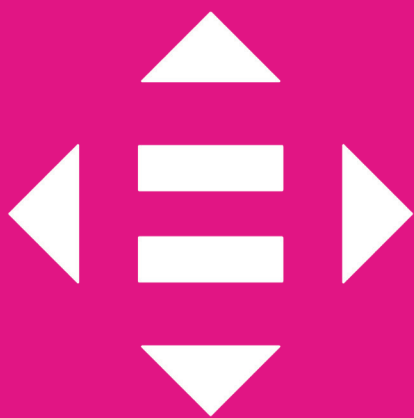


10 REDUCED INEQUALITIES



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:



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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).