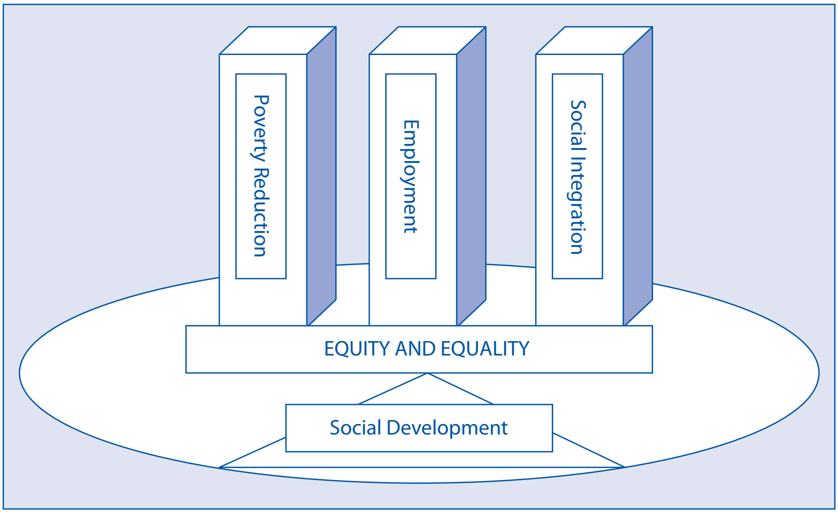
# Chapter I
# The case for focusing on inequality

Can social development be achieved without focusing on inequality? If this question had been posed during the World Summit for Social Development,[1] the answer would have been a resounding “No!”. A people-centred approach to development, as advocated in the Copenhagen Declaration on Social Development and the Programme of Action of the World Summit for Social Development, must have the principles of equity and equality at its core, as graphically illustrated in figure I.1, so that all individuals, regardless of their circumstances, have unimpeded access to resources and opportunities. The world today is far from equal, however, as evidenced by growing gaps between the rich and the poor. These gaps exist not only in income and assets, but also in the quality and accessibility of education, health care and employment opportunities, in the protection of human rights, and in access to political power and representation.

Through an analysis of the economic and socio-political dimensions of poverty and an examination of the impact of structural adjustment, market reform measures, targeting and privatization on access to education, health care and social protection programmes, this chapter builds a compelling case for redressing inequality in the pursuit of social development. The case for

Figure I.1. Policy framework: the three main pillars of social development centred on equity and equality




**Source:** Based on the concept of social development delineated at the World Summit for Social Development, held in Copenhagen from 6 to 12 March 1995.

focusing on inequality is further developed in chapter II, in which the divide between the formal and informal economies is spotlighted; the chapter highlights the disparities in wages, benefits, working conditions, tax burdens and legal protections, and how globalization and the drive for international competitiveness have served to widen the divide even further.

## Linkages between poverty eradication and inequality

How relevant is inequality in the fight against poverty? To address this question, it is important to recognize the different forms poverty takes. While poverty has many dimensions, its two fundamental aspects are the lack of economic power owing to low incomes and assets, and the lack of socio-political power, as reflected in the limited access to social services, opportunities and information and often in the denial of human rights and the practice of discrimination. Without minimizing the importance of other dimensions of poverty, the present section focuses on these two critical aspects of poverty and their connection to inequality.

### *Inequality and the economic dimension of poverty*

Poverty is typically defined in economic terms, as manifested in very low levels of income and consumption per capita or per household. In this context, conventional wisdom for a good portion of the past half-century has reflected the view that poverty is essentially a problem that can be fixed by raising incomes alone. The commitment to eradicating absolute poverty by halving the number of people living on less than US$ 1 per day, a Millennium Development Goal, is the most recent evidence of the income-focused view of poverty. The alternative concept of relative poverty, which highlights the inequalities in income distribution within and between societies, has been sidelined by undue emphasis on macroeconomic policies and market mechanisms dedicated to achieving rapid economic growth.

With the dissatisfaction over the outcomes of structural adjustment programmes and the over-reliance on market mechanisms that have led to a rise in inequality, the longstanding conviction that growth is the driving force behind poverty reduction is increasingly being questioned. There is mounting evidence that the impact of growth on poverty reduction is significantly lower when inequality is on the rise than when inequality is declining (Ravallion, 2004).

Furthermore, if growth contributes to increased inequality, then poverty may worsen—if not in absolute terms, then at least in relative terms, as the poor may find themselves comparatively worse off. For example, a low-wage policy coupled with tax incentives for large businesses may lead to rapid growth as investments increase; however, inequality is likely to worsen as lowered worker incomes adversely affect personal consumption and investments in human capital. Conversely, when the choice of growth strategy is consistent with the objective of reducing inequality, both absolute and relative poverty are apt to decline. Evidence from East Asia, for instance, indicates that a low level of income inequality is linked to fast growth, and policies to reduce poverty and income inequality that promote basic education and enhance labour demand further stimulate growth (Birdsall, Ross and Sabot, 1995).

Inequalities in land ownership also have a negative impact on growth and poverty reduction. Rural economies, in which land ownership is concentrated in the hands of a few while the majority remain landless, tend to face very high costs associated with labour shirking and supervision, inhibiting growth (Cornia and Court, 2001). Indeed, high inequality in the distribution of land has a significantly negative effect on future growth (Deininger and Squire, 1998).

High inequality in assets can also adversely affect growth, as it can limit progress in educational attainment and human capital accumulation—factors that contribute to higher productivity and ultimately to poverty reduction. Additionally, the social tensions caused by wide disparities in wealth and incomes can "erode the security of property rights, augment the threat of expropriation, drive away domestic and foreign investment and increase the cost of business security and contract enforcement" (Cornia and Court, 2001, p. 23).

It should be acknowledged, however, that equality can act as a disincentive to growth when productivity and creativity are not rewarded. At very low levels of inequality (as in socialist economies in the 1980s), "growth tends to suffer because the narrow range of wages does not sufficiently reward different capabilities and efforts, potentially leading to labour shirking and free-riding behaviour" (Cornia and Court, 2001, p. 23). Thus, it is useful to make a distinction between "constructive" inequality, which provides the incentive needed to move resources to where they will be used most efficiently; and "destructive" inequality, which generates envy and socially unproductive redistribution (Timmer and Timmer, 2004, p. 3). Finding the right balance between equality and competitiveness is essential.

Inequalities in access to production inputs and productive resources also have an impact on poverty reduction, as they raise the production and marketing costs of the poor, thereby rendering them less competitive and less able to raise their incomes. The poor have limited access to land, credit, information and markets. Since land is a key input to the production function of the rural poor, land ownership patterns and the displacement of the poor to less productive lands undermine their productive capacity. Access to credit and other financial services is crucial, as it allows the poor to establish their own small or micro enterprises. The recent success of microcredit programmes in helping the poor embark on new business ventures is evidence that providing more equal access to certain markets and services promotes poverty reduction. With the growth of the Internet and computer technologies, access to information and better communication is becoming much easier and increasingly important—not only for improving access to social services or enhancing the protection of rights, but also in allowing the poor to compete more fairly in the global market. Presently, the poor have unequal access to local and national markets for their outputs owing to the uneven dispersion of components of the transportation and communication infrastructure. Because the majority of the poor live in rural areas, policies that favour urban over rural areas worsen inequality and perpetuate poverty.

### *Inequality and the socio-political dimensions of poverty*

A strictly economic approach to poverty reduction, which focuses solely on raising an individual's current income, does not translate into an intergenerational process of poverty reduction unless there is an accumulation of wealth or assets. A broader and more comprehensive approach to poverty reduction that also incorporates socio-political dimensions, including improvements in health and education and increased political representation in law-making, injects a dynamic, or intergenerational, view of poverty. This is so because investments in human capital enable the poor to realize their full productive potential over time. Addressing these other dimensions of poverty would not only improve the conditions of present generations, but would also increase the odds that future generations would continue to reap the benefits, thereby breaking the cycle of poverty. However, in spite of their centrality to poverty reduction, these socio-political dimensions are often downplayed or overlooked.

The goal of sustained poverty reduction cannot be achieved unless equality of opportunity and access to basic social services are ensured. Equality of opportunity means that all individuals have the same chance to participate in and contribute to the betterment of their own lives and the betterment of society: "Equitable access to resources is the key to equal opportunity, not only in the economic sense, but also in its social, cultural and political dimensions" (Ocampo, 2002b, p. 402). Expanding people's opportunities and capabilities will depend on the elimination of oppression and the provision of services and benefits such as basic education, health care and social safety nets (Sen, 1999).

Recent studies of inequality support the notion that inequality in access to basic public services contributes directly to poor health and deficiencies in the overall level of education. One such study of Latin America, for instance, reveals that despite high levels of public social spending, the poor are not benefiting because large segments of the low-income population are excluded from many areas of public welfare. The effects of entitlement restrictions in the region are reinforced by problems relating to access and quality in the provision of supposedly universal services (Lloyd-Sherlock, 2000). Similar empirical results show that in a number of African countries, spending on social services such as health care and education is not aptly directed to the poorest households (Castro-Leal and others, 1999; Sahn, Stifel and Younger, 1999; Sahn and Younger, 2000). Supporting these findings is evidence that the poor are typically subjected to the worst housing and living conditions, are disproportionately exposed to pollution and environmental degradation, and often find themselves in situations in which they are unable to protect themselves against violence and persecution. Taken together, these socio-political conditions create and sustain a vicious cycle of poverty and despair by contributing to the devaluation of human capital and potentially spawning additional problems that may have implications far into the future. They also have the effect of diminishing any gains achieved in income and poverty reduction.

In contrast to the foregoing, more equitable public sector investments have been found effective in improving access to education, health care and other social services. In Kerala, India, for example, it has been shown that high levels of education, especially among women, can short-circuit poverty, help reduce fertility rates and improve life expectancy. In Costa Rica, even though per capita gross national product (GNP) is one twelfth that in the United States, life expectancy is similar for the two countries, largely because of effective policies for basic education, communal health services and medical care (Sen, 1995).

Various studies have shown that public and private investment in human resources has helped mitigate poverty and inequality. In the Republic of Korea and Taiwan Province of China, government encouragement and support have been instrumental in the development of highly educated labour forces. The expansion of education has helped generate human resources with the technical and professional expertise needed for industrial upgrading and has enhanced opportunities for upward socio-economic mobility, including skill development and higher wages (Jomo, 2003). In Indonesia and Malaysia, reductions in inequality over an extended period can be attributed to government efforts aimed at redistribution and employment generation (Jomo, 2004). These are but a few of the country experiences that illustrate how redressing inequalities in access to basic social services, especially education, can lead to poverty reduction.

The poverty reduction equation is incomplete if inequality is not addressed from a political perspective as well, with particular attention given to issues such as discrimination and representation. As observed in a report of the United Nations Committee on Economic, Social and Cultural Rights, "Sometimes poverty arises when people have no access to existing resources because of who they are, what they believe or where they live. Discrimination may cause poverty, just as poverty may cause discrimination" (United Nations, 2001, para. 11).

Discrimination can take many forms, including the unequal enforcement of laws, even if the laws are fair. One of the most striking revelations in a recent study is "the extent to which the police and official justice systems side with the rich, persecute poor people and make poor people more insecure, fearful and poorer" (Narayan and others, 2000, p. 163). The selective application of laws translates into gender, racial and ethnic discrimination (forms of horizontal inequality) directed against the poorer segments of society. Typically compromised are labour and consumer laws that, for example, prohibit predatory pricing; the weak enforcement of such laws results in a "redistribution" from the poor to the rich. In other cases, the laws themselves may be inequitable. Land-grabbing, which displaces or uproots poor people and is typically the result of discrimination against this vulnerable group, can take the form of legalized expropriation.

Representation allows the poor to participate in decisions that affect their lives. Unequal representation is perhaps best illustrated by the contrast between the powerlessness of the poor and the dominance of the elite in the formulation of laws and regulations. Such a system often produces legal biases against the poor; laws governing land reform, property rights in general and intellectual property rights in particular are prone to this problem. Given the stakes involved, traditional elites are likely to resist active and informed participation by the poor in decision-making (United Nations, 2004a). More balanced representation is unlikely in the prevailing political environment, given the entrenched interests of those already in power and the fact that those most affected by income inequality often lack the capacity to influence economic, social and political decisions taken in their societies. The lack of an adequate income and the lack of representation reinforce each other in a vicious circle, since only by being able to participate in decision-making processes relating to laws and customs can the poor change the conditions that perpetuate their poverty.

As elucidated later in the *Report*, the increasing legitimization and institutionalization of civil society and the growing official recognition of the vital role civil society plays in the global development process have significantly improved the opportunities for marginalized groups to contribute to their own development. Nonetheless, the poor, minorities, indigenous peoples, rural residents, women and other groups with special needs frequently do not have much of a voice, even in issues that directly concern them. This situation exacerbates existing inequalities in access to infrastructure and services.

Even when the poor have some voice, the defence or protection of their rights entails certain costs, which can seriously drain their limited resources. This may be viewed as a "reverse incentive" that stands in direct contrast to the investment incentives granted to large business interests and corporations. Ultimately, when discrimination is high, the social and economic disincentives and penalties imposed on the poor are also high, further aggravating poverty.

In sum, inequalities in income distribution and representation and in access to productive resources, basic social services, opportunities, markets and information, together with discrimination, can exacerbate, if not cause, poverty. As affirmed in the recommendations of the World Summit for Social Development, it is crucial for poverty reduction policies and programmes to include socio-economic strategies with redistributive dimensions that will reduce inequality. Addressing inequality requires that a balance be achieved between many complex countervailing socio-economic forces that influence the level of inequality, the rate of economic growth and the impact of poverty reduction efforts. Although economic growth is necessary, relying on growth alone to reduce poverty is clearly insufficient; serious attention must also be directed to the many other factors contributing to inequality.

## Structural reform, the public sector and inequality

Reducing inequality calls for reform measures to increase the opportunities and capabilities of the poor and other marginalized groups in order to spur inclusive growth and development. A healthy, well-educated, adequately employed and socially protected citizenry contributes to social cohesion. Thus, the redistributive potential of policies for health, education and social protection is of major significance. Improved access by the poor to public services and assets (especially in the health and education sectors) and income transfer programmes to sustain the poorest families are essential to changing the structure of opportunities and are key to reducing the intergenerational transmission of poverty and inequality. Breaking the intergenerational poverty cycle is a vital component of an integrated and equitable poverty reduction strategy.

Since the 1980s a number of Governments have undertaken measures to reduce spending on social services, increase cost efficiency, engage in privatization and target public services towards the poor. Some of the country members of the Organisation for Economic Cooperation and Development (OECD), for example, have pursued policies to reduce expenditures on universal social programmes such as unemployment compensation and old-age pensions, thereby reducing public transfers to low-income families (Weeks, 2004). In Latin America and the Caribbean, access to public services has been segmented; instead of benefiting the poorest, this move has actually worked against the objectives of equality (Economic Commission for Latin America and the Caribbean, 2000b).

Structural adjustment programmes were implemented in the 1980s and early 1990s with the expectation that economic growth rates for the countries undergoing structural adjustment would be higher and that once fiscal imbalances were addressed, the higher growth rates would be sufficient to generate social benefits. Actual experience proved otherwise, particularly in areas of sub-Saharan Africa and in many parts of Latin America and the Caribbean, with policy makers gradually realizing that pursuing economic stabilization policies at the expense of social policies produced negative long-term consequences.

The cumulative result of these structural reforms of the past two decades has been a rise in inequality in both developed and developing countries. In recognition of this negative impact, institutions such as the World Bank have begun to support social development as part of their overall poverty reduction strategies (see, for example, World Bank, 2004c). Clear evidence of this shift came in December 1999, when the boards of the World Bank and the International Monetary Fund (IMF) approved a new approach to the challenge of reducing poverty in low-income countries that essentially involved the development of country-owned strategies for tackling poverty, set out in national Poverty Reduction Strategy Papers (PRSPs). Tellingly, the name of the IMF country assistance programme was changed from Enhanced Structural Adjustment Facility (ESAF) to Poverty Reduction and Growth Facility (PRGF). By April 2005, a total of 45 countries had completed their first full PRSPs, and of those countries, 24 had finished preparing their first annual implementation progress reports; an additional 12 countries had completed their interim PRSPs (World Bank, 2005). The proliferation of these initiatives reflects the crucial role of social development in sustaining progress within the broader context of overall development.

The World Bank has recognized some of the multidimensional aspects of poverty, including exposure to vulnerability and risk, low levels of education and health, and powerlessness (World Bank, 2000). To these must be added the unequal distribution of assets such as land, capital, technology and education and unequal access to participation in policy-making. Although the PRSPs are much in line with the call by the World Summit for Social Development to include social development in structural adjustment programmes (United Nations, 1995), the Papers have yet to fully reflect the multifaceted character of poverty.

National efforts to remedy inequality spurred by structural reforms have included reshaping social security systems and the roles of key social sectors, with special emphasis placed on broadening coverage and improving benefits through more efficient management practices. Institutional changes have also been introduced with the aim of providing better services, improving targeting and linking resources to the quality of service.

Likewise, efforts are being made to reinforce the link between social programmes and the promotion of productive activities such as training. For example, some countries have shifted the focus of traditional welfare systems from entitlements to employment and human resources development for the most vulnerable groups. In addition, a number of Governments have undertaken social security reforms using targeting as a criteria for the provision of social services. These initiatives, in turn, have brought about changes in the patterns of resource allocation and intervention, the magnitude of social programmes and the administration of traditional safety nets (Morales-Gomez, 1999). Finally, the appropriate mix between the public and private sectors in the provision of public goods and equitable systems of regulation and subsidies is now reflected in the policy agenda in many countries.

### *Universal access to education, health care and social protection*

Inequalities in educational access and outcomes, health status, employment opportunities, social protection, and other dimensions of social welfare are pervasive and growing in many countries. Education is typically viewed as a powerful factor in levelling the field of opportunity, as it provides individuals with the capacity to obtain a higher income and standard of living and enables those living in contaminated environments to overcome major health threats. By learning to read and write and acquiring technical or professional skills, people increase their chances of obtaining decent, better-paying jobs. Furthermore, there is considerable evidence that even in settings in which sanitation facilities are poor and piped water is unavailable, the children of educated mothers have much better prospects for survival than do the children of uneducated mothers. As these facts indicate, the importance of equal access to a well-functioning education system, particularly in relation to reducing inequalities, cannot be overemphasized.

Both within and between countries, wide differences in the quality and availability of education persist. Disparities in access to education are prevalent and tend to be determined by socio-economic and family background. Because such disparities are typically transmitted from generation to generation, access to educational and employment opportunities is to a certain degree inherited, with segments of the population systematically suffering exclusion.

Studies indicate that inequality declines as the average level of educational attainment increases, with secondary education producing the greatest payoff, especially for women (Cornia and Court, 2001). Recognizing these far-reaching implications, many countries in Asia and Latin America have assigned priority in their national agendas to ensuring universal access to and coverage of basic education, especially for girls, and to expanding secondary education (United Nations Educational, Scientific and Cultural Organization, 2005). Abolishing school fees and providing special incentives to encourage the most marginalized groups to attend school are also viewed as powerful tools for promoting educational equality. In countries in Africa and Latin America, cash and in-kind subsidies such as free school meals for poor households are being offered to promote school attendance (United Nations Millennium Project, 2005). Since improving equality is easier when educational resources are plentiful and growing, many countries have initiated changes in educational financing and resource allocation systems and are expanding the scope of private input (International Forum for Social Development, 2004).

Other educational reforms have focused on correcting deficiencies linked to the quality and relevance of what is taught in the classroom. Some of these reforms involve bringing qualitative changes in line with the evolving demands of the labour market. New technologies and increased competitiveness have placed greater demands on the labour force, making it imperative that a relevant basic education be universally accessible, and that scholastic content be adapted to ensure the acquisition of the skills needed in a changing knowledge-based economy. Knowledge and skills gaps have contributed to widening income disparities. Virtually without exception, wage differentials between skilled and unskilled labour, and particularly between university-educated workers and the rest of the labour force, have expanded (Ocampo, 2002b). In sum, greater attention must be given to ensuring universal access to a high-quality, relevant education and opportunities for training and skill development in order to reduce inequality and foster broader competitiveness in the labour market.

Health is another key input in the process of equitable development; health status not only affects the quality of life, but can also determine levels of opportunity and productivity. Patterns of inequality in health are characterized by the more disadvantaged segments of society being deprived of health-care services and excluded from the health-care system. Some of the recent reforms in the health sector have been aimed at ensuring universal access to primary health care, while others have focused on improving the quality of care and the efficiency with which health systems reach the poor and disadvantaged. Waiving health-care costs and fees for individuals who cannot afford to pay and providing direct conditional cash transfers to poor families to reward household behaviour such as bringing children to health centres for regular check-ups are some of the innovative, targeted approaches that have been adopted in a number of developing countries (World Health Organization, 2003).

Particular emphasis has been placed on improving child and maternal health outcomes in an effort to reduce the more than 10 million deaths among children and half a million deaths among mothers that occur annually (World Health Organization, 2005b). Initiatives often focus on improving the status of women in the community, encouraging disease prevention and teaching better parenting techniques. Central to these efforts is an integrated approach to family health care—one that begins with pregnancy and continues through childbirth and on into childhood. Both mothers and children benefit greatly from access to a continuum of care, in contrast to the fragmented and inconsistent care that typically prevails. Addressing child and maternal health issues is an effective way to alleviate the poverty that is both a cause and an effect of ill health.

Improved social protection mechanisms, including unemployment compensation, disability insurance, pensions, social security and other forms of income support, also constitute a fundamental component of strategies for reducing inequality and poverty. In the absence of adequate social protection, individuals and families, particularly those from the more vulnerable groups, are more likely to suffer serious hardship during periods of unemployment and transition. At present, social protection systems and institutions are weak and seriously underfunded in most countries, with almost 80 per cent of the world's population having little or no social protection coverage (Garcia and Gruat, 2003).

A common characteristic of social security schemes in Latin America is "segmented access", whereby coverage is provided for middle-income urban employees in the formal economy but rarely for the poor, who are also inadequately covered by welfare programmes (Economic Commission for Latin America and the Caribbean, 2000a). Likewise, some African countries have subsidy schemes for urban health facilities and universities that favour the rich at the expense of the poor (United Nations Development Programme, 1999). In developing countries undergoing macroeconomic reform, social protection has typically been sacrificed to meet budget performance conditionalities, as evidenced by reductions in existing programmes or delays in implementing or expanding new social protection initiatives (United Nations, 2004c).

Even in some developed countries, social protection coverage is far from universal and benefits are generally inadequate. Furthermore, the trend in a number of high-income countries is towards the effective reduction of welfare and other income-support benefits. Other measures are being implemented to privatize certain social insurance schemes such as pensions and medical plans. These reform efforts are spurred, at least in part, by growing cost pressures arising in connection with population ageing, changing family structures, increasingly expensive medical care and persistent unemployment. However, the drive to make social security systems more efficient by adopting a market-oriented approach and by expanding the role of the private sector in pension and health-care provision has undermined social solidarity. Of particular concern are the increased inequalities generated by gender discrimination in private systems owing to the lack of solidarity and inter-gender transfers to correct for imbalances in pension contribution levels (Mesa-Lago, 2004). Overall, the effects of these reform measures on people and the economy are mixed but tend to be more heavily concentrated on the negative side, effectively reinforcing the notion that the State continues to play a crucial role in social protection.

### *Patterns of intervention*

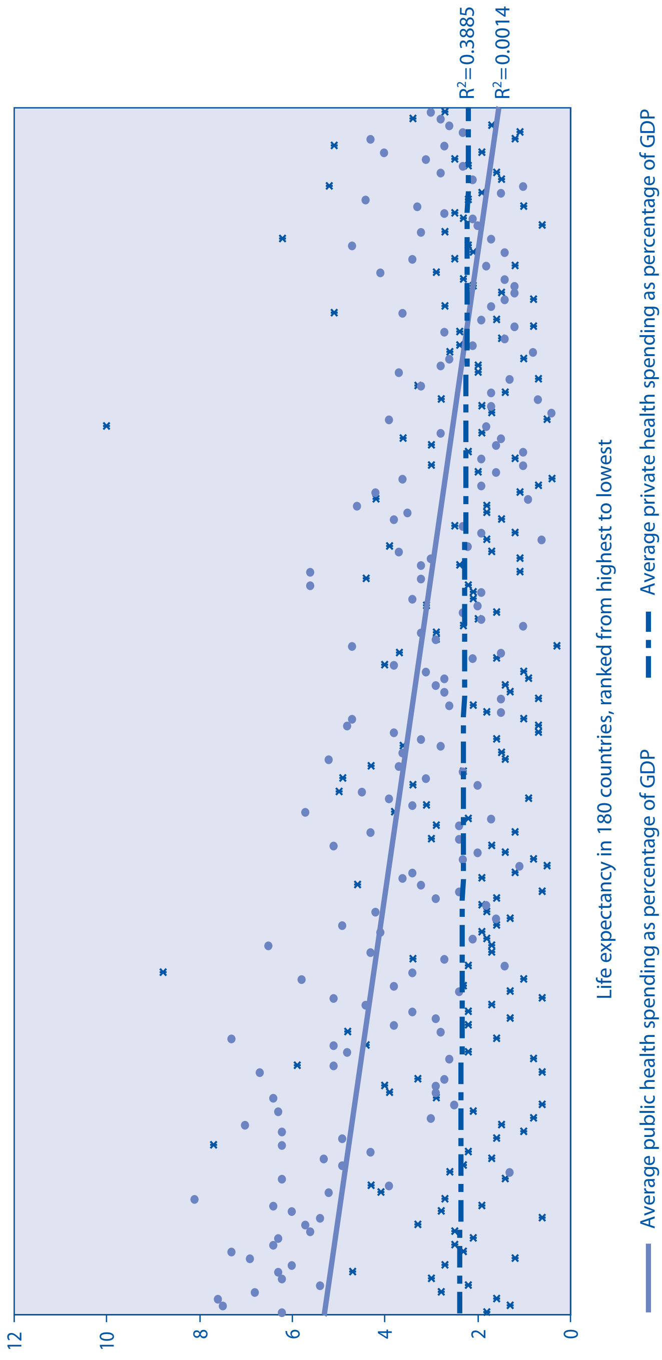
Different approaches have been tried in efforts to reach beneficiary groups more efficiently, with the choice often coming down to a universal versus a more targeted approach. Universalism involves guaranteeing all members of society certain fundamental protections and benefits that are necessary for full participation in society. Universalism is closely linked to the principle of solidarity, and individuals are expected to share in the financing of services according to their economic capacity, mainly through taxation. Serious obstacles to the universal application of social benefits have included the shortage of resources, the lack of agreement on priorities and problems of implementation. Targeting involves funnelling protections and benefits to selected groups of individuals based on real or perceived need or as a means of gaining political patronage. Given the scarcity of public resources, particularly in developing countries and during periods of economic adjustment and times of crisis, targeting is often viewed as the better option, as it is more cost-effective and increases the likelihood that social services will reach those who need them most, with minimal slippage to the non-needy. An example of a targeted programme is one in which income transfers are conditional upon children remaining in school and receiving essential health-care services; such an initiative is intended to improve lifelong income-earning capacity and can be an important part of a more equitable welfare state (World Bank, 2004b).

Many countries have experimented with other patterns of intervention aside from targeting, including expanding the role of the private sector in the delivery of social services. The shift in focus from public to private institutions has occurred as a result of the confluence of several factors, including pressure to liberalize the economy, the relative scarcity of public resources and the low quality of public service provision. In many countries public social services have been privatized or outsourced to private contractors. In other countries, the provision of education, health care and other services has remained in the public domain, but user fees have been introduced. The transfer of responsibility from the public to the private sector has also been observed in social protection, often under privatization schemes, in which case social assistance generally declines and public health programmes are scaled back, resulting in a weakening of the social protection system.

Different combinations of public and private participation have been developed to facilitate the provision of a wide range of social services and benefits. With a school voucher system, for example, public funding is used to provide private education to children from poor families (United Nations Development Programme, 2003). When private participation is a component of social service provision and the goal is to attain universality and to provide benefits for disadvantaged groups, it is essential to ensure that exclusion does not occur. Experience has shown that if public-private participation is not properly designed and monitored, access can be seriously limited, and some people may be excluded. A stronger regulatory framework is therefore needed to guarantee access to social services, with legal mechanisms for preventing or halting practices that exclude or discriminate against certain groups. Even under the best of circumstances, private sector participation in the administration and delivery of social services and benefits systems cannot replace the public provision of these services.

Notwithstanding efforts to engage the private sector, the State and the public sector continue to bear primary responsibility for the provision of most

Figure I.2. Relationship between life expectancy at birth and the level of public and private health spending, 2002




**Source:** United Nations Development Programme, *Human Development Report 2004* (http://hdr.undp.org/statistics/data; accessed 23 May 2005) social services, and for ensuring that these services are made available to all, especially the poorest segments of the population. The efficacy of the public system is clearly illustrated in the strong relationship between public sector health spending and life expectancy, as depicted in figure I.2. Those countries that have had the greatest success in increasing life expectancy (notably Australia, Canada, Iceland, Japan, Spain and Sweden) have maintained high rates of public health spending, equivalent to between 5 and 8 percent of gross domestic product (GDP), while private sector health spending has been much lower. The relationship between life expectancy and private spending on health is weak in all countries, with the exception of a few outliers (Cambodia, Lebanon and the United States of America), where private sector health spending as a percentage of GDP is particularly high. In contrast, the relationship between public health spending and life expectancy is strong, with differences in the levels of public sector spending on health accounting for close to 40 per cent of the variation in life expectancy by country. This evidence should be given careful consideration, especially in an era in which developing country Governments are under substantial pressure to reduce public sector spending for social services in favour of private spending.

A proper balance between public and private sector involvement in the delivery of social services should be sought to ensure that the principles of universality, solidarity and social inclusion are preserved. In order to promote greater equality, the public management of services should be characterized by high levels of efficiency and transparency. Non-governmental organizations (NGOs) often play an important role in facilitating the achievement of these and other relevant standards, as they help fill the gaps in the provision of public services and also constitute a strong force in promoting community concerns, especially for poor people.

## Conclusion

The key to reducing poverty in a sustainable manner, particularly with an eye to promoting social justice, is to focus on building a fairer and more equitable society. Economic growth alone is not a panacea, as the level of inequality can be a determining factor in the impact growth has on poverty reduction. Overcoming inequalities requires an investment in people, with priority given to enhancing educational attainment, skill development, health care and overall well-being, and to expanding and improving opportunities for quality employment. Equal attention must be given to the socio-political dimensions of poverty, and a serious commitment is needed to ensure that discrimination is eliminated and its consequences are addressed, that the equal protection of human rights is guaranteed, and that a better balance is achieved in the distribution of political power and the level of representation among all stakeholders. Accordingly, people need to be empowered to voice their concerns and participate more actively in decision-making processes.

The role of the State in reducing inequality remains critical, notwithstanding reform efforts aimed at turning over responsibility for social programmes to the private sector. Ensuring equal access for all to public services—particularly education and health care, which are aimed at expanding opportunities and capabilities—is fundamental to reducing the intergenerational transmission of poverty and inequality. Thus, the principles of universality, solidarity and social inclusion should continue to guide the delivery of social services.

The World Summit for Social Development established a common foundation for social policy reform processes that has guided efforts to address the inequality trends that deepened with the implementation of the structural adjustment programmes in the 1980s and 1990s. The Copenhagen Declaration emphasizes the need to attain universal and equitable access to education and primary health care. While focusing on these important factors and principles in redressing inequality, it is essential not to lose sight of the general values governing equality of access, the importance of culture and tolerance, the people-centred approach to development, and the full development of human resources.

The principles of equality should be at the centre of social and economic policy-making to ensure that economic growth is conducive to social development, stability, fair competition and ethical conduct (United Nations, 1995, chap. I, para. 12b). In view of the prevailing world social situation, characterized as it is by rampant inequality, it is essential that policy makers heed the challenges posed by the inequality predicament. As the present analysis indicates thus far, and as the ensuing chapters make abundantly clear, doing otherwise would be highly counterproductive.

## Notes

1 See the annex containing the 10 commitments of the World Summit for Social Development.