers are losing out

Women

Across the world, women consistently earn less than men and are concentrated in the lowest-paid and least secure forms of work.

Globally, women's participation in the formal labour force is 26% lower than men's



The average gender pay gap is 23%



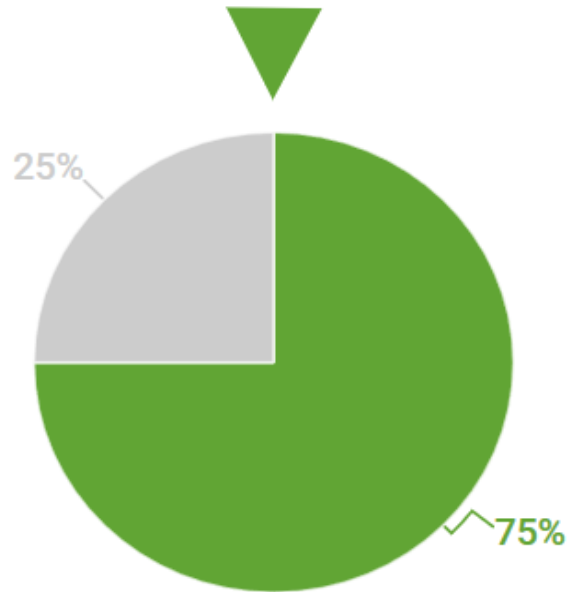
According to the World Economic Forum, at current rates of change the global economic gender gap at work will not be closed for:

217 yrs

Small-scale food producers

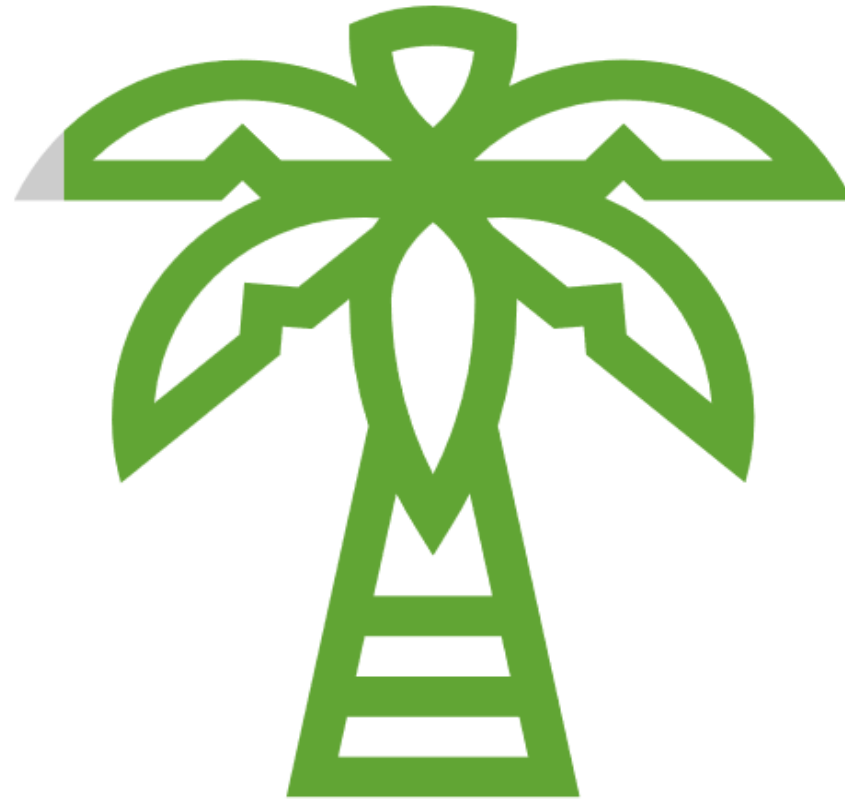
Huge numbers of poor people derive their incomes from agriculture and small-scale food production. All around the world they are part of a food system that traps them in poverty and powerlessness.

For example, in global cocoa value chain only 8 traders & grinders control 75% of global trade.



Global cocoa trade

Less than 6% of the value of a chocolate bar reaches cocoa farmers. In the 1980s it was 18%.



The working poor

Having a job does not mean escaping poverty. Workers who have been lifted out of extreme poverty often remain very poor, in debt and struggling to feed their families.

Around 56% of the global population lives on between \$2 and \$10 a day.



The International Labour Organization (ILO) estimates that almost one in three workers in emerging and developing countries live in poverty.

It takes just four days for a CEO from one of the top five global fashion brands to earn what a Bangladeshi garment worker will earn in her entire lifetime.



4 days



lifetime

We can build a human economy to fix this

It is hard to find a political or business leader these days who is not saying they are worried about inequality. Yet actions, not words, are what count. Unless we close the gap between rich and poor, the goal of eliminating extreme poverty will be missed, and **almost half a billion people will still be living on less than \$1.90 a day in 2030.**

But we can change this. To end the inequality crisis, we can build a more human economy that works for everyone, not just the fortunate few. An economy that rewards work, not wealth.

Let's fight inequality and together we'll beat poverty for good.

Commitment to Reducing Inequality (CRI) Index 2018

A global ranking of governments based on what they are doing to tackle the gap between rich and poor

Figure 1: The CRI 2018 pillars and indicators

<p>SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION</p> <p>1. SOCIAL SPENDING AS % OF TOTAL SPENDING</p> <ul style="list-style-type: none">• Education spending• Health spending• Social protection spending <hr/> <p>2. INCIDENCE OF SPENDING ON INEQUALITY (GINI COEFFICIENT)</p> <ul style="list-style-type: none">• Education spend % GDP*incidence coefficient• Health spend % GDP*incidence coefficient• Social protection % GDP incidence coefficient <hr/>	<p>PROGRESSIVITY OF TAX POLICY</p> <p>1. PROGRESSIVITY OF TAX STRUCTURE</p> <ul style="list-style-type: none">• Personal income tax minimum and maximum rates + thresholds• Corporate income tax rate• VAT rate, exemptions + thresholds <hr/> <p>2. INCIDENCE OF TAX ON INEQUALITY (GINI COEFFICIENT)</p> <ul style="list-style-type: none">• VAT Revenue % GDP• CIT Revenue % GDP• PIT Revenue % GDP• Excise Revenue % GDP• Customs Revenue %GDP <hr/> <p>3. TAX COLLECTION</p> <ul style="list-style-type: none">• Tax productivity: VAT, PIT and CIT revenue compared to rates and GDP or consumption• Tax effort compared with potential <hr/>	<p>LABOUR RIGHTS AND MINIMUM WAGES</p> <p>1. WORKERS AND LABOUR UNION RIGHTS</p> <ul style="list-style-type: none">• Government efforts to protect workers in law and in practice <hr/> <p>2. WOMEN'S LEGAL RIGHTS AT WORK</p> <ul style="list-style-type: none">• Laws on equal pay for equal work• Laws against gender discrimination• Laws against rape• Laws against sexual harassment• Parental leave <hr/>
	<p>4. HARMFUL TAX PRACTICES</p> <ul style="list-style-type: none">• Harmful tax practices• Anti-tax avoidance rules• Evidence of negative impact	<p>3. MINIMUM WAGE</p> <ul style="list-style-type: none">• Minimum wage in local currency• Per capita GDP

WHICH COUNTRIES ARE DOING BEST?

The full CRI rankings, along with regional rankings, can be found in Annex 1 of the full report. The top 10 performers in this year's Index are highlighted in Table 1.

Table 1: CRI Index ranking out of 157 countries – the top 10²⁴

	OVERALL CRI RANK	SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION	PROGRESSIVITY OF TAX POLICY	LABOUR RIGHTS AND MINIMUM WAGES
Denmark	1	5	2	2
Germany	2	8	6	4
Finland	3	2	8	11
Austria	4	6	9	7
Norway	5	14	10	1
Belgium	6	7	5	21
Sweden	7	19	12	5
France	8	3	22	16
Iceland	9	24	26	3
Luxembourg	10	20	34	8

Box 2: Showing real commitment to reduce inequality – South Korea

President Moon Jae-in took office in early 2017, promising to tackle inequality in South Korea. The country's inequality levels have been increasing rapidly. Over the past two decades the income growth of those at the bottom has stagnated while the top 10% have seen their incomes grow by 6% each year, so that they now lay claim to 45% of national income.³⁹ South Korea comes second to bottom of the OECD countries in the CRI Index.

To pursue a reduction in inequality and an increase in inclusive growth, President Moon has acted in all three areas measured by the Index. He has committed to dramatically increasing the minimum wage and in his first year in office has delivered, increasing it by 16.4%.⁴⁰

He has also increased taxation on the most profitable and largest corporations in South Korea, raising their corporate income tax (CIT) rate from 22% to 25%, which is expected to raise revenues of US\$2.3bn annually.⁴¹ He has also raised income tax for the highest earners, a move that had the support of 86% of Koreans.⁴²

Finally, he has embarked on a programme of expanded welfare spending. South Korea has some of the lowest welfare spending in the OECD.⁴³ President Moon has increased spending, including provision for a universal child support grant.⁴⁴

In an address to the UN General Assembly on 21 September 2017, President Moon stated: 'As of now, my Administration is pursuing bold measures to change the economic paradigm in order to deal with economic inequalities that stand in the way of growth and social cohesion.... This is what we call a "people-centered economy".'⁴⁵

WHICH COUNTRIES ARE DOING WORST?

Table 2: CRI Index ranking out of 157 countries – the 10 countries at the bottom of the Index

	OVERALL CRI RANK	SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION	PROGRESSIVITY OF TAX POLICY	LABOUR RIGHTS AND MINIMUM WAGES
Bangladesh	148	146	103	148
Singapore	149	91	157	71
Lao PDR	150	153	44	146
Madagascar	151	135	142	143
Bhutan	152	81	153	147
Sierra Leone	153	143	132	150
Chad	154	145	138	154
Haiti	155	133	145	156
Uzbekistan	156	42	156	132
Nigeria	157	157	104	133

1. Policy action

Governments must dramatically improve their efforts on progressive spending, taxation and workers' pay and protection as part of National Inequality Reduction Plans under SDG 10.

Ahead of the review of SDG 10 in July 2019, countries must produce national plans to show how they will reduce inequality. These plans should include increases in taxation of the richest corporations and individuals, and an end to tax dodging and the harmful race to the bottom on taxation. Spending on public services and social protection needs to be increased and improved. There needs to be systematic tracking of public expenditures, involving citizens in budget oversight. Workers need to be better paid and better protected. The situation of women and girls, who are concentrated in the lowest-paid and most precarious forms of employment, needs to be understood and addressed, as well as the role of the unpaid care economy.

2. Better data

Governments, international institutions and other stakeholders should work together to radically and rapidly improve data on inequality and related policies, and to accurately and regularly monitor progress in reducing inequality.

Throughout this report, we highlight the many areas where data constraints prevent a robust assessment of the progress being made on reducing inequality; yet it is imperative that people can understand and hold governments to account for the policies that are in place and the outcomes they affect. Data on inequality remain extremely poor and irregular; official data on spending, tax and labour policies should be collected regularly as part of the SDG monitoring process. Gender-disaggregated data are essential. There is also a wide range of additional data priorities (notably on the impact of policies on gender issues and youth, but also on social protection spending, capital gains and property/wealth taxes, minimum wages and non-standard employment).

3. Policy impact

Governments and international institutions should analyse the distributional impact of any proposed policies, and base their choice of policy direction on the impact of those policies on reducing inequality.

Data are of little use without an analysis of the impact of policies on reducing inequality.

There must be greater investment in analysis (across more countries, more regularly, and in a wider range of policy areas) of the impact of government policies on inequality. The top priorities are to analyse the composition and impact of spending on inequality, the impact of taxes on inequality and the amount of tax that could be collected, tax haven behaviour, trends in and coverage/enforcement of labour rights, gender equality and minimum wage rights in all countries.

Globalization and its impacts



What is Globalization? (Cohen & Kennedy, 2000)

- *a set of transformations that are occurring more or less simultaneously. No single one of these is necessarily more significant than the others.*
 - Changing concepts of space and time
 - An increasing volume of cultural interactions
 - The commonality of problems facing all the world's inhabitants
 - Growing interconnections and interdependencies
 - A network of increasingly powerful transnational actors and organizations
 - The synchronization of all the dimensions involved in globalization

Globalization and its impacts



- The 20th Century witnessed the fastest rate of globalisation of the world economy in the history of capitalism.
- Most nations are now linked in a combined world system but with polarised and unequal development.
- Power and authority of the transnational capital are increasing as a direct consequence of the rise of the power of super-state institution like the WTO, the IMF and the World Bank.
- Accelerate individual nations to be incorporated more deeply in the world system in the 21st century.
- what globalisation will bring to most of the labour in the world is not an adequate and stable livelihood, but a life of poverty and uncertainty.

International Governmental Organizations (IGOs)

- The rising ability of the supra-state actor to shape world affairs.



- It is because states cannot solve global problems alone
- These organization, however, take on lives of their own
- First began to be effective in the nineteenth century with growing need for rule and procedures in order to standardize cross-border transactions. E.g. League of Nations and United Nations (UN) established in the wake of the First and Second World War respectively.
- By early 1980s, according to Scholte (1993), there were 700 IGOs, which together convened approximately 5000 meetings a year
- Variety of functions: World Meteorological Organization, World Health Organization, World Trade Organization (WTO), International Labour Organization (ILO), the United Nation High Commission for Refugees (UNHCR), and the Food and Agricultural Organization (FAO)



International non-governmental organization (INGOs)

- INGOs are autonomous organizations not accountable to the governments although they may work with them at time.
 - Particular INGOs have often been powerful forces in world affairs. E.g. peace, anti-slavery and labour organization collaborated extensively across national borders in the nineteenth century.
 - The numbers of INGOs have grown fast since the 1950s. Today their activities encompass religious, business, professional, labour, political, green, women's, sport and leisure among others. E.g. Greenpeace, Red Cross, Oxfam & Amnesty International.

INGOs



- Most INGOs mobilize world opinion for their collective interest or for explicitly moral and political causes. This may involve placing direct pressure on governments or on various UN agencies.
- INGOs skillfully use the global media to focus wider public attention on their concerns. They hope individual citizens will respond by exerting pressure on governments, corporations and other interests. Action included: consumer boycotts, tax protests, demonstrations, occupations of environmentally endangered sites, or petition political leader.

Global Social Movements (GSMs)



- there is a great deal of overlap between the two description, particular INGOs are nested within more general global **social movements**:
 - Most activist INGOs mobilize world opinion on political and moral issues, their campaigns sometimes mesh with the activities of GSMs.
 - E.g. in 1992 UN's Earth Summit, 20,000 representatives from environmental and other INGOs held an alternative 'green festival' in alliance with people associated with the world's stateless and Aboriginal people. The global media generally found this unofficial festival more compelling than the official forum attended by governments and experts.

Globalization, Unemployment and Poverty



- Neoliberal scholars and policymakers argue that globalisation provides **opportunities** for economic growth and poverty alleviation
- However, urban poverty in advanced cities has not been eradicated.
- Economic development itself cannot solve poverty problem

Social Polarisation Thesis

- Global cities scholars (Mollenkopf & Castells, 1991; Fainstein & Harole 1992; Sassen 1991, 1998; Lawless & Smith, 1998) postulates that cultural, economic and political polarizations between a comparatively cohesive core of professionals and a disorganized periphery fragmented by race, ethnicity, gender, occupational and industrial location, and the spaces they occupy have turn cities into divided or dual cities.

Jobless growth



- Jobless growth becomes prominent because firms are trying to buffer the economic uncertainties created by globalisation either through substituting flexible labour inputs for inflexible ones (Schreft & Singh, 2003) or simply being reluctant to create jobs (Groshen & Potter, 2003).
- As a result, not only the unemployed are likely to fall into poverty, but also those staying on the job, the so-called working poor, may have difficulty to earn an income that can support a family

Employment insecurity



- The destabilisation of labour markets has induced serious employment insecurity among the working classes of global cities
- reducing their available resources, thus making their livelihood more vulnerable to risky life events
 - sicknesses,
 - accidents, and
 - natural disasters.

Reasons for Destabilization



- **Deindustrialization**
- **flexible firm model / flexible management**
- **labour-replacing technological innovation**
- **increasing legal and undocumented employment of migrant workers**
- **retreat of welfare states**

Postindustrial cities



- Deindustrialisation structurally transforms global cities into postindustrial cities in which services constitute the major impetus for economic growth, and traditional blue-collar workers become the losers under globalisation.
- Not all service workers are the winners because relocating production processes or offshoring does not exclusively happen in the manufacturing sectors, but also in some services that can be digitalised and transferred geographically, like data processing and back-office services.

Place-tied services

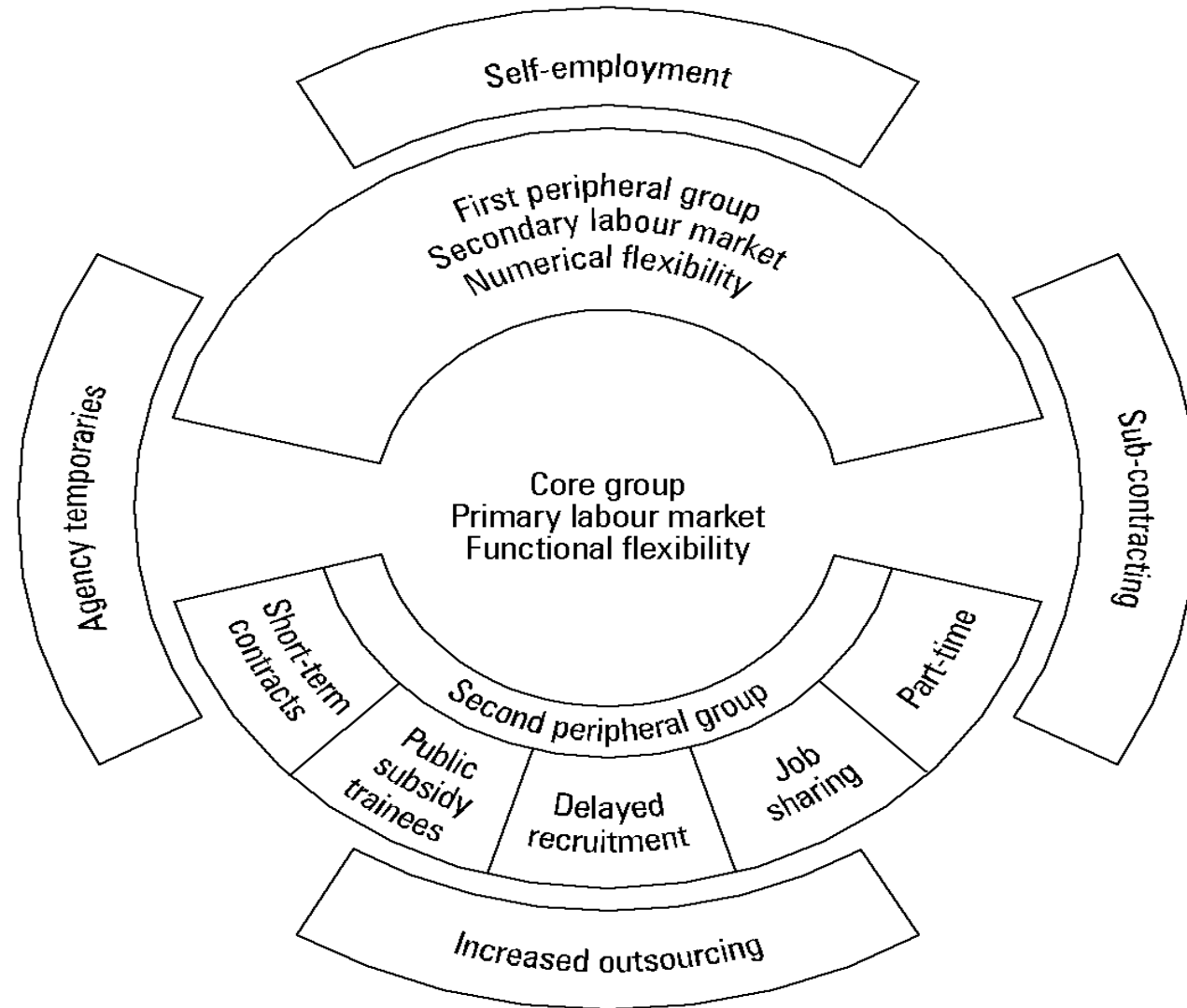


- The unaffected services are those place-tied services, like cleaning, catering, and routine security services, consumer services, such as tourism and retailing, professional social services, like health, education and welfare services, and producer services, including legal, financial and accounting services.
- Moreover, except producer and professional social services, most of the place-tied and consumer services are low-skilled and low-waged.
- The industrial decline inevitably releases huge number of unemployed manufacturing workers seeking jobs in these service sectors, and, consequently, drives down the already low wages.



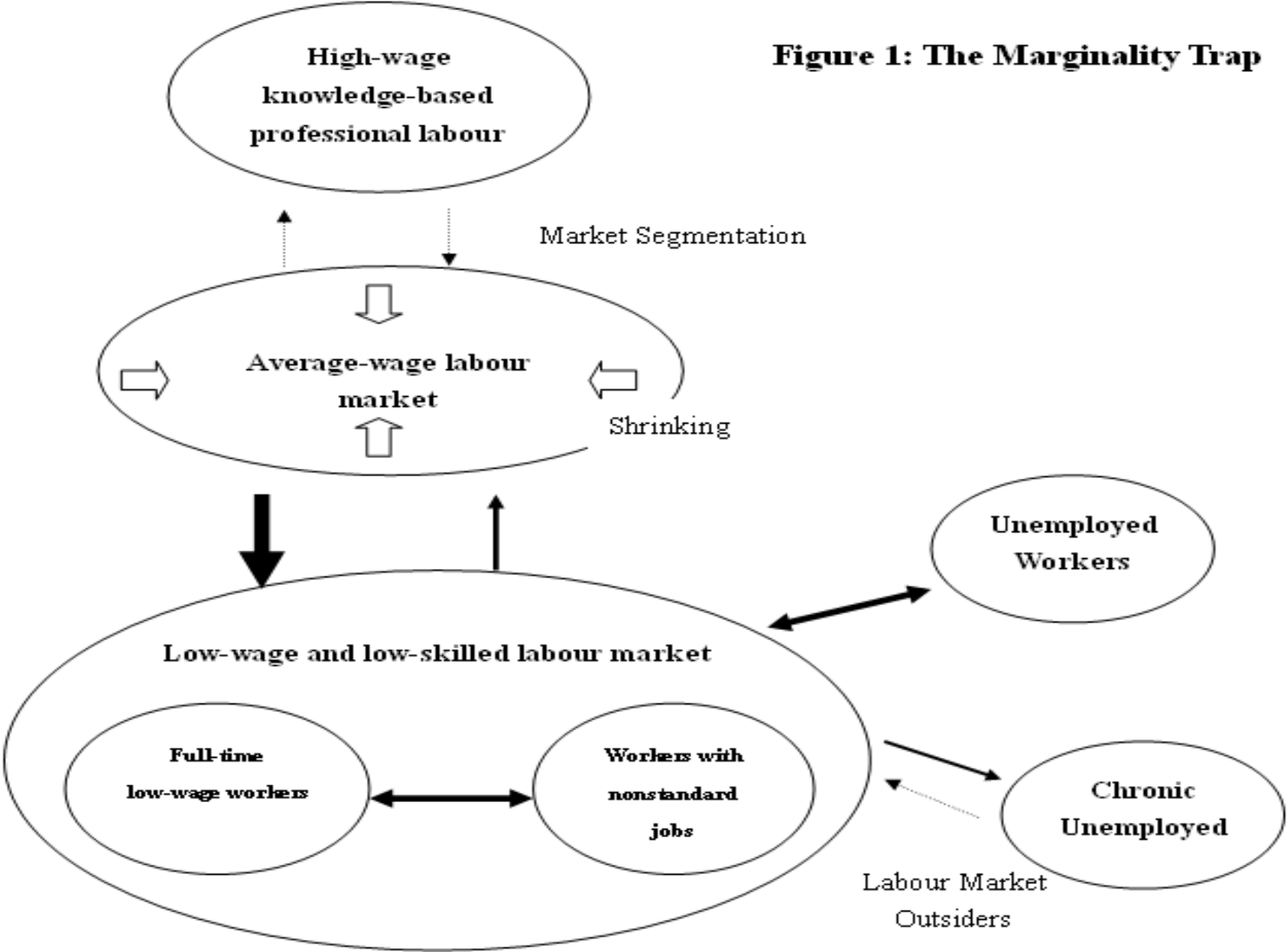
Flexible firm model

Figure 2 The flexible firm (after Atkinson, 1984, p. 29)



Marginality Trap of Urban Workers

Figure 1: The Marginality Trap



The End