Poverty and Inequality

Topic guide
June 2016
About this Topic Guide

GSDRC Topic Guides aim to provide a clear, concise and objective report on findings from rigorous research on critical areas of development policy. Rather than provide policy guidance or recommendations, their purpose is to inform policymakers and practitioners of the key debates and evidence on the topic of focus, to support informed decision-making.

The bulk of this Topic Guide was drafted in 2014. It was updated with key sources in the summer of 2016, but without another comprehensive review of the literature.

Author and contributors

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Cover: Karail, the largest slum in Dhaka, Bangladesh (photo: Laura Elizabeth Pohl/Bread for the World).

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Executive summary

The World Bank estimates that in 2015 700 million people were living in extreme poverty under the updated international poverty line of USD 1.90 a day, and that about one billion people rose out of extreme poverty between 1990 and 2015 (World Bank, 2016). Global income inequality declined between 2000 and 2015, with the global Gini decreasing from 75 per cent to 62 per cent (World Bank, 2016). Levels of income inequality have fallen in some countries, especially in Latin America, while in others they have risen, especially in high-income countries (World Bank, 2016). Globally, wealth inequality has also increased: almost half of the world’s wealth is now owned by just one per cent of the population (Hardoon, 2015). Despite progress on reducing health and income inequalities, large inequalities in health, education, and nutrition persist within and across both social groups and different regions within countries (UNDP, 2015). High levels of poverty and inequality have been found to be detrimental to people’s quality of life and life opportunities, and to countries’ growth and security (Ravallion, 2009; Hulme, 2010; CPRC, 2009; Ostry et al., 2014; Stewart, 2010).

This topic guide introduces key readings and debates on poverty and inequality. Section 1 introduces the different definitions that affect how poverty and inequality are measured and addressed. There are many theoretical and empirical debates about the meaning and measurement of poverty and inequality.

Narrow understandings of poverty see it largely in monetary terms. Absolute poverty is poverty below a set line of what is required to access minimum needs for survival. It is the official measure in many developing countries. The global absolute poverty line is currently USD 1.90 a day, although some argue it should be higher. Relative poverty is set in relation to others and is used in many developed countries.

There is increasing acceptance that poverty is multidimensional and that other aspects of people’s well-being – such as health, education, nutrition, or even sociocultural differences and power relations – need to be measured too. Some people are chronically poor, while others are transiently poor. Poverty is related to, yet distinct from, inequality.

Inequality refers to disparities and discrepancies in areas such as social identity, income, education, health, nutrition, space, politics, outcomes and opportunities. As with poverty, measurement of inequality has tended to focus on income, but efforts to measure non-income inequalities are increasing.

All measures and sources of data on poverty and inequality should be treated with a degree of caution, particularly data on fragile and conflict-affected countries. In addition, the unit of measurement needs to be considered: for instance, if poverty is just measured at the household level, poverty within a household may be hidden – especially for women.

Section 2 looks at poverty and inequality trends and predictions. There has been considerable progress in global poverty reduction, although the extent of that progress is debated (World Bank, 2016; ADB, 2014). The poorest counties and the very poorest within those countries have tended to be left behind (World Bank, 2016). Increasing numbers of absolutely poor and multidimensionally poor people live in urban areas and in middle-income countries, especially China and India, although most still live in rural areas (Satterthwaite & Mitlin, 2014; World Bank, 2016). The impact of climate change threatens to derail international efforts to eradicate extreme poverty by 2030 (Shepherd et al., 2013).

Progress on inequalities is uneven. In recent years income inequality globally and within many countries has decreased, but in some countries it has risen (World Bank, 2016). Some success in reducing income inequality has come with the expansion of education and public transfers to the poor (UNDESA, 2013). Inequalities between marginalised groups and the rest of the population have persisted (UNDP, 2015). Sustainable Development Goal 10 is to reduce inequality within and among countries.

Poverty and inequality projections are highly speculative. The 2030 poverty target of three per cent is aspirational, but possibly attainable under an optimistic scenario.
Section 3 on understanding and addressing extreme poverty and inequality discusses why poverty and inequality matter; their drivers; the people they affect; and policies for poverty and inequality reduction.

Poverty reduces people’s quality of life, and countries with a higher incidence of poverty tend to face worse growth prospects (Hulme, 2010; Ravallion, 2009). Extreme poverty is concentrated among the most disadvantaged people: those in remote and rural areas, those at most risk from the effects of climate change, the young, the old, ethnic minorities and those with some form of disability (Greenhill et al., 2015). Poverty can be transmitted across generations (Behrman et al., 2013).

Inequality is a challenge to the eradication of extreme poverty and tends to reduce the pace and durability of growth (UNICEF et al., 2014; Ostry et al., 2014). Inequalities have also been found to hinder social cohesion and increase the risk of violent conflict (UNDP, 2013; Stewart, 2010). Inequality undermines social justice and human rights. Inequalities have resulted in the poorest people – including many women, young and older people, persons with disabilities, indigenous peoples and rural populations – making less progress towards development goals (Kabeer, 2010; World Bank, 2013). Economic, political, and social inequalities tend to reproduce themselves over time and across generations (World Bank, 2006).

There is some overlap between those affected by poverty and those negatively affected by inequality, although it is important to note that certain groups and individuals are disproportionately affected. Deprivation or inequality in one dimension can influence other dimensions: for example, social inequality can lead to economic inequality (Sumner, 2013; Kabeer, 2010).

It is important to understand the drivers of poverty and inequality to combat them effectively.

- *Drivers of poverty* include: shocks; lack of inclusive economic growth and jobs; insecure jobs and low wages; limited opportunities; low capabilities; inequality; poor governance; weak civil society; lack of respect for human rights; climate change; the global recession; violent conflict and displacement; and an individual’s human capital, physical and social assets, and behaviour.

- *Drivers of all forms of inequality* include: globalisation processes; domestic policies; returns on capital; income inequality; discriminatory attitudes; and structural drivers and barriers.

Poverty and inequality reduction polices need to be tailored to specific contexts. *Poverty reduction measures* include: pro-poor economic growth; well-designed social transfers; support for human capabilities; action to tackle exclusion and inequality; strategic urbanisation and migration; and good governance.

Responses to inequality need to be match the complexity and many dimensions of its drivers, and require strong consensus at all levels. *Inequality reduction measures* include: inclusive growth; support for education and job creation to benefit all; effective and fair redistribution; fiscal policies that promote equality; open and responsive governments; action to challenge prejudices and cultural norms that underpin discrimination; the realisation of human rights for all; universal, good quality essential services; well-designed social protection; and investment in all children.
1 Measuring and analysing poverty and inequality

1.1 Defining poverty, extreme poverty and inequality

Poverty and well-being

Poverty is defined by the World Bank (Haughton & Khandker, 2009, p. 1) as a ‘pronounced deprivation in well-being’. It can be defined narrowly or more broadly, depending on how well-being is understood.

Narrow definitions of well-being are typically linked to commodities, i.e. whether households or individuals have enough resources to meet their needs. In this case poverty is seen largely in monetary terms in relation to household income or consumption¹ (Haughton & Khandker, 2009). Broader definitions of well-being include items such as physical and mental health, close relationships, agency and participation, social connections, competence and self-worth, and values and meaning (Wellbeing & Poverty Pathways, 2013).

Absolute poverty² is poverty below an official line set at the ‘absolute standard of what households should be able to count on in order to meet their basic needs’ (Coudouel et al., 2002, p. 33). Poverty is often defined this way in developing countries, as it focuses attention on vital human needs, and helps with measurement and cross-country comparisons (Hulme, 2010). However, it does not account for differing nutritional needs and costs per person of acquiring food and other essential needs, or for people’s needs as social actors (Hulme, 2010). The most commonly used global comparative poverty lines have been USD 1.25 (updated in October 2015 to USD 1.90³) and USD 2.00 (updated to USD 3.10) a day.

Relative poverty is defined in relation to other people in that society at the same time (Hulme, 2010). Poverty is often defined this way in high-income countries to acknowledge that people are part of a society and to take into account broader quality of life issues (Hulme, 2010).

Well-being can also be linked to the lack of a specific type of consumption good. People can be shelter-poor, food-poor, asset-poor or health-poor, for example, and poverty can also be concerned with people’s educational or nutritional levels (Haughton & Khandker, 2009). Women can be especially time-poor as they spend so much time on domestic and caring work (Grown, Floro & Elson, 2010).

Poverty as capability deprivation, as articulated by Amartya Sen (1987), looks at well-being arising through people’s ability to function in society. Poverty arises when people lack key capabilities and so have ‘inadequate income or education, or poor health, or insecurity, or low self-confidence, or a sense of powerlessness, or the

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¹ Income and consumption are generally defined at household level and do not take account of intra-household variations which obscures individual poverty (Sen in Chant, 2010; Coudouel et al., 2002)

² See Section 1.2 for more information on absolute and relative poverty lines, including use at national and global levels.

³ Based on new purchasing power parity figures from 2011: see Section 1.2
absence of rights such as freedom of speech’ (Haughton & Khandker, 2009, p. 2-3). Viewed in this way, poverty is a multidimensional phenomenon and less amenable to simple solutions. For instance, while higher average incomes will certainly help reduce poverty, these may need to be accompanied by measures to empower the poor, or insure them against risks, or to address specific weaknesses such as inadequate availability of schools or a corrupt health service.

Poverty is increasingly understood as multidimensional, although there is a tendency to focus on human development outcomes such as health, education, and nutrition when looking beyond income measures (Poverty Analysis Discussion Group, 2012). This may underplay the significance of socio-cultural difference and more qualitative elements (powerlessness, stigma, discrimination and isolation, for example) (Poverty Analysis Discussion Group, 2012).

Some people are chronically poor (poor for years at a time or even their whole lives), while others can be transiently poor (move in and out of poverty) (Coudouel et al., 2002; CPRC, 2009). Poverty can be seasonal or non-seasonal. For example, people can fall into poverty if the end of the dry season exhausts food stocks and then recover later (Coudouel et al., 2002). Poverty dynamics help explain why people move into and out of poverty and why some people are trapped in it (Shepherd, 2011).

Child poverty refers to the deprivation of the material, spiritual and emotional resources children need to survive, develop and thrive, and to enjoy their rights and achieve their full potential. It can have different causes and effects to adult poverty, and its impact has ‘detrimental effects on children which are irreversible’ (UNICEF, 2011, p. 1).

Inequality

Poverty is related to, yet distinct from, inequality (Haughton & Khandker, 2009). Inequality is concerned with the full distribution of well-being; poverty is focused on the lower end of the distribution only – those who fall below a poverty line (McKay, 2002). Inequality can be viewed as inequality of what, inequality of whom and inequality over what time horizon (McKay, 2002).

Inequalities are ‘fundamentally about relational disparities, denial of fair and equivalent enjoyment of rights, and the persistence of arbitrary discrepancies in the worth, status, dignity and freedoms of different people’ (UNICEF & UN Women, 2013). Inequality can exist in a variety of spheres, such as income, wealth, education, health and nutrition.

Vertical inequalities are a measure of inequality among individuals and households, often focused on income or consumption; and horizontal inequalities occur among groups who share a common identity, and often have economic, social, political and cultural status dimensions (Stewart, 2010, p. 6).

Economic inequality is often found in conjunction with other social inequalities faced by people marginalised because of identities such as gender, disability, race, ethnicity, caste, religion or language – resulting in intersecting – and mutually reinforcing – inequalities (Kabeer, 2010; World Bank, 2013). These socially excluded groups often suffer from spatial inequalities, as they tend to be concentrated in disadvantaged locations. Social, economic and spatial inequalities also contribute to political inequalities (UNDP, 2013).

There are two prominent perspectives on inequality (de Barros et al., 2009; UNDP, 2013; UNICEF & UN Women, 2013; World Bank, 2006):

Inequality refers to disparities and discrepancies in areas such as income, wealth, education, health, nutrition, space, politics and social identity.

Intersecting inequalities occur when people face inequality in multiple aspects of their lives.

Vertical inequalities occur between individuals.

Horizontal inequalities occur between groups.

Inequality of outcomes refers to differences in what people achieve in life (e.g. level of income).

Inequality of opportunities refers to differences in people’s background or circumstances that condition what they are able to achieve.

Global inequality refers to difference in income between all individuals in the world rather than inequalities between countries.
- **inequality of outcomes**, which include level of income or level of educational attainment; and
- **inequality of opportunities** as a result of differences in background, social treatment and conditions, indicated by unequal access to employment or education, for example.

Opportunities are harder to observe and measure than outcomes, and are seen to be more as a result of ‘circumstances’ than outcomes, which may arise from people’s own efforts (World Bank, 2006). Inequality of opportunities is generally regarded as ‘unfair’, while the ‘fairness’ of inequality of outcomes is more contested (de Barros et al., 2009). A rich literature asserts that this focus on the direction of causality between outcomes and opportunities ignores that the two are highly interdependent (UNDP, 2013; UNICEF & UN Women, 2013). For those born into relatively disadvantaged households, increasingly unequal outcomes mean fewer opportunities to live a fulfilling life (UNDP, 2013).

Inequality can be understood at different levels. It occurs **within countries**, and **between countries**, either taking into account population weighting or not (Milanovic, 2012). **Global inequality**, on the other hand, looks at the differences in income between all individuals in the world rather than between countries, recognising the different levels on inequality within countries. Each different understanding of inequality has different consequences for establishing changes in inequality levels (Milanovic, 2012).

### 1.2 Measures of poverty

#### Reasons for measuring poverty

The World Bank *Handbook on Poverty and Inequality* (Haughton & Khandker, 2009, p. 1) suggests it is important to measure poverty in order to:

- keep poor people on the agenda;
- identify poor people and thus be able to target appropriate interventions;
- monitor and evaluate projects and policy interventions geared to poor people;
- evaluate the effectiveness of institutions whose goal is to help poor people.

#### Measuring poverty

The *Handbook on Poverty and Inequality* identifies three steps that need to be taken in measuring poverty (Haughton & Khandker, 2009, p. 10):

- ‘Defining an indicator of welfare
- Establishing a minimum acceptable standard of that indicator to separate the poor from the nonpoor (the poverty line)
- Generating a summary statistic to aggregate the information from the distribution of this welfare indicator relative to the poverty line’.

Where data is available, there is a need to adjust for: i) differences in needs between households; ii) intra-household inequalities; and iii) differences in prices across regions and at different times (Coudouel et al., 2002).

Most **rich countries** measure poverty using income, as it is comparatively easy to measure (much of it comes from wages and salaries). Consumption expenditure is more complex and hard to quantify (Haughton & Khandker, 2009). It also important to account for wealth from assets that can be measured using Inland Revenue taxation data (Piketty, 2014).

Most **poor countries** use expenditure to measure poverty. Expenditure is easier to track than income, which comes largely from self-employment and/or irregular and informal sources (Haughton & Khandker, 2009). Some analysts argue that expenditure is a better indicator of poverty because it shows more accurately whether a person has enough to meet current basic needs (Coudouel et al., 2002). The consumption of goods requires access and availability as well as income (Coudouel et al., 2002).
Measures of poverty

The construction of a poverty line is arguably the most difficult step in the practical measurement of poverty (Haughton & Khandker, 2009). Poverty lines tend to be defined using three methods: the cost of basic needs, which is generally the preferred approach; food energy intake; and subjective evaluation (Haughton & Khandker, 2009). The poverty line ‘may be thought of as the minimum expenditure required by an individual to fulfil his or her basic food and nonfood needs’ (Haughton & Khandker, 2009, p. 41).

National poverty lines can be used to measure trends in countries but cannot be used for comparisons across countries. The choice of poverty line can differ from country to country, in different parts of a country, or based on family composition (Haughton & Khandker, 2009). It often depends on the intended use (Haughton & Khandker, 2009). Absolute poverty lines can be used at the national level, as well as globally. Some countries use an absolute poverty line, adjusted for inflation, which remains fixed over time to enable comparison with past levels and judgment of the effect of antipoverty policies. Absolute poverty lines may change to reflect changes in consumption patterns (roughly every ten years or so) if this remains comparable to past absolute poverty lines. A national level example is the US’s absolute poverty line, which in 2012 was around USD 16 a day for an individual. Most countries revise their poverty lines from time to time to reflect the evolution of what is considered poverty in that country beyond the adjustments made to the absolute poverty line. These revised poverty lines are used to measure relative poverty in relation to others in society rather than absolute poverty (Haughton & Khandker, 2009).

Global poverty measures

Differences in the estimates of global poverty arise for the following reasons (Anand et al., 2010):

- the use of different poverty lines;
- the use of different purchasing power parity (PPP) exchange rates to convert incomes in local currencies into a common international currency, which has been particularly problematic;
- different approaches to estimating within country distributions of income; and
- different calculations of mean incomes within countries.

These differences arise out of disagreements over the best way to measure poverty (Anand et al., 2010).

To legitimately compare poverty rates across countries a global absolute poverty line, which adjusts for purchasing power parity, is needed to reflect differences in the cost of buying goods. The global extreme poverty line was adjusted by the World Bank in 2015 from USD 1.25 (PPP) a day (used since 2008) to USD 1.90 (PPP) as a result of recalculations using new PPP data. See the box below for more information on the global extreme poverty line and PPP.

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4 Estimated cost of acquiring enough food for adequate nutrition plus the cost of other essentials such as clothing and shelter.
5 Expenditure (or income) per capita against food consumption (in calories per person per day) to determine the expenditure (or income) level at which a household acquires enough food.
6 Asking people what minimum income level is needed just to make ends meet.
7 How Poor Are America’s Poorest? U.S. $2 A Day Poverty In A Global Context:
8 The cost of enough food and other essentials is different in different countries, which is reflected in different absolute poverty lines. These need to be converted in order to compare poverty internationally. A common currency is established using PPP exchange rates. One PPP dollar should buy the same basket of goods in Kenya, India or the US, for instance.
The USD 1.90 (PPP) international poverty line

The World Bank’s new international absolute poverty line of USD 1.90 dollars a day was estimated based on the recalculated 2011 purchasing power parity (PPP) estimates of the average of the national poverty lines of 15 very poor countries. The increase to 1.90 dollars is an adjustment for inflation so that the real standard of living it represents remains the same. PPP is used to convert to a common currency the amount of money needed in each country to buy the same amount of goods and services in the domestic market. See Figure 1 for differences in regional poverty headcounts as a result of the recalculated poverty line.

Some concerns over the use of PPP relate to the consistency of PPP rates over time as a result of methodological concerns over price surveys; the differences in actual consumption patterns of the poor in different countries; and the contrasting results produced by the use of different data sources for PPP-adjusted GDP data, which include Maddison, Penn World Table and the World Bank (Ortiz & Cummins, 2011).

For example, the 2014 Asian Development Bank report on key indicators for Asia and the Pacific highlighted that the conventional (at the time) USD 1.25 a day poverty line underestimated the costs of a minimum living standard in Asia (ADB, 2014).

Figure 1: Regional poverty levels and trends based on the USD 1.25 and USD 1.90 a day poverty lines

Source: blogs.worldbank.org/developmenttalk/international-poverty-line-has-just-been-raised-190-day-global-poverty-basically-unchanged-how-even
The World Bank’s PovcalNet is the source of, and allows users to replicate, the Bank’s official global, regional and internationally comparable country level poverty estimates. The latest version is available at: iresearch.worldbank.org/PovcalNet/.

The World Bank also provides poverty data through its
- **Poverty and Equity Database**: data.worldbank.org/data-catalog/poverty-and-equity-database;
- **World Development Indicators**: data.worldbank.org/data-catalog/world-development-indicators.

Table 1 below shows the percentage of people living in extreme poverty (at USD 1.25) in different regions. There are some proposals for the use a much higher global poverty line of USD 10.00, USD 12.50 or even USD 15.00 a day in some cases, as it is claimed that this will better recognise poverty across the world (Pritchett, 2013). It is argued that standard absolute poverty measures probably underestimate poverty rates in rich countries, where people face higher welfare costs of social inclusion and relative deprivation (Ravallion & Chen, 2013).

Relative poverty lines are set as percentage of a country’s median income. In many European countries, including the UK, the poverty line is set at 60 per cent of the median income. Luxembourg has one of the highest poverty lines at USD 43 a day – see figure 2 below (Ravallion & Chen, 2013, p. 259). As the median income in a country increases, the poverty line tends to increase too as ‘the minimum resources needed to participate fully in society probably rise over time’ (Haughton & Khandker, 2009, p. 43). Relative poverty lines are thus also measures of inequality. A USD 1.90 a day poverty line has little relevance in rich countries where few people would fall below this line. Those considered poor in a rich country would often be considered well off in poor countries (Haughton & Khandker, 2009). The use of relative poverty lines make it hard to compare poverty across countries or over time, as they do not represent the same welfare levels. They are also limited as targets. Some experts argue that standard measures of relative poverty probably underestimate the extent of poverty in poor countries, given that ‘these measures attach little value to social inclusion needs at low mean income’ (Ravallion & Chen, 2013, p. 258).

**Figure 2: Poverty lines across the world**

![National poverty lines](image)

**Source**: Ravallion – economicsandpoverty.com/read/poverty-measures-for-the-u-s/

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10 Monitoring progress on poverty: the case for a high global poverty line: http://www.developmentprogress.org/blog/2013/05/16/monitoring-progress-poverty-case-high-global-poverty-line
The Foster-Greer-Thorbecke (FGT) class of poverty measures is one of the best known. It includes the headcount index \( P_0 \), which measures the proportion of the population that is poor. This is the most popular because it is easy to understand and measure. But it does not indicate how poor the poor are (Haughton & Khandker, 2009).

The poverty gap index \( P_1 \) measures the extent to which individuals fall below the poverty line (the poverty gaps) as a proportion of the poverty line. The sum of these poverty gaps gives the minimum cost of eliminating poverty. The measure does not give any special weight to the poorest among the poor (Haughton & Khandker, 2009).

The squared poverty gap index (or the poverty severity index, \( P_2 \)) averages the squares of the poverty gaps relative to the poverty line. Extreme poverty is given greater weight than less poverty. It allows for variation in the weight placed on the income (or expenditure) level of the poorest members in society (Haughton & Khandker, 2009). It is possible to disaggregate the FGT poverty measures for population subgroups (Haughton & Khandker, 2009).

The Sen-Shorrocks-Thon index combines measures of the proportion of poor people, the depth of their poverty, and the distribution of welfare among the poor. These measures allow a breakdown of poverty into three components to see if: there are more poor; the poor are poorer; and if there is higher inequality among the poor (Haughton & Khandker, 2009). They are a different way of measuring the same thing.

Well-being, poverty and inequality can also be defined in terms of assets. Three suggestions for asset-based measures of poverty look at the aspect of poverty related to a household’s wealth, their real and financial asset holdings, as well as their access to the credit market. They include income-net worth measures, asset poverty, and financial vulnerability (Brandolini et al., 2009). Those who are asset-poor are not always the same as those who are income-poor. The importance of income and wealth differs depending on the situation in country. For example, wealth (indicated by assets) is less important in countries with secure employment and benefits, where regular income flows ensure living standards are maintained. Personal wealth can provide a cushion against shocks and uncertainties (Brandolini et al., 2009). Sources of data include the Luxembourg Wealth Study (LWS) database; the Eurosystem Household Finance and Consumption Survey; the Demographic and Health Survey (DHS)’s wealth index; and household surveys, although they are not used routinely.

High-frequency poverty measures allowing more real-time information on poor people’s well-being are not well developed, as evidenced by the difficulties in tracking poverty as the global economic crisis unfolded (Poverty Analysis Discussion Group, 2012). Some World Bank pilot projects using mobile phones have occurred in Peru, South Sudan and Tanzania. The South Sudan and Tanzania projects are to be rolled out across Africa as part of a programme called ‘Listening to Africa’ (Croke et al., 2012).

Health, nutrition and education poverty can be measured by looking at the nutritional status of children, incidences of specific diseases, life expectancy, and level of literacy (Coudouel et al., 2002).

Various in-country data on poverty can be gathered from several agencies, such as statistical offices or government poverty analysis units (Coudouel et al., 2002, p. 62). However, in some contexts responsible agencies may not exist, or there may be challenges with capacity and quality of data collection and analysis.

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Measuring multidimensional poverty

There is increasing agreement that it is important for poverty measures to reflect the multidimensional nature of poverty (Poverty Analysis Discussion Group, 2012). A number of commentators argue that aiming to reduce poverty using the USD 1.90 a day poverty measure ignores many overlapping disadvantages faced by people living in poverty, including malnutrition, poor sanitation, a lack of electricity, or ramshackle schools (Alkire & Sumner, 2013). Neither income nor expenditure measures capture these other aspects of household well-being, such as the value of publicly provided goods (education or public health services) and intangibles such as peace and security (Haughton & Khandker, 2009; Poverty Analysis Discussion Group, 2012). As a result, multidimensional poverty measures have emerged that complement the USD 1.90 a day measure by including other deprivations.

There is some debate around multidimensional poverty measures among those who propose scalar indices that combine, in a single number, information from various dimensions and those who suggest a dashboard approach of a credible set of multiple indices (Ferreria & Lugo, 2012; Poverty Analysis Discussion Group, 2012). While it can be helpful to look at deprivation overall, there are also benefits to looking at issues separately to ensure policy is correctly targeted. Measures that combine multiple dimensions, such as the Multidimensional Poverty Index, also need greater clarity on what exactly is being measured and the trade-offs embodied in the index, as well as contextual factors and the sensitivity of the implied rankings to changing the data and weights (Ravallion, 2010). In addition, it is argued that neither of these approaches reveals the interdependence of the different dimensions in multidimensional poverty (Ferreria & Lugo, 2012).

The Multidimensional Poverty Index, now used in the Human Development Report, measures acute global poverty by beginning at the level of the person or household. It measures overlapping deprivations using a set of ten indicators in three dimensions – health, education and living standards (see figure 3 below) – and summarises the individual’s or household’s poverty profile with a weighted deprivation score. If more than three of the ten indicators are below the relevant poverty cut-offs, they are identified as multidimensionally poor (Alkire et al., 2013). It helps to capture how many people experience overlapping deprivations, and of what intensity (how many deprivations they face on average). See Table 1 overleaf for the percentage of people living in multidimensional poverty in different regions.

Figure 3: Dimensions and indicators of the Multidimensional Poverty Index

Source: ophi.org.uk/multidimensional-poverty-index/

12 MPI Frequently Asked Questions: ophi.org.uk/multidimensional-poverty-index/mpi-faqs/
1. **Health** (each indicator is weighted equally at 1/6)
   - *Nutrition*: deprived if any adult or child for whom there is nutritional information is malnourished
   - *Child mortality*: deprived if any child has died in the family
2. **Education** (each indicator is weighted equally at 1/6)
   - *Years of schooling*: deprived if no household member has completed five years of schooling
   - *Child enrolment*: deprived if any school-aged child is not attending school in years 1 to 8
3. **Standard of living** (each indicator is weighted equally at 1/18)
   - *Cooking fuel*: deprived if they cook with wood, charcoal or dung
   - *Sanitation*: deprived if they do not have an improved toilet or if their toilet is shared
   - *Drinking water*: deprived if the household does not have access to clean drinking water or clean water is more than 30-minute walk from home
   - *Electricity*: deprived if the household has no electricity
   - *Flooring*: deprived if the household has a dirt, sand or dung floor
   - *Assets*: deprived if the household does not own more than one of: radio, TV, telephone, bike, or motorbike, and does not own a car or tractor (Alkire & Santos, 2010, p. 2).

**Multidimensional Poverty Index (MPI) 2015+ – a proposal for a new poverty measurement**

A Multidimensional Poverty Index (MPI) 2015+ has been proposed by Alkire and Sumner (2013) for the post-2015 context. It would bring together Sustainable Development Goal indicators, and would draw on participatory processes to show how people are poor and the disadvantages they experience. They argue that this would help us gain an even richer picture of the true reality of poverty.

**Table 1: Income and multidimensional poverty, by region**

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of countries in sample</th>
<th>Income (USD 1.25 a day) poverty headcount (%)</th>
<th>Number of countries in sample</th>
<th>Multidimensional poverty headcount (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arab States</td>
<td>10</td>
<td>6.5</td>
<td>9</td>
<td>15.5</td>
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<td>East Asia and the Pacific</td>
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<td>12.7</td>
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<td>Europe and Central Asia</td>
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<td>Latin America and the Caribbean</td>
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<td>South Asia</td>
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<td>Sub-Saharan Africa</td>
<td>40</td>
<td>50.9</td>
<td>36</td>
<td>59.6</td>
</tr>
</tbody>
</table>

*Source: adapted from UNDP (2014, p. 73)*
The MPI replaces the Human Poverty Index (HPI) used in the Human Development Report from 1997-2009. The HPI used country averages to reflect aggregate deprivations in health, education, and standards of living but did not measure poverty at an individual or household level.\(^{13}\)

The global Multidimensional Poverty Index 2016 provides multidimensional poverty data from 102 developing countries gathered by the Oxford Poverty & Human Development Initiative. It uses data on other aspects of poverty gathered by the Demographic and Health Survey (DHS), the Multiple Indicators Cluster Survey (MICS), and the World Health Survey (WHS). See: ophi.org.uk/multidimensional-poverty-index/global-mpi-2016/

OECD measures of well-being use existing objective data, as well as subjective data,\(^{14}\) that take account of people’s own aspirations and their evaluations of their experiences of development, and relational data looking at the quantity and quality of relationships (OECD, 2013). The addition of subjective well-being data can provide an important complement to other indicators already used, although the variety of factors that influence how people experience and report on their lives means subjective well-being on its own can only tell part of a person’s story (OECD, 2013b).

The Social Progress Index measures:

- basic human needs (assessed by looking at nutrition and basic medical care, water and sanitation, and shelter and personal safety);
- foundations of well-being (assessed by looking at access to basic knowledge, access to information and communications, health and well-being, and ecosystem sustainability); and
- opportunity to progress (assessed by looking at personal rights, personal freedom and choice, tolerance and inclusion, and access to advanced education).\(^{15}\)

Measuring child poverty requires child-specific social indicators that can capture the multidimensional and interrelated nature of poverty. These measure the linkages between child deprivations in eight critical dimensions: education, health, nutrition, water, sanitation, shelter, information and income/consumption (UNICEF, 2011).

Qualitative poverty measures

Qualitative poverty measures can help in understanding poverty dynamics and the well-being of a household at more than one point in time. Building on Robert Chambers’ Participatory Rural Appraisal, participatory poverty assessment (PPA) aims to understand poverty from the perspective of poor people in order to better inform poverty reduction policies (Norton, 2001). The World Bank has carried out many PPAs across the world, gathered together in the Voices of the Poor project.\(^{16}\)

Participatory research contributed heavily to the understanding that poverty is multidimensional (Norton, 2001). It also aids in illustrating the dynamic dimensions of poverty, people’s vulnerability to shocks, cyclical deprivation and long-term poverty trends. Participatory processes can also illustrate the intra-household dimensions of poverty, especially in relation to gender (Norton, 2001).

Measuring vulnerability to poverty

Vulnerability\(^{17}\) to poverty is the probability or risk of being in poverty or falling into poverty in the future. It is also considered to be an important aspect of well-being as it affects people’s behaviour and perceptions.

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\(^{13}\) MPI Frequently Asked Questions: ophi.org.uk/multidimensional-poverty-index/mpi-faqs/

\(^{14}\) Subjective wellbeing is taken to encompass: i) life evaluation - reflective assessment on a person’s life or some specific aspect of it; ii) affect – a person’s feelings or emotional states, typically measured with reference to shorter time periods; iii) eudemonia – a sense of meaning and purpose in life, or good psychological functioning (OECD, 2013b).

\(^{15}\) Social Progress Index 2016: http://www.socialprogressimperative.org/global-index/

\(^{16}\) The World Bank: Voices of the Poor: http://go.worldbank.org/H1N8746X10

\(^{17}\) In his seminal article, Chambers argues that vulnerability is not the same as poverty. Borrowing and investing may reduce income poverty, but such debt makes households more vulnerable, for instance. Vulnerability entails “defencelessness, insecurity, and
Dercon (in Haughton & Khandker, 2009, p. 244) suggests a framework for analysing vulnerability to poverty by looking at assets, incomes, and well-being/capabilities, and risks related to them. Dutta et al. (2011) suggest measuring vulnerability to poverty by taking into account current assets and income to look at people’s ability to build up coping mechanisms for future income shocks. This captures where the current living standard reduces future vulnerability and where it increases it (Dutta et al., 2011).

**Issues with poverty measurements**

All measures of poverty are imperfect (Haughton & Khandker, 2009). This means all measures of poverty and sources of poverty data need to be approached with a degree of caution, particularly data on fragile and conflict-affected countries, if it is even available. As measures of poverty and inequality are based on survey data they are only really sample statistics and need to take into account the type of sampling and weighting given to the data (Haughton & Khandker, 2009). Additional issues with poverty measurements include the following.

**Intra-household poverty**

Measuring poverty at the household level neglects the individual poverty of its members. For example, unequal resource allocation within a household can mean that women’s levels of poverty differ from the household average (Medeiros & Costa, and Sen, in Chant, 2010; Coudouel et al., 2002).

**Urban poverty**

Research suggests that urban poverty has been misunderstood and under-estimated as a result of models and measurement methods based on rural poverty (Satterthwaite & Mitlin, 2014). For example, Satterthwaite and Mitlin (2014) find that current poverty lines are not fit for purpose as they define a lot of people living in urban areas as not poor despite their malnourishment, premature deaths, poor housing, and lack of adequate water and sanitation. They argue that monetary measures of poverty need to reflect the cost of food and non-food needs in different areas. The Poverty Analysis Discussion Group (2012) point out that differences between prices and costs in urban and rural areas need to be accurately measured (accounting for the potentially high cost of transport, rent, safe sanitation and energy in urban areas). Some items of consumption that are not relevant in rural areas may be important in cities e.g. transport. It is also necessary to take into account the impact of crime and social tensions, the health consequences of poor environmental quality, and the social and psychological consequences of inequality and inequity and the low social status associated with informal livelihoods and settlements (Poverty Analysis Discussion Group, 2012).

**Disaggregated poverty data**

Poverty data that is disaggregated – in relation to gender, disability and age, for example – is not regularly produced by all countries, nor systematically compiled at global level (DESA, 2010). It can be difficult to collect in some cases. Household surveys are currently the source of most disaggregated data. More disaggregated poverty data would enable a better understanding of poverty and its impact on different groups of people, including women. However, there may be limits to the disaggregation surveys allow.

### 1.3 Measures of inequality

Inequality measures can be used to illustrate inequality between groups and within groups (Haughton & Khandker, 2009). The choice of measurement can have different policy implications.

A variety of databases provide data on inequality from a wide range of countries. However, the data is hard to compare as survey coverage is still relatively limited and data collection across countries is not harmonised (UNDESA, 2013).

**Decile Dispersion Ratios** are the simplest measurement of inequality. They sort the population from poorest to richest and show the percentage of expenditure (or income) attributable to each fifth (quintile) or tenth (decile) exposure to risk, shocks and stress’ (Chambers, 1989). It is the product of external risks and internal household conditions and actions.
of the population (Haughton & Khandker, 2009). They are defined as the expenditure (or income) of the richest decile divided by that of the poorest decile. They are popular but considered a crude measure of inequality, albeit easy to understand (Haughton & Khandker, 2009).

The UNU-WIDER’s World Income Inequality Database (WIID) provides a very comprehensive set of income inequality statistics, but its data is not easy to compare (Solt, 2009). The latest version of the World Income Inequality Database (WIID3.3), published in 2015, is available here: https://www.wider.unu.edu/download/WIID3.3.

The Luxembourg Income Study (LIS) calculates income inequality statistics for a small number of richer countries (Solt, 2009). See: http://www.lisdatacenter.org/our-data/lis-database/

The most widely used measure of inequality is the Gini coefficient, which ranges from 0 (perfect equality) to 1 (perfect inequality, one individual has everything). It is typically in the range of 0.3 to 0.5 for per capita expenditures (Haughton & Khandker, 2009). It is derived from the Lorenz curve, which sorts the population from poorest to richest, and shows the cumulative proportion of the population on the horizontal axis and the cumulative proportion of expenditure (or income) on the vertical axis.

The benefits of the Gini coefficient are described as: mean independence,\(^{18}\) population size independence,\(^{19}\) symmetry,\(^{20}\) and Pigou-Dalton Transfer sensitivity\(^{21}\) (Haughton & Khandker, 2009). A problem, however, is that it cannot easily be broken down to show the sources of inequality, and it is very sensitive to changes in the middle distribution where there is often less change than at the extremes (Haughton & Khandker, 2009; Cobham & Sumner, 2013). Nor is it clear about its underlying normative assumptions about inequality (Cobham & Sumner, 2013).

The Standardized World Income Inequality Database (SWIID) provides Gini indices of gross and net income inequality for 176 countries for as many years as possible from 1960 to the present (Solt, 2016). It involves a huge amount of data, and – while still not strictly comparable (UNDESA, 2013) – it is the most comprehensive effort to date to improve data comparability while maintaining broad coverage. SWIID Version 5.1 was published in 2016: https://dataverse.harvard.edu/dataset.xhtml?persistentId=hdl:1902.1/11992

A newer measure of inequality is the ‘Palma’ ratio: the top ten per cent of the population’s share of gross national income, divided by that of the poorest forty per cent of the population. It is suggested that this is intuitively easy to understand and more sensitive to changes at the extremes, which may make it more useful for policymakers (Cobham & Sumner, 2013).

Theil’s T and Theil’s L indexes break down inequality into the part that is due to inequality within areas (e.g. urban or rural) and the part that is due to differences between areas (for example, the rural-urban income gap), as well as the sources of changes in inequality over time (Haughton & Khandker, 2009). Typically, at least three-quarters of inequality in a country arises from within-group inequality, and the remaining quarter to between-group differences (Haughton & Khandker, 2009). However, the Theil index does not have a straightforward representation and lacks the appealing interpretation of the Gini coefficient (Coudouel et al., 2002).

A Pen’s Parade graph can be useful in showing how incomes, and income distribution, change over time. It is helpful when comparing two different areas or periods (Haughton & Khandker, 2009).

Other important ways of measuring inequality in or across countries include looking at education and health distribution, although these are less developed than income-based measures (Peterson, 2014). Concentration indices can also be used to indicate health inequality. They use a similar methodology to the Gini coefficient and

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\(^{18}\) If all incomes were doubled, the measure would not change.

\(^{19}\) If the population were to change, the measure of inequality should not change, all else being equal.

\(^{20}\) If any two people swap incomes, there should be no change in the measure of inequality.

\(^{21}\) Under this criterion, the transfer of income from rich to poor reduces measured inequality (Haughton & Khandker, 2009).
control for the socioeconomic dimension of health (Peterson, 2014). Education inequality is harder to measure
given the difficulty of finding the right indicator. Commonly used indicators include ‘distribution of primary
school enrolments’, ‘number of average years of schooling’, ‘test scores’, ‘adult literacy’ and attempts to devise
an indicator for quality of schooling (Peterson, 2014).

The World Bank’s Visualize Inequality dashboard provides information on inequality of opportunity for different
countries across the world. It allows countries to monitor their progress in expanding access and reducing
inequality in different dimensions over time, but does not provide a global ranking of countries. See:
www1.worldbank.org/poverty/visualizeinequality/

The UNDP’s Inequality-adjusted Human Development Index (IHDI) provides data on health, education and
income distribution that can be used for comparisons, although it does not account for overlapping inequalities.
See: hdr.undp.org/en/content/inequality-adjusted-human-development-index-ihdi

The World Inequality Database on Education (WIDE) provides data on education inequality. The latest version is
available here: education-inequalities.org

Cross-cutting comparison measures for gender inequality include:

- reproductive health measured by maternal mortality ratio and adolescent birth rates;
- empowerment, measured by proportion of parliamentary seats occupied by females and proportion of
  adult females and males aged 25 years and older with at least some secondary education; and
- economic status expressed as labour market participation and measured by the labour force
  participation rate of female and male populations aged 15 years and older.22

The Gender, Institutions and Development Database (GID-DB) provides data on different aspects of gender
inequality collected by the OECD’s Development Centre (Jütting et al., 2008). It covers key dimensions of gender
equality, including information on social norms, traditions and family law; women’s access to resources (e.g.
health and education); political empowerment; women’s economic status; and composite indicators measuring
gender equality (Jütting et al., 2008). See latest version of the GID-DB, updated in 2014:

The UNDP’s Gender Inequality Index (GII) provides data on gender inequality in more than 150 countries in
relation to reproductive health, empowerment, and economic status. See: hdr.undp.org/en/composite/GII

The World Bank’s Global Database of Shared Prosperity23 is a collection of comparable shared prosperity data
from 83 countries circa 2008-2013. It tracks annualised average growth rate in per capita real consumption or
income among a nation’s bottom 40 per cent. Its primary source is the World Bank’s PovcalNet database. See:

1.4 Key references

Coudouel, A., Hentschel, J. S., & Wodon, Q. T. (2002). Poverty measurement and analysis, in the poverty

How can you analyse well-being? This chapter provides an introduction to poverty, inequality, and vulnerability
analysis and a guide to resources, tools and data sources. It focuses mainly on income and consumption and
refers only casually to the other multidimensional aspects of extreme poverty and social exclusion. Poverty

22 UNDP: Gender Inequality Index: http://hdr.undp.org/en/content/gender-inequality-index-gii
23 The World Bank’s shared prosperity goal captures two key elements, economic growth and equity, and it will seek to foster
income growth among the bottom 40 percent of a country’s population. Without sustained economic growth, poor people are
unlikely to increase their living standards. But growth is not enough by itself. Improvement in the Shared Prosperity Indicator
requires growth to be inclusive of the less well- off. Source: http://www.worldbank.org/en/news/feature/2013/05/08/shared-
prosperity-goal-for-changing-world
profiles are useful for comparing poverty between groups. Different rounds of surveys are useful for comparing poverty over time. Methods of analysing well-being must always be adapted to country circumstances and the availability of data.


The *Handbook* provides tools to measure, describe, monitor, evaluate, and analyse poverty and inequality. It evaluates the strengths and weaknesses and different arguments around these different tools. It provides background materials for designing poverty reduction strategies.


What does global inequality look like? This paper provides an overview of global, regional and national income inequalities based on the latest distribution data from the World Bank, UNU-WIDER and Eurostat. The extreme inequality in the distribution of the world’s income brings into question the current development model. Inequality slows economic growth, results in health and social problems and generates political instability. The paper provides income distribution and Gini index data from 1990-2008 for 136 countries.

Key references: Poverty


Where do the world’s multidimensionally (MPI) poor people live? This paper considers the difference in the global distribution of multidimensional poverty and income poverty. Only a quarter of MPI poor people and just one-third of severely MPI poor people live in the world’s poorest countries. The other three-quarters of the world’s MPI poor and two-thirds of the world’s severely MPI poor live in middle-income countries – one billion of them in stable middle-income countries.


What is the best way to measure global poverty? How global poverty is measured has presented widely differing estimates about progress towards reducing it. This book sets out the different debates around the measurement and estimation of global poverty. Topics covered include the controversies surrounding the definition of a global poverty line, the use of purchasing power parity exchange rates to map such a poverty line across countries, and the quality and appropriate use of data from national accounts and household surveys.


Attention was focused on gender and poverty when in 1995 it was suggested that women make up to 70 per cent of the world’s poor. The allocation of economic resources among family members usually favours men, and women tend to spend a lot of time doing unpaid care work. Women’s paid and unpaid labour is undervalued and gendered inequalities in assets, power, agency and discrimination exist. Lack of data on intra-household inequalities and problems with how poverty is measured means the real levels of women’s poverty are underestimated. This book looks at the causes and consequences of gendered poverty, and how they and their interactions can be conceptualised, investigated and measured. It identifies how policy interventions can address the complexities of gendered poverty in a positive and effective way.


How can the chronically poor escape poverty? Chronic poverty is a varied and complex phenomenon, but at its root is powerlessness. Poor people expend enormous energy in trying to escape poverty but with few assets, little education, and chronic ill health, their struggle is often unsuccessful. This report draws on years of research
by the Chronic Poverty Research Centre and suggests policies to attack the multiple and overlapping causes of chronic poverty.


Why has eradicating poverty not been a more urgent global issue? This book outlines how the concept of global poverty eradication has evolved, and evaluates institutions and their ability to reduce global poverty. The problem lies not with lack of global resources and technology, but with global governance. The world is organised in such a way that huge numbers of people have little or no access to basic human needs.


How can participatory poverty assessments (PPAs) best be used to improve the effectiveness of poverty reduction strategies? This handbook aims to provide practical guidance for development practitioners on conceiving and designing a PPA.


What are the grand dynamics that drive the accumulation and distribution of capital? Analysing data for twenty countries going back as far as the eighteenth century, this book suggests reasons for the inequalities that exist today. The tendency of returns on capital to exceed the rate of economic growth threatens to generate extreme inequalities that stir discontent and undermine democratic values. Political action could curb the further development of these inequalities.


What are the key innovations in the meaning and measurement of poverty? What is the future direction for research on poverty? This paper finds that over the last ten years human development concepts and measures have been institutionalised; analysis has increasingly moved beyond correlations to examine causality; dynamic analyses of changes in individual and household conditions are much more common; new multidimensional poverty measures have emerged; and approaches to combining quantitative and qualitative methods have advanced. In addition, ethical guidance, data availability and access to analytical software have improved. Future areas for research include the politics of poverty; poverty measurement – including longitudinal quantitative and qualitative research; exclusion and poverty; and pro-poor urbanisation policies.


How can the deficiencies of standard absolute and relative poverty measures be overcome? This article presents a new class of truly global measures that aim to improve the understanding of poverty. This allows for the costs of avoiding social exclusion and relative deprivation in both poor and rich countries.


Increasing numbers of poor people live in urban areas. Despite their proximity to possible advantage, they are highly disadvantaged, with poor or non-existent public services, high levels of violence and desperate living conditions. This book reviews the effectiveness of different approaches (including market approaches, welfare, rights-based approaches, and technical/professional support) to reducing urban poverty in the Global South. National and local governments and international organisations can become far more effective at addressing urban poverty at scale by working with and supporting the urban poor and their organisations.


This paper gathers the lessons from ten years of research by the Chronic Poverty Research Centre. It outlines the
changes in policy emphasis required in five key areas to achieve greater progress in the eradication of poverty and deprivation. If the chronically poor are to escape poverty beyond 2015, they require additional policies and political commitment, underpinned by greater understanding and analysis.

Further reading: Poverty
unicef.org/socialpolicy/files/A_Multidimensional_Approach_to_Measuring_Child_Poverty(2).pdf
wellbeingpathways.org/images/stories/pdfs/briefing_papers/BP1rev-web.pdf
Key references: Inequality


targeted measures. People with disabilities experience more deprivations, with greater severity, than people without disabilities in various areas of life. Women face discrimination in most areas of their lives. The rural and urban poor face various different inequalities including access to services and livelihoods. Older people experience discrimination, which restricts their access to resources and services. Children and youth face inequalities because of their age. Identity-based discrimination means that the poorest and most marginalised in any given state are often ethnic minorities, indigenous peoples and religious groups. Prejudice, negative stereotypes and intolerance against gay, lesbian, bisexual, and transgender people often results in violence and discrimination against them. Non-citizens and migrants commonly face legal discrimination and limited opportunities. Addressing inequalities depends on tackling structural barriers, creating conditions in all countries where all people are able to enjoy equality of rights and opportunity. Actions to tackle inequalities include: legal, social and economic policy; protection from discrimination, exploitation and harm; levelling-up measures; and capacity to claim.


What is the relationship between equity and development? Equity means that individuals should have equal opportunities to pursue a life of their choosing and be spared from extreme deprivation. Institutions and policies that promote a level playing field — where all members of society have similar chances to become socially active, politically influential, and economically productive — contribute to sustainable growth and development. Greater equity is good for poverty reduction through potential beneficial effects on aggregate long-run development and through greater opportunities for poorer groups. Inequality traps that result from overlapping political, social, cultural, and economic inequalities stifling mobility and equality of opportunity are wasteful and inimical to sustainable development and poverty reduction. Equitable policies are more likely to be successful when levelling of the economic playing field is accompanied by similar efforts to level the domestic political playing field and introduce greater fairness in global governance. The report discusses the role of public action in levelling the economic and political playing field by: investing in human capacities; expanding access to justice, land, and infrastructure; promoting fairness in markets; and promoting greater global equity, in access to markets, resource flows, and governance.


Why does inclusion matter? How can one know when social inclusion is achieved? Inclusion matters because it is the foundation for shared prosperity. Social exclusion is simply too costly—socially, politically, and economically. Excluded groups exist in all countries and are consistently denied opportunities. Intense global transitions are leading to social transformations that create new opportunities for inclusion as well as exacerbating existing forms of exclusion. Social and economic transformations affect people’s attitudes and perceptions. It is important to pay attention to these attitudes and perceptions as they affect how individuals and groups are treated, both by other members of the society and by the state. Social inclusion can be enhanced by improving people’s ability, opportunity, and dignity. Abundant evidence shows that social inclusion can be planned and achieved. The report provides a comprehensive examination of inclusion and a framework to help advance the social inclusion agenda.

Further reading: Inequality


Measurement and analysis

http://dx.doi.org/10.1080/14649880701811401


https://dx.doi.org/10.1111/ssqu.12295

http://dx.doi.org/10.1111/j.1540-6237.2009.00614.x
2 Trends and projections for extreme poverty and inequality

2.1 Poverty situation and trends

There has been considerable progress in global poverty reduction, although the extent of that progress is widely debated. MDG Goal 1 extreme poverty target was met early with global poverty rates halved,24 and about one billion people rising out of extreme poverty between 1990 and 2015 (World Bank, 2016). Poverty reduction has been rapid, particularly in East Asia and the Pacific and South Asia (mostly in China and India) (World Bank, 2016). However, an estimated 900 million people globally in 2012 still lived under the updated international poverty line of USD 1.90 a day, and a projected 700 million in 2015 (World Bank, 2016). Poverty has become concentrated in sub-Saharan Africa and South Asia25 (World Bank, 2016), but has fallen in many countries and overall. See Figure 5.

Despite substantial economic growth in many countries and considerable improvements in some poor people’s welfare, the poorest countries and the very poorest people within them, in terms of income poverty, have tended to be left behind (von Braun et al., 2009; World Bank, 2016). In addition, increasing numbers of absolutely and multidimensionally poor people now live in middle-income countries, especially China, India, Indonesia and Nigeria: countries containing large numbers of absolutely poor people have reached middle-income status (Poverty Analysis Discussion Group, 2012; Edward & Sumner, 2013; Alkire et al., 2013; World Bank, 2016). Lower-middle-income countries are home to about half of the world’s extreme poor – see figure 4 (World Bank, 2016). Three-quarters of multidimensionally poor people live in middle-income countries (Alkire et al., 2016).

Figure 4: Share of global poverty

![Figure 4: Share of global poverty](source: World Bank (2016, p. 35))

24 The global proportion of people living on less than USD 1.90 a day fell from 37.1 per cent in 1990 to 12.7 per cent in 2012. For those living in the developing world it fell from 44.4 per cent to 14.9 per cent. See: World Bank, 2016, p. 4.

25 World Bank data from 2012 puts the poverty headcount ratio measured at USD 1.90 a day (per cent of population) for East Asia & Pacific at 7.2 per cent (down from 60.6 per cent in 1990); Europe & Central Asia at 2.1 per cent (1.0 per cent in 1990); Latin America & Caribbean at 5.6 per cent (17.8 per cent in 1990); Middle East & North Africa: no data; South Asia at 18.8 per cent (50.6 per cent in 1990); and Sub-Saharan Africa at 42.7 per cent (56.8 per cent in 1990). The poverty ratio for fragile and conflict affected situations is 39.9 per cent. Retrieved from: [http://data.worldbank.org/topic/poverty](http://data.worldbank.org/topic/poverty); see also World Bank, 2016, p. 4.
Research estimates that, while the incidence of absolute poverty measured at below USD 1.90 a day is continuing to decline in low-income countries, growing numbers of people are living in relative poverty that rises with the mean, measured at a gradient of 1.2 above USD 1.25 a day (Chen & Ravallion, 2012). The total number of relatively poor people rose by about 360 million over 1981-2008 (while the corresponding number of absolutely poor fell by almost 650 million). Economic growth has helped reduce absolute poverty, but has less impact on reducing relative poverty than tackling inequalities (Chen & Ravallion, 2012).

The extent of progress on poverty reduction depends on which poverty measures are used, and there is debate on how relevant this is across different regions. The 2014 Asian Development Bank report, for example, argues that the former USD 1.25 poverty line has resulted in a false picture of the extent of poverty reduction in Asia (ADB, 2014). They argued that a poverty line of USD 1.51 a day (reconciled for the 2005 PPP) better reflected the higher cost of living in Asia, and that poverty measures need to take into account the impact of food insecurity and vulnerability to risks such as natural disasters, climate change, illness, and economic crises (ADB, 2014). Using an Asia-specific poverty line increased the number of extreme poor in the region in 2010 by 1,017.36 million more people than was estimated using the USD 1.25 a day line. Similar arguments could be made for other regions, which could potentially change the picture of progress. In addition, measuring multidimensional poverty produces different figures (see below).

There are 1.6 billion people living in multidimensional poverty, 53 per cent of whom live in South Asia and 32 per cent in sub-Saharan Africa (Alkire et al., 2016). Nearly half of all MPI poor people (768 million) live with such extreme deprivations (e.g. severe malnutrition or no more than one year of education in the household) that they should be considered destitute (Alkire et al., 2016). In 2013 it was found that three-quarters of the...
multidimensionally poor and two-thirds of the severe multidimensionally poor lived in middle-income countries, compared to four-fifths of the USD 1.25 a day poor and about three-quarters of the USD 2 a day poor who lived in middle-income countries at the time (Alkire et al., 2013). In some of these countries poverty was becoming more about national inequality than a lack of resources (Alkire et al., 2013). For information on how multidimensional poverty has changed over time in a selection of countries, see hdr.undp.org/en/composite/MPIchanges.

Alongside growing numbers of relatively poor people, increasing numbers of people are living in chronic poverty: as countries reduce absolute poverty, more of the remaining poverty is chronic (Shepherd, 2011). In 2005, between 336 and 472 million people were estimated to be trapped in chronic poverty, which lasts for many years and may be passed onto the next generation (CPRC, 2009; Shepherd, 2011). The poorest of the poor have benefited least from poverty reduction efforts (von Braun et al., 2009). They are often found within marginalised groups, who also face great inequalities (see Section 3.1 and 3.2).

As the world has become more urbanised, more poor people (in numbers and proportion) now live in urban areas (Satterthwaite & Mitlin, 2014; von Braun et al., 2009). Depending on how poverty is measured and taking into account the higher costs in urban areas, between 30 and 50 per cent of the urban population have been found to live in poverty (Satterthwaite & Mitlin, 2014). The increasing amount of poverty in middle-income countries and the increasing numbers of urban poor require a change in policies, as these issues have been neglected (Satterthwaite & Mitlin, 2014; von Braun et al., 2009).

Poor people have also faced shifting vulnerabilities in the last decade (Poverty Analysis Discussion Group, 2012). Rapid shifts in the price of food and the increasing incidence of natural disasters due to climate change pose growing risks to the livelihoods of the world’s poorest and most vulnerable people (Poverty Analysis Discussion Group, 2012; Shepherd, 2011; Shepherd et al., 2013; von Braun et al., 2009). This threatens to derail international efforts to eradicate poverty by 2030.
Figure 6: Comparison of headcount ratios of MPI poor, MPI destitute, and USD 1.25 poor

Source: Alkire et al., 2015, p. 5
2.2 Inequality situation and trends

Income inequality at a global level tends to be conceived of in three ways: global income inequality, based on the income of all individuals wherever they live; between-country income inequality based on the mean income in different countries; and between-country income inequality that factors in countries’ population sizes (Milanovic, 2012). Within-country income inequality is the differences between households within a country.

Despite standing at high levels, global income inequality has declined for the first time in almost two hundred years: between 2000 and 2015 the global Gini decreased from 75 to 62 per cent (World Bank, 2016; Milanovic, 2012). This is attributed to the substantial reduction in inequality among countries, based on population-weighted data, mostly due to income growth in China and India. The growth of China and India largely explain the decline in global household inequality, rather than changes in the distribution of income within countries (UNDP, 2015). Research suggests that global income inequality (inequality among all individuals in the world) is much greater than income inequality within any individual country (Milanovic, 2012). See Figure 7.

Figure 7: Global Gini coefficient compared to the Ginis of selected countries

Income inequality declined within a small majority of countries over the 2000s, especially in Latin America – see figure 8 (World Bank, 2016). Conversely, income inequality in many high-income countries has increased (World Bank, 2016). The middle classes of emerging market economies such as China, India, Indonesia, Brazil and Egypt have seen their per capita incomes rise, as have many of the poorer, but not the poorest, people across the world (Milanovic, 2012). This has allowed many people to escape absolute poverty (Milanovic, 2012).

Figure 8: Changes in income inequality over the 2000s

Source: Milanovic (2012, p. 9)

Source: World Bank (2016, p. 56)
Studies have found that the wealthiest individuals have become wealthier (the incomes of the top one per cent rose by 60 per cent between 1988-2008) while the situation of the poorest segments of the population has not improved – for the poorest five per cent of the population real incomes have remained the same (Milanovic, 2012; DSDP, 2013). Poor people have less income partly because of the rise of non-standard forms of employment, such as temporary employment or informal sector work, which pay less well (UNDESA, 2013).

Figure 9: Gini scores across the world

![Gini scores across the world](image)

Countries with darker shading are more unequal.

*Source: weforum.org/agenda/2015/11/5-maps-on-the-state-of-global-inequality/*

In 2011 Ortiz and Cummins calculated **Gini index values by region**. They found that middle-income countries had high levels of inequality, with Gini index values of 48.3 in Latin American and the Caribbean in 2008 for example. Gini index trends show that Eastern Europe/former Soviet Union and Asia had the largest increases between 1990 and 2008 (up 8.7 to 35.4). Latin America remained the region with the highest level of income inequality, although since 2000 it had reduced its Gini index value by 1.3). Sub-Saharan Africa was highly unequal (with a Gini index value of 44.2) but appears to have reduced this by almost five points, on average, since 1990. It has risen by 4.0 in Asia, between 1990-2008, to reach 40.4 and by 3.5 in high-income countries to reach 30.9 (Ortiz & Cummins, 2011).

In countries where inequality has declined (notably Brazil and other Latin American countries), the expansion of **education and public transfers to the poor** are key factors in the decline (UNDESA, 2013; UNDP, 2013). These successful cases of reducing economic inequalities illustrate the importance of policies and institutions in shaping inequality trends (UNDESA, 2013; UNICEF et al., 2014; UNDP, 2013).

A study by Credit Suisse found that **global wealth inequality has increased** since 2010: in 2014, 48 per cent of global assets were owned by just one per cent of the population (Hardoon, 2015).
Figure 10: Share of national income going to the richest one per cent for selected countries

![Graph showing the share of national income going to the richest one per cent for selected countries.]

Source: Fuentes-Nieva and Galasso (2014, p. 4)

Widespread inequality of opportunity persists, with large inequalities in health, education, and nutrition within and across social groups, countries, and different regions within countries (UNDP, 2015; UNDESA, 2013; UNDP, 2013). Spatial inequalities often account for a significant proportion of within-country inequalities (UNDESA, 2013). Inequality is often higher in rural than in urban areas (UNDESA, 2013; UNDP, 2013) – see figure 11, for example.

Various social groups – especially youth, older persons, persons with disabilities, indigenous people and rural populations – suffer disproportionately from inequalities such as income poverty and inadequate access to quality services (UNDP, 2013; see Section 3.2). For example, a study of 15 developing countries found that people with disabilities have on average lower educational attainment and employment rates than those without disabilities (Mitra et al., 2013). Alongside gender inequalities, inequalities between these groups and the rest of the population have persisted over time (UNDESA, 2013; Deaton, 2013; UNICEF and UN Women, 2013). Despite significant progress in education and some progress in health outcomes, evidence shows that women continue to lag behind in access to livelihoods (UNDP, 2013).

Inequality has gained greater prominence as an issue of concern to the international community, the general public, civil society and governments as a result of the financial and economic crises (UNDP, 2013). The Sustainable Development Goals include a goal to ‘reduce inequality within and among countries’. In addition, it has been recommended that the other goals have targets and indicators that focus on the most disadvantaged groups (UNICEF & UN Women, 2013). Policymakers tend to prioritise tackling inequality of opportunities (UNDP, 2013). However, there is evidence that suggests that reducing income inequality is key to reducing other inequalities and enhancing opportunities (UNDP, 2013).

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26 Sustainable Development Goals: https://sustainabledevelopment.un.org/?menu=1300
2.3 Projections

All predictions of poverty and inequality trends are highly speculative, and ‘depend on a large number of assumptions about human behaviour and policy decisions that are impossible to know in advance’ (Hillebrand, 2011, p. 160). Chandry et al. (2013, p. 2) also note that ‘[p]redicting poverty is a fool’s errand so it would be wrong to place too much stock on poverty estimates derived from any one scenario’. In addition, limitations of available data and problems with poverty measurement tools mean that it is difficult to accurately estimate current global poverty levels, let alone predict future trends (Edward & Sumner, 2013).

Poverty projections by the World Bank

The World Bank (2016) suggests that the 2030 poverty target of three per cent is aspirational but possibly attainable under an optimistic scenario. However, even if it is met on average globally, deep pockets of multidimensional poverty are likely to remain (World Bank, 2016; Cruz et al., 2015). Reaching the three per cent target would require an unprecedented 4 per cent per capita growth rate per year throughout 2015-2030 (World Bank, 2015b). In addition, poverty reduction would need to be broader based, especially in sub-Saharan Africa and South Asia (World Bank, 2015b). The optimistic scenario is more likely to be reached if the poorest were to experience income growth that was systematically higher than the mean income growth for the total population (Cruz et al., 2015). More pessimistic scenarios suggest that global poverty will continue to be a challenge in 2030, both globally and in specific countries. In all scenarios, poverty remains highest in sub-Saharan Africa (Cruz et al., 2015).
Other poverty projections

A 2015 ODI report provides an overview of existing work on projections of extreme poverty to 2030 (Greenhill et al., 2015). The most optimistic scenarios suggest that the extreme poverty rate could fall to 3-7 per cent of the world’s population by 2030 based on ‘business as usual’ (Greenhill et al., 2015) – see figure 13 overleaf. However, these projections suggest that extreme poverty will be increasingly concentrated in fragile states and/or sub-Saharan Africa (Greenhill et al., 2015) – see figures 14 and 15 below. Extreme poverty rates could remain in double digits if economic growth disappoints, and if income inequality worsens – see figures 16 and 17 below. It is also suggested that climate change will have substantial impacts on future poverty (Greenhill et al., 2015).
Figure 13: Baseline poverty forecasts from different studies

**Figure 14: Extreme poverty – concentration in fragile states**

![Bar chart showing extreme poverty concentration in fragile states over time](image1)

*Source: Greenhill et al. (2015, p. 21) – drawing on Chandy et al. (2013) and Kharas & Rogerson (2012).*

**Figure 15: Poverty in different regions**

![Bar chart showing poverty in different regions](image2)

*Source: Greenhill et al. (2015, p. 21) – drawing on World Bank (2015).*
Figure 16: High-growth and low-growth scenarios

Source: Greenhill et al. (2015, p. 23) – drawing on Chandy et al. (2013); Edward & Sumner (2014); Karver et al. (2012)
odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9594.pdf#page=23
Figure 17: The impact of inequality trends on extreme poverty


odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9594.pdf#page=23
Inequality projections

There have been fewer projections of inequality than of poverty. As with the poverty projections, different studies have reached different conclusions about inequality. Three recent projections include:

- **Hillebrand (2011)**: under the optimistic market first scenario, the world Gini coefficient falls to 0.648 in 2050, but still remains high compared with most within-country distributions, because economic growth is assumed to continue to be strong in OECD and other rich countries. Under the trend growth scenario, the trend towards global income equality is stalled, down to 0.679 in 2050, compared to 0.684 in 2005.

- **Hellebrandt and Mauro (2015)**: the Gini coefficient of global inequality will decline further to 61 in 2035, largely owing to rapid economic growth in the emerging-market economies.

- **Allison et al. (2014)**: global income inequality may decrease if economic growth excels and increase if within-country income distributions worsen.

2.4 Key references

Key references: Poverty


Where do the world’s multidimensionally (MPI) poor people live? This paper considers the difference between the global distribution of multidimensional poverty and income poverty. Only a quarter of MPI poor people and just one-third of severely MPI poor people live in the world’s poorest countries. The other three-quarters of the world’s MPI poor and two-thirds of the world’s severely MPI poor live in middle-income countries – one billion of them in stable middle-income countries.


How can the chronically poor escape poverty? Chronic poverty is a varied and complex phenomenon, but at its root is powerlessness. Poor people expend enormous energy in trying to escape poverty but with few assets, little education, and chronic ill health, their struggle is often unsuccessful. This report draws upon years of research by the Chronic Poverty Research Centre and suggests policies to attack the multiple and overlapping causes of chronic poverty.


Should international public finance fund a global social compact to eradicate poverty? The Sustainable Development Goals are achievable if we do not adopt a business-as-usual approach. Projections based on current patterns of development suggest that in 2030: i) low-income fragile states will have been left even further behind; ii) some 550 million people will still be living on less than USD 1.25 a day, most of them in sub-Saharan Africa; iii) around four million children will die needlessly before the age of five; and iv) universal health and education will still be distant prospects in many countries, with some in sub-Saharan Africa still 20 years away from achieving universal primary education. These outcomes are avoidable if public finance is invested in eradicating poverty in an adaptive and politically smart way, focusing on social protection, universal health coverage, and universal primary and secondary education. Eradicating extreme poverty by 2030 will require mechanisms to reduce inequality and share the fruits of economic growth.


https://books.google.co.uk/books?id=ANj5aUjuDL8C&printsec=frontcover

Why has eradiating poverty not been a more urgent global issue? This book outlines how the concept of global poverty eradication has evolved, and evaluates institutions and their ability to reduce global poverty. The
problem lies not with lack of global resources and technology, but with global governance. The world is organised in such a way that huge numbers of people have little or no access to basic human needs.


What are the key innovations in the meaning and measurement of poverty? What is the future direction for research on poverty? This paper finds that over the last ten years human development concepts and measures have been institutionalised; analysis has increasingly moved beyond correlations to examine causality; dynamic analyses of changes in individual and household conditions are much more common; new multidimensional poverty measures have emerged; and approaches to combining quantitative and qualitative methods have advanced. In addition, ethical guidance, data availability and access to analytical software have improved. Future areas for research include the politics of poverty; poverty measurement – including longitudinal quantitative and qualitative research; exclusion and poverty; and pro-poor urbanisation policies.

Ravallion, M., & Chen, S. (2013). A proposal for truly global poverty measures. Global Policy, 4(3), 258-265. dx.doi.org/10.1111/1758-5899.12049 How can the deficiencies of standard absolute and relative poverty measures be overcome? This article presents a new class of truly global measures that aim to improve the understating of poverty. This allows for the costs of avoiding social exclusion and relative deprivation in both poor and rich countries.


Increasing numbers of poor people live in urban areas. Despite their proximity to possible advantage, they are highly disadvantaged, with poor or non-existent public services, high levels of violence and desperate living conditions. This book reviews the effectiveness of different approaches (including market approaches, welfare, rights-based approaches, and technical/professional support) to reducing urban poverty in the Global South. National and local governments and international organisations can become far more effective at addressing urban poverty at scale by working with and supporting the urban poor and their organisations.


This paper gathers the lessons from ten years of research by the Chronic Poverty Research Centre. It outlines the changes in policy emphasis required in five key areas to achieve greater progress in the eradication of poverty and deprivation. If the chronically poor are to escape poverty beyond 2015, they require additional policies and political commitment, underpinned by greater understanding and analysis.


How serious a threat do disasters and climate change pose to our prospects of eliminating extreme poverty in the next two decades? This paper examines the relationship between disasters and poverty, maps out the likely geography of poverty, and identifies potential patterns of vulnerability to extreme weather and earthquakes. Without concerted action, in 2030 there could be up to 325 million extremely poor people in the 49 countries most exposed to the full range of natural hazards and climate extremes.


Who are the most deprived in society? Why is poverty so persistent in some places and among some people? Which strategies, policies and interventions have been successful in eradicating ultra-poverty and hunger so far? Poverty reduction has most often benefited people living close to the poverty line rather than those at the very bottom of the income distribution. Addressing the political and social causes of exclusion is central to tackling ultra-poverty. This collection of papers addresses questions about the causes of, and solutions to, ultra-poverty.
Further reading: Poverty


Key references: Inequality


Why is the world hugely unequal despite the progress made? And what can be done about it? People are wealthier and healthier, and live longer lives. However, there are large inequalities between people and between countries. This book examines how some parts of the world have experienced progress and how gaps have opened up, leading to an unequal world. It suggests what can be done to help those left behind, including engaging with a discussion about whether aid is actually beneficial.


What are the trends in inequality? There is worsening inequality across and within many countries. Large disparities in access to health and education services, land and other productive assets between the richest and the poorest households persist. Wealth inequalities are inherited across generations and are present across locations, trapping large pockets of society in poverty and exclusion. The report focuses on the impacts of inequality and highlights policies that have been effective at reducing inequality and have helped improve the situation of disadvantaged and marginalised social groups.

What is global inequality and how has it been calculated? Given globalisation, it makes more sense to look at inequality among all individuals in the world than just those within a nation-state. This paper presents calculations of global inequality. Global inequality appears to have declined between 1988 and 2008. This will only continue if countries’ mean incomes continue to converge and if already high within-country inequalities are kept in check. The paper concludes that either poor countries will become richer, or poor people will move to rich countries.


What does global inequality look like? This working paper provides an overview of global, regional and national income inequalities based on the latest distribution data from the World Bank, UNU-WIDER and Eurostat. The extreme inequality in the distribution of the world’s income brings into question the current development model. Inequality slows economic growth, results in health and social problems and generates political instability. The paper provides income distribution and Gini Index data from 1990-2008 for 136 countries.


Inequality of what, between whom? Why does national inequality matter? This report shows inequality has been jeopardising economic growth and poverty reduction. It has stalled progress in health, education and nutrition and limited opportunities and access to economic, social and political resources. Inequality can undermine social cohesion and increase political and social tensions which could lead to instability and conflict. The report concludes with a comprehensive policy framework to confront inequality in developing countries.


Why do inequalities exist? How can we tackle them? This report draws on an extensive consultation process with civil society organisations, UN agencies and academic institutions. Inequalities are a global challenge. They have deep consequences for everyone in society. The poor often face discrimination, stigma and negative social stereotypes that reduce their social participation, opportunities for employment and political support for targeted measures. People with disabilities experience more deprivations, with greater severity, than people without disabilities in various areas of life. Women face discrimination in most areas of their lives. The rural and urban poor face various different inequalities including access to services and livelihoods. Older people experience discrimination, which restricts their access to resources and services. Children and youth face inequalities because of their age. Identity-based discrimination means that the poorest and most marginalised in any given state are often ethnic minorities, indigenous peoples and religious groups. Prejudice, negative stereotypes and intolerance against gay, lesbian, bisexual, and transgender people often results in violence and discrimination against them. Non-citizens and migrants commonly face legal discrimination and limited opportunities. Addressing inequalities depends on tackling structural barriers, creating conditions in all countries where all people are able to enjoy equality of rights and opportunity. Actions to tackle inequalities include: legal, social and economic policy; protection from discrimination, exploitation and harm; levelling-up measures; and capacity to claim.


Why do inequalities matter and how can equality be promoted in the post-2015 development agenda? Inequalities harm not only the most deprived people, but also their wider societies, by threatening the stability and sustainability of economic growth; depriving countries of productive human capital and entrepreneurial talent; undermining the ability of people living in extreme poverty to contribute to economic growth and environmental conservation; and reducing social cohesion and mutual trust as a basis for economic, social and political contracts. This Brief addresses the high inequalities that continue to exist and suggest actions to combat them in the post-2015 agenda.
Further reading: Inequality


Understanding and addressing extreme poverty and inequality

3.1 The characteristics of poverty

Tackling poverty is often framed as an issue of social justice and altruism. If poverty is not eradicated, millions of people will continue to go hungry, die prematurely, live insecure and precarious lives, suffer from lack of education, and fail to achieve their full potential (Hulme, 2010). High levels of poverty may also be bad for development because countries starting out with a higher incidence of poverty tend to face worse growth prospects (Ravallion, 2009).

In 2015, extreme poverty was found to be concentrated among the most disadvantaged people: those in rural areas, those at risk of climate change, the young, the old, those from ethnic minorities and those with some form of disability (Greenhill et al., 2015). This builds on previous findings. For example, an ODI report based on two measures of poverty, child mortality and primary school non-completion, in 33 countries (1998-2007), suggests that poverty was overwhelmingly concentrated in households: (i) in rural areas; (ii) where the head of the household has ‘no education’ or ‘incomplete primary education’; (iii) where the head of the household is ‘not in work’ or is ‘working in agriculture’ (Sumner, 2013, p. v). A study by the International Food Policy Research Institute also found that the very poorest people tend to be from socially excluded groups, or live in remote areas with little education and few assets, or be landless (von Braun et al., 2009).

The poorest are likely to have experienced severe ill health or the death of an adult family member or to have suffered from conflict or environmental change, the young (von Braun et al., 2009). Disability is significantly associated with higher levels of economic and multidimensional poverty (Mitra et al., 2013; Morgan Banks & Polack, 2014). Research by the Chronic Poverty Research Centre (2009) shows that the chronically poor27 include people who are discriminated against; socially marginalised; members of ethnic, religious, indigenous, nomadic and caste groups; migrants and bonded labourers; refugees and internally displaced persons; disabled people; those with ill health; and the young and old. Studies suggest that a substantial proportion of the chronically poor live in remote rural areas (Bird et al., 2002). In many places, poor women and girls are most likely to experience lifelong poverty. The chronically poor often die prematurely; have a very low income; and face multiple deprivations including, hunger, undernutrition, illiteracy, unsafe drinking water, lack of access to basic health services, social discrimination, physical insecurity and political exclusion (CPRC, 2009). Poverty can be transmitted across generations (Behrman et al., 2013).

Currently most of the poorest people live in fragile states, with increasing numbers in middle-income countries.

3.2 The impact of inequality

Inequality is a problem in itself, but also a challenge to the eradication of extreme poverty (and fulfilment of the SDGs) (UNICEF et al., 2014; Kabeer, 2010). Inequality is important to poverty because the relative position of individuals or households in society is considered an important aspect of their welfare (Coudouel et al., 2002). There are heated debates about whether efforts to reduce poverty can be successful without addressing inequality (UNICEF & UN Women, 2013) or whether these merely address the symptoms but not the cause.28

There is a tentative consensus in the literature that inequality tends to reduce the pace and durability of growth (Ostry et al., 2014). Research by the World Bank indicates that when markets are imperfect (in credit, insurance,

27 People who remain poor for many years, if not their whole lives.
28 For example a recent GSDRC Topic Guide on inclusive growth notes that ‘country-specific case studies find a strong and complex relationship between growth and inequality, which can be obscured by cross-country studies’ (Alexander, 2015). In addition, ‘there is some consensus that marked high inequality reduces the rate at which the income of the poor increases in relation to that of the rich, and some emerging evidence that more equal distribution of income is associated with longer periods of growth’ (Alexander, 2015).
land and human capital), inequalities in power and wealth turn into unequal opportunities, leading to wasted productive potential and to an inefficient allocation of resources (World Bank, 2006; 2013). Unequal power is found to lead to the formation of institutions that perpetuate inequalities in power, status, and wealth, which typically are also bad for the investment, innovation, and risk-taking that underpin long-term growth (World Bank, 2006). Recent research suggests that unless inequality is tackled it leads to further and growing economic inequality, as gains on capital are greater than those from income (Piketty, 2014).

Inequalities have also been found to undermine social cohesion (UNDP, 2013). Research indicates that the presence of large horizontal inequalities, which are economic, social, political and cultural status inequalities among salient identity groups, are especially likely to increase the risk of violent conflict (Stewart, 2010). Thus inequalities can prevent the reduction of poverty and can increase political and social tensions (Poverty Analysis Discussion Group, 2012; UNICEF & UN Women, 2013; Ortiz & Cummins, 2011; UNDESA, 2013; UNICEF et al., 2014; Kabeer, 2010; World Bank, 2013).

Inequality undermines social justice and human rights, and the interconnectedness of inequalities means some groups have consistently worse opportunities than those of their fellow citizens (UNDP, 2013; World Bank, 2006). Among the most common group identities resulting in exclusion are gender, race, caste, ethnicity, religion, region, and disability status, although more evidence is needed (World Bank, 2013). Inequalities have resulted in the poorest sections of the world’s population, including many women, youth, older persons, persons with disabilities, indigenous peoples and rural populations, making less progress towards the MDGs (Kabeer, 2010; World Bank, 2013). Even people at the higher end of the income distribution may face social exclusion through political persecution or discrimination based on age, gender, sexual orientation, or disability (UNICEF and UN Women, 2013). Excluding these groups has had substantial social, political, and economic costs for the groups themselves and wider society (World Bank, 2013). The poor often face discrimination, stigma and negative social stereotypes that reduce their social participation and opportunities for employment, and reduce political support for targeted measures (UNICEF and UN Women, 2013). Partially as a result, there are large differences in the education, health and nutrition of households of different wealth levels within countries (UNDP, 2013). Inequalities between classes29 have widened both within and between countries (Greig et al., 2006). Class intersects with gender, ethnicity and other identities to compound poverty and inequality (Greig et al., 2006).

An increasing body of evidence indicates that people with disabilities often face inequalities in all areas of life (comparatively lower educational attainment, higher unemployment rates, worse living conditions, and higher poverty rates, for example) (Mitra et al., 2013; UNICEF & UN Women, 2013; UNDESA, 2013). People with mental health problems face high rates of physical and sexual abuse, and restrictions in their access to rights, services and livelihoods (Cain, 2012).

Some evidence indicates that age-based discrimination routinely denies many older people access to resources and services (UNICEF & UN Women, 2013; UNDESA, 2013; Cain, 2012). Studies have found that there are more children on average in the poorest households, and so they are more exposed to economic inequalities than adults (UNICEF & UN Women, 2013). Girls and children with disabilities are especially disadvantaged (UNICEF & UN Women, 2013; see also Ortiz & Cummins, 2011). In many countries, youth are increasingly disadvantaged in terms of relative income, unemployment, and working poverty (UNDESA, 2013).

Evidence shows that, despite significant progress in education30 and some progress in health outcomes, many women still have less access to livelihoods (UNDP, 2013). The most marginalised are girls and women who are poor, live in remote areas, are disabled, or belong to a minority group (World Bank, 2012). Prejudice, negative stereotypes and intolerance against gay, lesbian, bisexual, and transgender people often results in violence and discrimination against them (UNICEF & UN Women, 2013; World Bank, 2013).

Some empirical evidence gathered by the International Poverty Centre suggests that developing countries with less gender inequality tend to have lower poverty rates (IPC, 2008). Inequality also increases the vulnerability of

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29 Large-scale groupings of people identified according to economic criteria (Greig et al., 2006)
30 Despite the progress on gender equality in education, in some countries males’ average years of education and secondary enrolment rates now falling below that of females (UNDP, 2013).
societies and of particular marginalised groups to economic crises, and prolongs the time it takes to recover from such crises (UNDESA, 2013).

Research gathered by UNICEF and UN Women (2013) indicates that individuals and groups suffering multiple rights deprivations often face inequalities compared to others in society. Inequality is often intersecting – for example, the social inequality experienced by disadvantaged groups can lead to economic inequality (Kabeer, 2010; UNDESA, 2013). There is a lot of overlap between those affected by poverty and those negatively affected by inequality. Lack of political power can be both the cause and result of these inequalities (UNDESA, 2013). It is important to recognise and address these group inequalities because they make up a large part of overall and persistent inequalities within countries (UNDESA, 2013).

Research by the UN Secretariat’s Division for Social Policy and Development (2013) suggests that income inequality leads to uneven access to health and education. This is particularly the case for children (Ortiz & Cummins, 2011). This in turn leads to ‘the intergenerational transmission of unequal economic and social opportunities, creating poverty traps, wasting human potential, and resulting in less dynamic, less creative societies’ (UNDESA, 2013, p. 22).

Inequalities can also have a negative impact on almost all in society. Evidence gathered by Wilkinson and Pickett (2010) shows that more unequal societies experience more social and environmental problems across the whole population than more equal societies.

3.3 Drivers of poverty and inequality

It is important to understand the drivers of poverty and inequality to combat them effectively.

Drivers of poverty

Lack of inclusive economic growth and jobs, insecure jobs and low wages, and limited livelihoods and opportunities result in poverty and the inability to escape poverty (Haughton & Khandker, 2009; Handley et al., 2009; Shepherd, 2011; von Braun et al., 2009). High levels of inequality can also impede poverty reduction by undermining the sustainability of economic growth, and through its negative impacts on human capital and unexploited talent, institutional legitimacy and social cohesion (Poverty Analysis Discussion Group, 2012; World Bank, 2006). Poor governance can sustain poverty and make it difficult to generate pro-poor growth and to create institutions to tackle problems (Handley et al., 2009). A weak civil society makes it harder to hold governments to account on their measures to address poverty and inequality (Handley et al., 2009). Lack of respect for human rights can cause multidimensional poverty through denial of the right to education, health or livelihoods (Handley et al., 2009; von Braun et al., 2009).

Shocks, especially in combination or in a sequence, together with low levels of resilience can lead to extra expenses that plunge households into poverty. Shocks are a major driver of vulnerability and important factors in pushing people into poverty, while also keeping people poor. Shocks include harvest failures, natural disasters, food price increases, market failures and volatility, conflict and displacement, and health shocks (Shepherd et al., 2011; Handley et al., 2009; Poverty Analysis Discussion Group, 2012; von Braun et al., 2009). Conflict causes serious disruption to people’s lives and impedes countries’ growth (Handley et al., 2009; von Braun et al., 2009). Climate change is increasing the risk of some of these shocks (von Braun et al., 2009; Chant, 2010; Shepherd et al., 2013). The global recession has increased the numbers of people in poverty as a result of falling employment, reduced real wages, and declining remittances (von Braun et al., 2009).

As a result of discrimination, and historical and current exclusion from resources, people experiencing gender, ethnic, and racial and other inequalities often experience poverty. For example, households headed by women may be poorer because they often have low levels of literacy, are paid lower wages, and have less access to land or equal employment (Handley et al., 2009; von Braun et al., 2009; Haughton & Khandker, 2009; Koser in Chant, 2010). Low capabilities, including in relation to health and nutritional status, human capital (education and skills), and physical and social assets (shelter, land, access to a social networks etc.) determine people’s ability to generate income and increase the chances of poverty and the intergenerational transmission of poverty (Handley et al., 2009; Behrman et al., 2013; von Braun et al., 2009; Haughton & Khandker, 2009). Constraints
imposed on people by extreme poverty – lack of credit, high vulnerability to external shocks, lack of energy, few observations of others’ success – can lead them to behave in a way that traps them in poverty (von Braun et al., 2009).

It is important to understand the root causes of poverty as well as its immediate or proximate causes (Haughton & Khandker, 2009; World Bank 2013). For example, if low levels of education cause poverty it is important to understand why people have low levels of education. The causes of poverty are not necessarily the same in every country (Haughton & Khandker, 2009, p. 147; Handley et al., 2009).

Drivers of inequality

**Domestic policies** on taxation and finance, arising as a result of what different actors perceive to be ‘just’ or unjust, can encourage divergence towards a high level of inequality (Piketty, 2014). **Inadequate regulation** of financial integration and trade liberalisation processes can result in the unequal distribution of benefits across and within countries (UNDP, 2013; UNICEF & UN Women, 2013). Depending on how they are carried out, interventions that weaken labour market institutions or result in a downsizing of public investments in critical sectors like health, education and social protection may drive inequality (UNDP, 2013; UNICEF & UN Women, 2013).

Recent research indicates that a major driver of inequality today is the tendency of **returns on capital** to exceed the rate of economic growth, which means those with capital are able to accumulate wealth quicker than the rest of the population (Piketty, 2014). **Income inequality** drives inequality in other dimensions of material well-being, such as education and health (UNDP, 2013). The intersecting nature of inequality can cause it to persist (UNDP, 2013).

Exclusion from markets (land, housing, labour, credit), services (social protection, information, electricity, transport, education, health, water), and spaces (political, physical, cultural, social) result in inequalities (World Bank, 2013). Lack of adequate investment in training can exclude entire social groups from the benefits of economic growth (Piketty, 2014). **Discriminatory structures** in the economic sphere (distributive inequalities), the social sphere (status inequalities), the political sphere (representational inequalities), and the cultural and environmental spheres can systematically disadvantage some social groups, particularly certain categories of women (UNICEF & UN Women, 2013; UNICEF et al. 2014; UNDP, 2013, World Bank, 2006).

Economic, political, and social inequalities tend to reproduce themselves over time and across generations, forming ‘inequality traps’ (World Bank, 2006).

### 3.4 Addressing poverty and inequality

**Poverty reduction policies**

Poverty reduction policies need to be tailored to specific national and regional contexts, and require better data or better use of data to inform their design (CPRC, 2009). Poverty reduction is mainly about tackling the causes of poverty. Common drivers of poverty reduction relate to economic growth, job quality, social transfers, building capabilities, and tackling exclusion and inequality.

There are indications of a strong link between **economic growth** and poverty reduction, with some suggestion that a one percent increase in per capita income is associated with a one percent increase in the incomes of the poor, although this is debated and depends on how equal the growth is (Haughton & Khandker, 2009; Alexander, 2015). Economic growth is unlikely to be sufficient, and does not benefit all people equally – especially the chronically poor, who tend to live in areas that lock them out of national growth processes (CPRC, 2009; Chant, 2010; Alexander, 2015; Bird et al., 2002). Research by the World Bank suggests that ‘as countries become less poor, inequality-reducing policies are likely to become relatively more effective for poverty reduction than growth-promoting policies’ (Olinto et al., 2014). Poverty reduction strategies therefore tend to call for **pro-poor or inclusive growth** (Handley et al., 2009; Alexander, 2015). Pro-poor growth includes
agriculture and rural development, market development and trade, and building an enabling environment (Handley et al., 2009; Haughton & Khandker, 2009; Banerjee & Duflo, 2011). Promoting inclusive growth requires policymakers to address both growth and income distribution, and to foster equality of opportunity, as well as to provide a social security net to protect the most vulnerable (Alexander, 2015). Anti-poverty measures include fostering opportunity, facilitating empowerment and addressing income security (Haughton & Khandker, 2009; Banerjee & Duflo, 2011; CPRC, 2009).

Research by the UN Secretariat’s Division for Social Policy and Development indicates that improvements in the wages of both skilled and non-skilled workers have helped lift millions of people out of poverty (UNDESA, 2013). However, research by the International Labour Organisation indicates that, as of 2013, progress on reducing the numbers of working poor had stalled, given the higher numbers of people in vulnerable and informal employment.\(^{32}\)

Research since 2000 has led to wide recognition of well-designed social transfers as tools that address chronic and extreme poverty (Shepherd, 2011). However, care is needed to ensure that social transfers do not reinforce asymmetrical gender roles or add to women’s time burdens (Molyneux, 2008).

Reducing multidimensional poverty and income and non-income inequalities requires sustained investments in human capital, such as education and health, and food and nutrition security (Handley et al., 2009; UNDESA, 2013; World Bank, 2006). However, effects may be constrained intergenerationally. Research from Young Lives suggests that reducing poverty and inequality in the parents’ generation by increasing parents’ schooling and per capita consumption is not likely to have much impact in reducing poverty in the next generation (Behrman et al., 2013).

Research by the Chronic Poverty Research Centre (2009) suggests specific policies and programmes are needed to target the poorest people and overcome the multiple barriers they face. This would include addressing the structural causes of chronic poverty, including social and political exclusion (von Braun et al., 2009). Tackling exclusion and inequality requires a focus on anti-discrimination and empowerment (CPRC, 2009). Research by Kabeer and Natali (2013), for example, suggests that work on gender equality can contribute to economic growth and speed up poverty reduction (Alsop and Healey in IPC, 2008). Redistribution of influence, advantage, or subsidies away from dominant groups has been found to help reduce poverty (World Bank, 2006).

Inequality reduction policies

The complexity and multidimensionality of the drivers of inequality require a complex and multidimensional response, with strong consensus at all levels (UNDP, 2013; UNICEF & UN Women, 2013; UNDESA, 2013; World Bank, 2013). Narrowing gaps in one area may not be sufficient to reduce disparities in other domains of well-being, as shown in the case of gender (UNDP, 2013; World Bank, 2013). Care is needed to ensure efforts to reduce inequalities do not increase them. Common drivers of inequality reduction relate to inclusive growth, investments in human capital, fiscal policies and redistribution, ensuring access to basic services and human rights, and tackling the root causes of discrimination and social, political, cultural and economic exclusion.

The World Bank has pledged to promote shared prosperity, looking at the incomes of the bottom 40 per cent, given widening inequality in some countries that have enjoyed strong economic growth.\(^{33}\) UNDP research shows that there is nothing inevitable about increases in inequality: several countries’ inclusive growth policies have enabled them to reduce inequality while achieving strong growth (UNDP, 2013). This entails open and responsive governments sharing the benefits of economic growth more equitably and increasing the capabilities, opportunities, and incomes of marginalised households and groups (UNDP, 2013; Kabeer, 2010;)


\(^{32}\) Vulnerable and informal employment involves low pay, limited job security, poor working conditions and little or no social protection.

UNDESA, 2013; Ortiz & Cummins, 2011). **Investment in training and skills** and the diffusion of knowledge has been shown to reduce inequalities both within and between countries (Piketty, 2014).

Ensuring **universal access** to housing, water, sanitation and electricity, as well as essential social services such as nutrition, health, early childhood development, education and well-designed social protection is important for reducing poverty and promoting equality of opportunity (UNDESA, 2013; von Braun et al., 2009; Kabeer, 2010; World Bank, 2006).

Evidence indicates that progress in tackling inequality has been made in countries with adequate and sustained **investment in children and adolescents**. This has involved early childhood development interventions focused explicitly on families affected by deprivations (UNICEF & UN Women, 2013; World Bank, 2006).

Progressive income taxation, social transfers targeting education and health spending, and public child- and old-age benefits are **fiscal policies** that help promote equality (UNDESA, 2013; World Bank, 2006). Considering tax and spending programmes together enhances the effectiveness of fiscal redistribution, which can be carried out without hurting growth, or even while increasing it (Clements et al., 2015). **Effective and fair redistribution** can play a significant role in the equalisation of outcomes and opportunities, although it is not enough on its own (UNDP, 2013; see also Ortiz and Cummins, 2011, World Bank, 2006).

Diverse employment opportunities, livelihood sustainability and decent work for all help address inequality (UNDESA, 2013). **Expanding access to justice, land and infrastructure**, and promoting **fairness in markets** can help tackle inequality of opportunity (World Bank, 2006).

The structural drivers of inequality could be addressed by ensuring **all people’s human rights** are upheld (UNICEF & UN Women, 2013). Efforts to challenge the underlying attitudes and actions that perpetuate discrimination and social exclusion, including through **anti-discrimination legislation**, have helped combat inequality (UNDP, 2013; UNDESA, 2013; von Braun et al., 2009; UNICEF & UN Women, 2013; Kabeer, 2010).

Progress has been made in countries that have put in place: explicit measures to combat discrimination by providing equal access and opportunity for disadvantaged and excluded groups; appropriate redistributive measures, including social protection, for disadvantaged groups; and provision for the specific needs of women and girls, children, persons with disabilities and minority groups (UNICEF & UN Women, 2013).

Taking **action at a global level**, as well as a national level, is also important for reducing inequalities of opportunity within countries and across the world (World Bank, 2006). This involves addressing inequalities in access to markets and resource flows, and in global governance, through the effective participation of poor countries (World Bank, 2006).

### 3.5 Key references


What are the key innovations in the meaning and measurement of poverty? What is the future direction for research on poverty? This paper finds that over the last ten years human development concepts and measures have been institutionalised; analysis has increasingly moved beyond correlations to examine causality; dynamic analyses of changes in individual and household conditions are much more common; new multidimensional poverty measures have emerged; and approaches to combining quantitative and qualitative methods have advanced. In addition, ethical guidance, data availability and access to analytical software have improved. Future areas for research include the politics of poverty; poverty measurement – including longitudinal quantitative and qualitative research; exclusion and poverty; and pro-poor urbanisation policies.


What are the trends in inequality? There is worsening inequality across and within many countries. Large disparities in access to health and education services, land and other productive assets between the richest and the poorest households persist. Wealth inequalities are inherited across generations and are present across
locations, trapping large pockets of society in poverty and exclusion. The report focuses on the impacts of inequality and highlights policies that have been effective at reducing inequality and have helped improve the situation of disadvantaged and marginalised social groups.


Who are the most deprived in society? Why is poverty so persistent in some places and among some people? Which strategies, policies, and interventions have been successful in eradicating ultra-poverty and hunger so far? Poverty reduction has most often benefited people living close to the poverty line rather than those at the very bottom of the income distribution. Addressing the political and social causes of exclusion is central to tackling ultra-poverty. This collection of papers addresses questions about the causes of, and solutions to, ultra-poverty.


What is the relationship between equity and development? Equity means that individuals should have equal opportunities to pursue a life of their choosing and be spared from extreme deprivation. Institutions and policies that promote a level playing field — where all members of society have similar chances to become socially active, politically influential, and economically productive — contribute to sustainable growth and development. Greater equity is good for poverty reduction through potential beneficial effects on aggregate long-run development and through greater opportunities for poorer groups. Inequality traps that result from overlapping political, social, cultural, and economic inequalities stifling mobility and equality of opportunity are wasteful and inimical to sustainable development and poverty reduction. Equitable policies are more likely to be successful when levelling of the economic playing field is accompanied by similar efforts to level the domestic political playing field and introduce greater fairness in global governance. The report discusses the role of public action in levelling the economic and political playing field by: investing in human capacities; expanding access to justice, land, and infrastructure; promoting fairness in markets; and promoting greater global equity, in access to markets, resource flows, and governance.

Key references: Poverty


Are there ways for the poor to improve their lives, and what is preventing them from being able to do these things? Using 15 years of data from research by MIT’s Poverty Action Lab, this book looks at the lives and choices of the poor to better understand how to fight global poverty. It argues that so much anti-poverty policy has failed because of an inadequate understanding of poverty. It is possible to make progress on tackling poverty through accumulated small steps, each well thought out and carefully tested. It is important to make it easier for the poor to do the things that can help them escape poverty, for example making it easier for them to open a savings account. Providing the poor with critical pieces of information and raising expectations can help them make decisions that contribute to escaping poverty.


Attention was focused on gender and poverty when in 1995 it was suggested that women make up to 70 per cent of the world’s poor. The allocation of economic resources among family members usually favours men, and women tend to spend a lot of time doing unpaid care work. Women’s paid and unpaid labour is undervalued and gendered inequalities in assets, power, agency and discrimination exist. Lack of data on intra-household inequalities and problems with how poverty is measured means the real levels of women’s poverty are underestimated. This book looks at the causes and consequences of gendered poverty, and how they and their interactions can be conceptualised, investigated and measured. It identifies how policy interventions can address the complexities of gendered poverty in a positive and effective way.

How can the chronically poor escape poverty? Chronic poverty is a varied and complex phenomenon, but at its root is powerlessness. Poor people expend enormous energy in trying to escape poverty, but with few assets, little education, and chronic ill health, their struggle is often unsuccessful. This report draws on years of research by the Chronic Poverty Research Centre and suggests policies to attack the multiple and overlapping causes of chronic poverty.


Should international public finance fund a global social compact to eradicate poverty? The proposed Sustainable Development Goals are achievable if we do not adopt a business-as-usual approach. Projections based on current patterns of development suggest that in 2030: i) low-income fragile states will have been left even further behind; ii) some 550 million people will still be living on less than USD 1.25 a day, most of them in sub-Saharan Africa; iii) around four million children will die needlessly before the age of five; and iv) universal health and education will still be distant prospects in many countries, with some in sub-Saharan Africa still 20 years away from achieving universal primary education. These outcomes are avoidable if public finance is invested in eradicating poverty in an adaptive and politically smart way, focusing on social protection, universal health coverage, and universal primary and secondary education. Eradicating extreme poverty by 2030 will require mechanisms to reduce inequality and share the fruits of economic growth.


What is it that makes sub-Saharan Africa (SSA) the poorest region in the world? What can be done to deliver the sustainable and broad-based economic growth required to address this? This report highlights the principal drivers and maintainers of poverty in SSA and discusses selected policies for economic development and poverty reduction. One of the main failings of development policies advocated by aid agencies has been an overly prescriptive, one-size-fits-all mentality that does not take into account country-specific constraints.


The *Handbook* provides tools to measure, describe, monitor, evaluate, and analyse poverty and inequality. It evaluates the strengths and weaknesses and different arguments around these different tools. It provides background materials for designing poverty reduction strategies.


Why has eradicating poverty not been a more urgent global issue? This book outlines how the concept of global poverty eradication has evolved, and evaluates institutions and their ability to reduce global poverty. The problem lies not with lack of global resources and technology, but with global governance. The world is organised in such a way that huge numbers of people have little or no access to basic human needs.


Increasing numbers of poor people live in urban areas. Despite their proximity to possible advantage, they are highly disadvantaged, with poor or non-existent public services, high levels of violence and desperate living conditions. This book reviews the effectiveness of different approaches (including market approaches, welfare, rights-based approaches, and technical/professional support) to reducing urban poverty in the Global South. National and local governments and international organisations can become far more effective at addressing urban poverty at scale by working with and supporting the urban poor and their organisations.

This paper gathers the lessons from ten years of research by the Chronic Poverty Research Centre. It outlines the changes in policy emphasis required in five key areas to achieve greater progress in the eradication of poverty and deprivation. If the chronically poor are to escape poverty beyond 2015, they require additional policies and political commitment, underpinned by greater understanding and analysis.


How serious a threat do disasters and climate change pose to our prospects of eliminating extreme poverty in the next two decades? This paper examines the relationship between disasters and poverty, maps out the likely geography of poverty, and identifies potential patterns of vulnerability to extreme weather and earthquakes. Without concerted action, in 2030 there could be up to 325 million extremely poor people in the 49 countries most exposed to the full range of natural hazards and climate extremes.

Further reading: Poverty

http://www.gsdrc.org/docs/open/InclusiveGrowth.pdf

younglives.org.uk/content/intergenerational-transmission-poverty-and-inequality-young-lives

http://r4d.dfid.gov.uk/PDF/Outputs/ChronicPoverty_RC/13Bird_et_al.pdf

http://www.ipc-undp.org/pub/IPCPovertyInFocus13.pdf


http://r4d.dfid.gov.uk/PDF/Outputs/WomenEmp/PathwaysWP5-website.pdf


How can governments address rising inequality while simultaneously promoting economic efficiency and more robust economic growth? Fiscal policy is the government's most powerful tool for addressing inequality. It affects households’ consumption directly (through taxes and transfers) and indirectly (via incentives for work and production and the provision of public goods and services such as education and health). Growth and equity are not necessarily at odds; with the appropriate mix of policy instruments and careful policy design, countries can in many cases achieve better distributional outcomes and improve economic efficiency. Country studies (on the Netherlands, China, India, Republic of Congo, and Brazil) demonstrate the diversity of challenges across countries and their differing capacity to use fiscal policy for redistribution.


How can you analyse well-being? This chapter provides an introduction to poverty, inequality, and vulnerability analysis and a guide to resources, tools and data sources. It focuses mainly on income and consumption and refers only casually to the other multidimensional aspects of extreme poverty and social exclusion. Poverty profiles are useful for comparing poverty between groups. Different rounds of surveys are useful for comparing poverty over time. Methods of analysing well-being must always be adapted to country circumstances and the availability of data.


http://www.ids.ac.uk/files/dmfile/MDGreportwebsiteu2WC.pdf

What impact do intersecting inequalities have on the achievement of the MDGs? The focus on average progress disguises a picture of uneven achievement that is characterised by deep disparities between social groups. The socially excluded sections of the poor are systematically left out of, or left behind from, their countries’ progress. The report suggests key concerns, principles and recommendations that can provide the basis for continued efforts to tackle social exclusion.


books.google.co.uk/books?id=ggnbCwAAQBAJ&printsec=frontcover

What are the dynamics that drive inequality on a global scale? Who has benefited most from globalisation, who has been held back, and what policies might tilt the balance toward economic justice? Vast data sets and cutting-edge research explain the benign and malign forces that make inequality rise and fall within and among nations. Inequality moves in cycles, fueled by war and disease, technological disruption, access to education, and redistribution. The recent surge of inequality in the West has been driven by the revolution in technology. Even as inequality has soared within nations, it has fallen dramatically among nations, as middle-class incomes in China and India have drawn closer to the stagnating incomes of the middle classes in the developed world. A more open migration policy would reduce global inequality even further.

Ortiz, I., & Cummins, M. (2011). Global inequality: Beyond the bottom billion – A rapid review of income distribution in 141 countries. UNICEF.

unicef.org/socialpolicy/files/Global_Inequality.pdf

What does global inequality look like? This working paper provides an overview of global, regional and national income inequalities based on the latest distribution data from the World Bank, UNU-WIDER and Eurostat. The extreme inequality in the distribution of the world’s income brings into question the current development model. Inequality slows economic growth, results in health and social problems and generates political instability. The paper provides income distribution and Gini Index data from 1990-2008 for 136 countries.


What are the links between rising inequality and the fragility of growth? Inequality can undermine progress in...
health and education, cause investment-reducing political and economic instability, and undercut the social consensus required to adjust in the face of shocks. It therefore tends to reduce the pace and durability of growth. Based on calculations of redistributive transfers for a large number of country-year observations, this paper finds that: more unequal societies tend to redistribute more; lower net inequality (after taxes and transfers) is robustly correlated with faster and more durable growth, for a given level of redistribution; and that redistribution appears generally benign in its impact on growth – only in extreme cases is there some evidence that it may have direct negative effects on growth. We should be careful not to assume that there is a big trade-off between redistribution and growth.


What are the grand dynamics that drive the accumulation and distribution of capital? Analysing data for twenty countries going back as far as the eighteenth century, this book suggests reasons for the inequalities that exist today. The tendency of returns on capital to exceed the rate of economic growth threatens to generate extreme inequalities that stir discontent and undermine democratic values. Political action could curb the further development of these inequalities.


Why are some multi-ethnic countries peaceful while others experience violent conflict? The presence of large horizontal inequalities, or inequalities among salient identity groups, increases the risk of violent conflict. Horizontal inequalities have multiple and reinforcing disadvantages. Violent conflict is most likely to occur where economic, social, political and cultural status horizontal inequalities occur simultaneously. In these situations, group leaders, who face political exclusion, and their potential followers, who see themselves as treated unequally in relation to assets, jobs and social services, are likely to be motivated to mobilise and possibly engage in violence. The report identifies policies to correct these horizontal inequalities, which should be prioritised in multi-ethnic societies, especially in post-conflict contexts.


Why do inequalities exist? How can we tackle them? This report draws on an extensive consultation process with civil society organisations, UN agencies and academic institutions. Inequalities are a global challenge. They have deep consequences for everyone in society. The poor often face discrimination, stigma and negative social stereotypes that reduce their social participation, opportunities for employment and political support for targeted measures. People with disabilities experience more deprivations, with greater severity, than people without disabilities in various areas of life. Women face discrimination in most areas of their lives. The rural and urban poor face various different inequalities including access to services and livelihoods. Older people experience discrimination, which restricts their access to resources and services. Children and youth face inequalities because of their age. Identity-based discrimination means that the poorest and most marginalised in any given state are often ethnic minorities, indigenous peoples and religious groups. Prejudice, negative stereotypes and intolerance against gay, lesbian, bisexual, and transgender people often results in violence and discrimination against them. Non-citizens and migrants commonly face legal discrimination and limited opportunities. Addressing inequalities depends on tackling structural barriers, creating conditions in all countries
where all people are able to enjoy equality of rights and opportunity. Actions to tackle inequalities include: legal, social and economic policy; protection from discrimination, exploitation and harm; levelling-up measures; and capacity to claim.


Why do inequalities matter and how can equality be promoted in the post-2015 development agenda?

Inequalities harm not only the most deprived people, but also their wider societies, by threatening the stability and sustainability of economic growth; depriving countries of productive human capital and entrepreneurial talent; undermining the ability of people living in extreme poverty to contribute to economic growth and environmental conservation; and reducing social cohesion and mutual trust as a basis for economic, social and political contracts. This Brief addresses the high inequalities that continue to exist and suggest actions to combat them in the post-2015 agenda.


What impact does inequality have on society? More unequal societies are bad for almost everyone in them, rich or poor. Almost every modern social and environmental problem – ill health, lack of community life, violence, drugs, obesity, mental illness, long working hours, and large prison populations – is likely to occur in a less equal society. This book suggests an approach to improving everyone’s quality of life by making societies more equal.


What is the relationship between equity and development? Equity means that individuals should have equal opportunities to pursue a life of their choosing and be spared from extreme deprivation. Institutions and policies that promote a level playing field — where all members of society have similar chances to become socially active, politically influential, and economically productive — contribute to sustainable growth and development. Greater equity is good for poverty reduction through potential beneficial effects on aggregate long-run development and through greater opportunities for poorer groups. Inequality traps that result from overlapping political, social, cultural, and economic inequalities stifling mobility and equality of opportunity are wasteful and inimical to sustainable development and poverty reduction. Equitable policies are more likely to be successful when levelling of the economic playing field is accompanied by similar efforts to level the domestic political playing field and introduce greater fairness in global governance. The report discusses the role of public action in levelling the economic and political playing field by: investing in human capacities; expanding access to justice, land, and infrastructure; promoting fairness in markets; and promoting greater global equity, in access to markets, resource flows, and governance.


What progress has been made towards gender equality? This report focuses on the economics of gender equality and development, and points to four priority areas for action. There have been dramatic improvements in some aspects of the lives of girls and women, yet progress towards gender equality has been limited in some areas. These patterns of progress and persistence in gender equality matter, for both development outcomes and policymaking. Economic development is not enough to shrink all gender disparities — corrective policies that focus on persisting gender gaps are essential.


Why does inclusion matter? How can one know when social inclusion is achieved? Inclusion matters because it is the foundation for shared prosperity. Social exclusion is simply too costly—socially, politically, and economically. Excluded groups exist in all countries and are consistently denied opportunities. Intense global transitions are
leading to social transformations that create new opportunities for inclusion as well as exacerbating existing forms of exclusion. Social and economic transformations affect people’s attitudes and perceptions. It is important to pay attention to these attitudes and perceptions as they affect how individuals and groups are treated, both by other members of the society and by the state. Social inclusion can be enhanced by improving people’s ability, opportunity, and dignity. Abundant evidence shows that social inclusion can be planned and achieved. The report provides a comprehensive examination of inclusion and a framework to help advance the social inclusion agenda.

**Further reading: Inequality**

http://www.gsdrc.org/docs/open/InclusiveGrowth.pdf


http://www.ipc-undp.org/pub/IPCPovertyInFocus13.pdf

worldwewant2030.org/bitcache/f6a9adce5102a57fb4c9fd79c8fcad8d10b92995?vid=315694&disposition=attachment&op=download


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http://dx.doi.org/10.1080/14649880701811401


http://www.ids.ac.uk/files/dmfile/Wp417.pdf

http://www.cgdev.org/sites/default/files/Kenny_Karver_MDGs-FINAL.pdf


