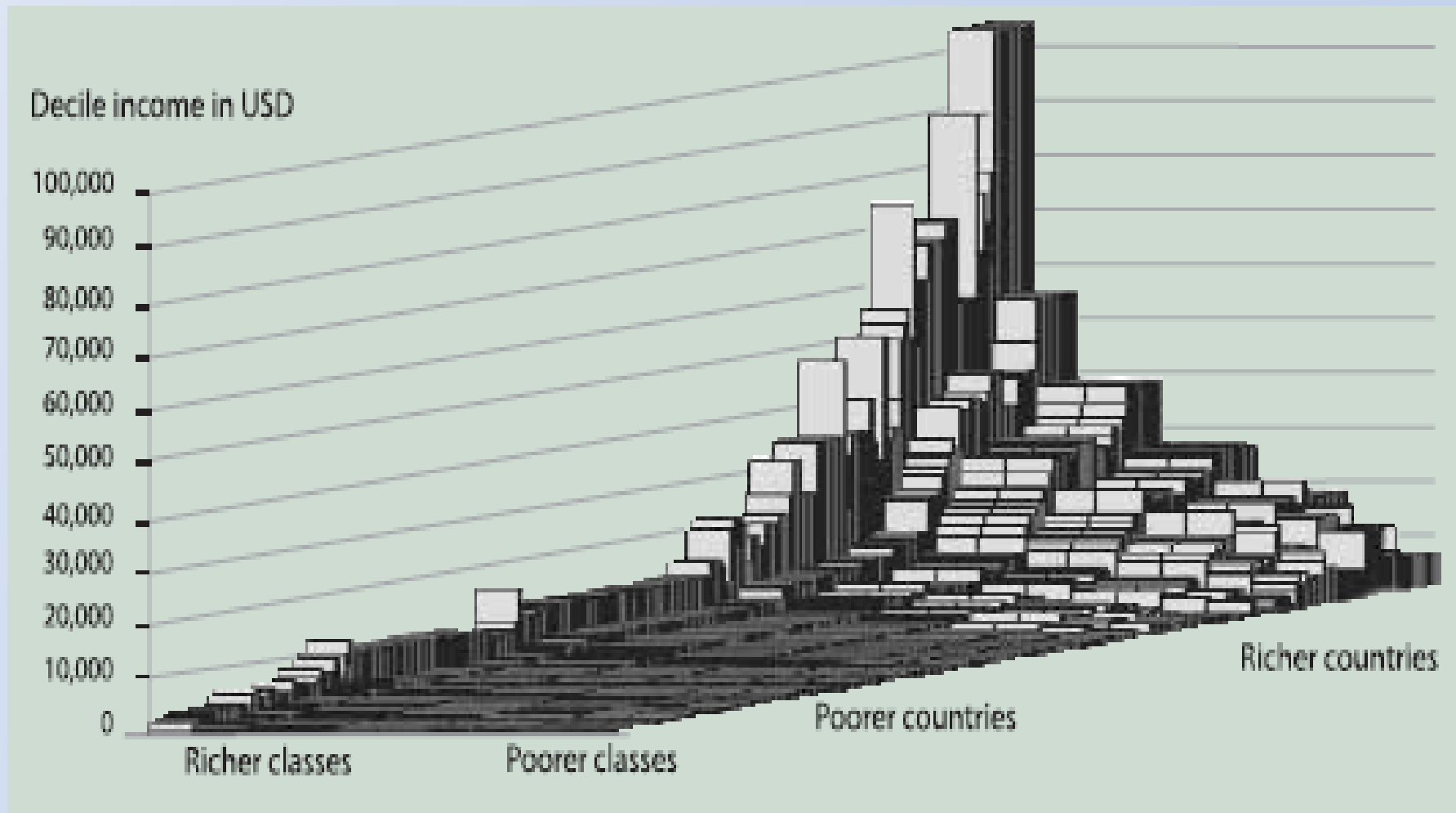




ECAY5004: Work, Welfare and Poverty

Theme 6: Poverty – A Global Perspective

Distribution of World Income:



Data source: World Development Indicators, 2005. Online version. World Bank, Washington D. C.



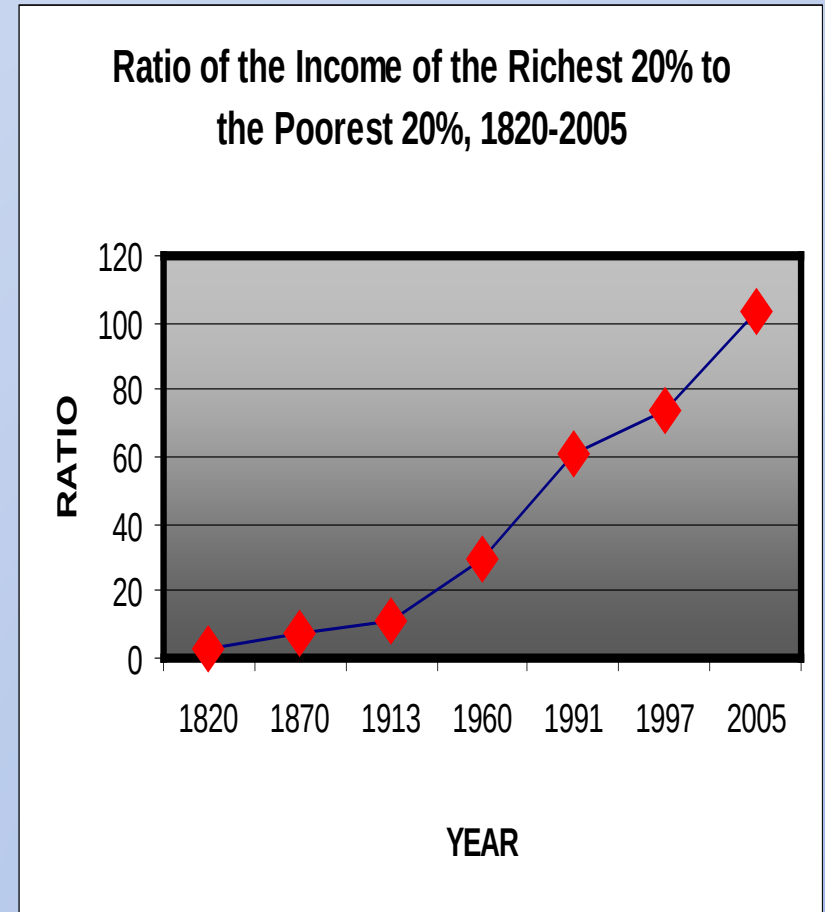
Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Source: Sutcliffe, 2005. Department of Economic and Social Affairs. WP 2. United Nations

Inequality Escalating

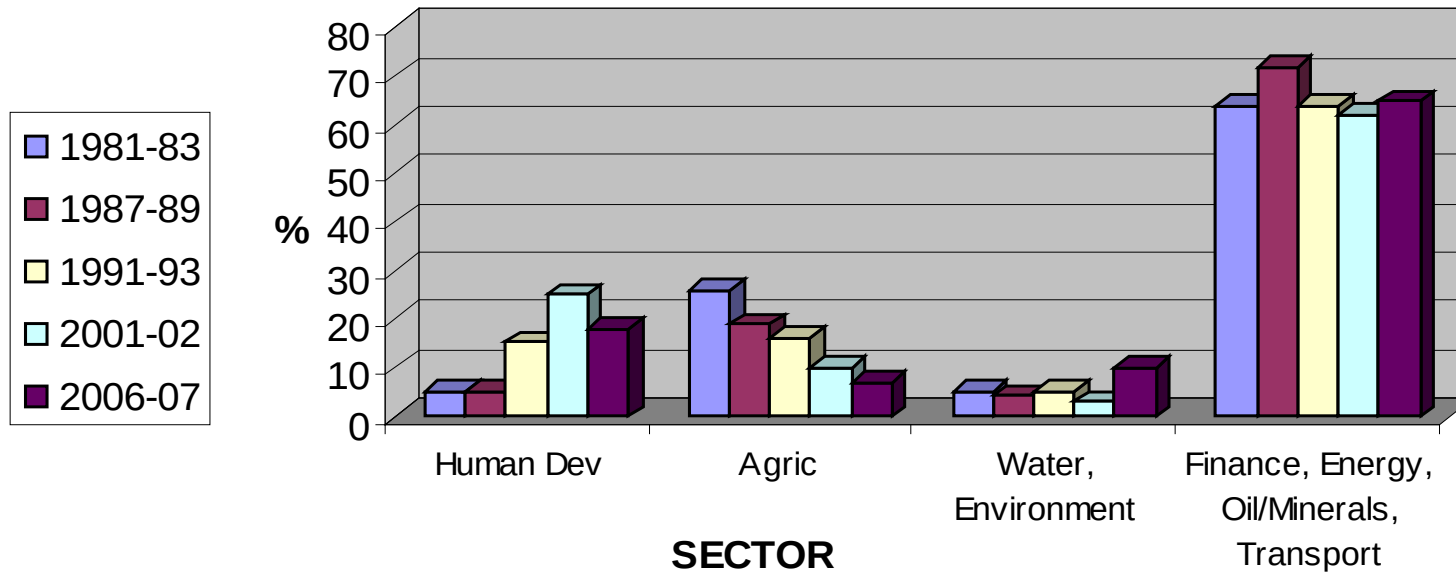
Ratio of the Income of the Richest 20% to the Poorest 20%

Year	Ratio
1820	3:1
1870	7:1
1913	11:1
1960	30:1
1991	61:1
1997	74:1
2005	103:1



Where the World Bank decides to invest

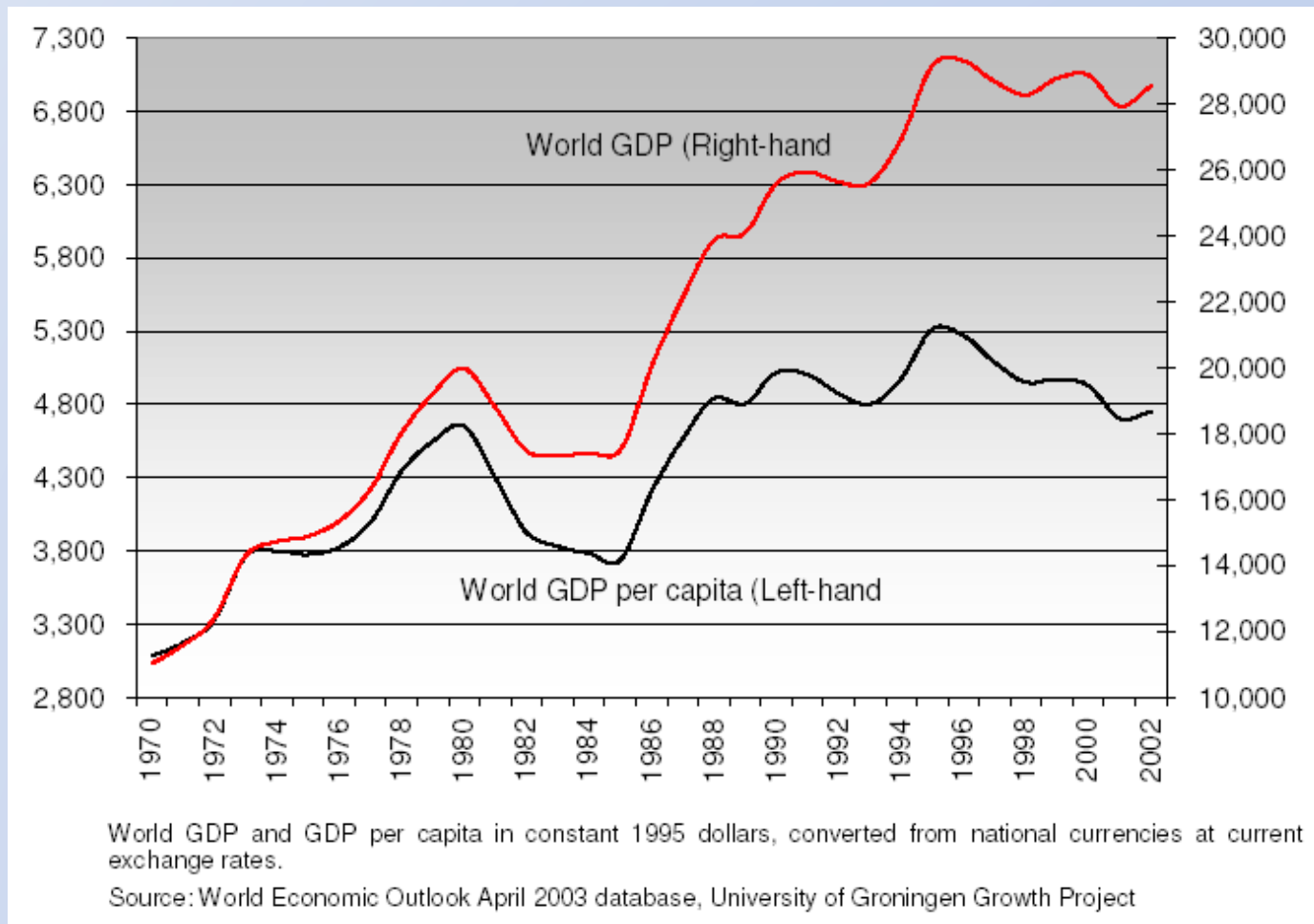
Example: World Bank Lending, 1981-2007



N.B. This investment is partly influenced by the ‘trickle down’ theory of economics

Have you heard of this phrase?

Little Evidence that this is effective



1995 UN World Summit in Copenhagen: Development for All

- **Governments of the world agree that eradication of poverty and promotion of social inclusion must be priorities of development because of:**
- **Social Justice**
- **Economic Arguments**
- **E.g. Inequality is economically dysfunctional**
- **Consumption concentrated in top income deciles**
- **Raising the incomes of the poor increases domestic demand and, in turn, encourages growth by expanding internal markets**
- **Political Arguments include**
- **Gross inequalities cause tension/conflicts, uncontrolled migration**
- **Therefore it makes sense to eradicate poverty but why is this not happening?**

Mainstreaming Poverty and Social Issues in Development

Key issue is not to leave social development in a “silo”, but to mainstream social impacts in all interventions:

Tools/Instruments can include:

- 1. Social Safeguards, Corporate Social Responsibility**
- 2. Distribution/Poverty and Social Assessments**
- 3. Strategies/Action Plans for different social groups**

Ultimately, what is needed are National Development Strategies and International Agreements (e.g. trade) with equitable distributional impacts, that benefit all

1990s onwards: Social Safeguards and Corporate Social Responsibility

- We have already discussed the concept of Corporate Social responsibility in the previous Theme
- Corporate Social Responsibility expands from the 1990s onwards in the private sector.
- The UN Global Compact promotes non-violation of Core Labour Standards and UN Declaration of Human Rights by business.
- Safeguards ensure compliance to minimum social standards as exemplary practice (e.g. no child labour used in company that has World Bank investment)
- *Necessary but insufficient approach - safeguards ensure that poverty/exclusion is not increased, but they do not address the structural reasons of poverty/exclusion*

Late 1990s / 2000s: Poverty and Social Assessments in Development

- **Poverty and Social Impact Assessments (also known by acronym PSIA) are a form of analysis that look at the distributional impacts (income and non-income) of development interventions:**
 - **Project level**
 - **Sector reforms**
 - **National Strategies**
 - **International agreements (e.g. Trade)**
- **Provides alternative policy options to maximize positive poverty and social impacts**
- **Needs to be an independent, non-partisan analysis given vested interests at every level**
- **For policy-makers, it is a good tool to be accountable to citizens through a public debate**

Examples of Policy Options for Equity and Poverty Reduction

Area	Typical interventions with EQUITABLE/PROGRESSIVE outcomes	Typical interventions with INEQUITABLE/REGRESSIVE outcomes
Culture	Multicultural activities, popular events that foster social cohesion	Subsidies to elitist events/ exclusive art
Education	Universal free education; programmes to ensure access and retention of students (particularly girls)	User fees in primary and secondary education; commercialization of education
Energy and Mining	Rural electrification; life-line tariffs (subsidized basic consumption for low income households)	Untaxed oil/mineral extraction, poorly negotiated PPPs power plants
Finance	Regional rural banks, microfinance; managing finance (current accounts, capital flight...)	Reform/rescue of banking system (transfers to large banks); subsidies to large private enterprises
Health	Universal free (or with minimal nominal fees) primary and secondary health services, nutrition programmes	User fees, commercialization of health, tertiary highly specialized clinics (e.g. cardiology centres)
Housing	Subsidized housing finance, upgrading of substandard housing	Public loans for housing finance for upper income groups
Industry	Supporting competitive, employment-generating domestic industries	Deregulation
Labour	Active and passive labour programmes	Labour flexibilization

Examples of Policy Options for Equity and Poverty Reduction

Area	Typical interventions with EQUITABLE/PROGRESSIVE outcomes	Typical interventions with INEQUITABLE/REGRESSIVE outcomes
Macroeconomics	Employment-sensitive monetary and fiscal policies, countercyclical policies	Cyclical policies, indirect taxation (VAT)
Public Expenditures	Progressive expenditures	Military spending
Rural Development	Secure access to land, water, markets, livestock, credit for smallholders	Irrigation systems that benefit landowners
Social Protection	Non-contributory pensions, cash transfers, social services, etc.; almost all SP aimed at redistribution	Private funded pension systems
Tourism	Small-scale local companies	Poorly taxed luxury hotel chains
Trade	Linking employment-generating local companies with export markets	Most bilateral free trade agreements
Transport and Infrastructure	Rural roads, affordable public transport, non-motorized transport for households (bicycles, buffalos, etc)	Some large (and costly) infrastructure investments
Urban Development	Slum upgrading, accessible universal design	Large urban infrastructure projects in wealthy areas
Water	Rural water supply and sanitation	Poorly negotiated privatizations