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International Panel on Social Progress & Inequality and Social Assistance
International Panel on Social Progress
Why IPSP?

• Societal demand for a vision of a possible better future
• Concern that there is currently excessive focus on technical solutions, neglect of the quality of social relations, institutions
• But increased specialization, requiring collective synthesis
• Can social sciences serve society?
Objectives of IPSP

• Comprehensive coverage of the dimensions of social progress
• Make up-to-date social science more accessible and relevant
• Feed social actors and citizens with ideas about possible futures, influence public debates
• Raise interest in social justice and long-term prospective among scholars
Key Principles of IPSP

• Independent initiative led by global panel of social scientists
• Bottom-up and peer-based collegial project
• Non-binding funding (independent from governments, international organisations, lobbyists...)
• High value given to interdisciplinary approaches and to stakeholders’ feedback
IPSP & Inequality
(1) Inequalities: Many aspects

- Dimension (e.g. incomes, opportunities, freedoms, capabilities)
- Between and within households (e.g. gender, age)
- Households versus individuals; adjusting for household structure
- Vertical (between individuals) versus horizontal (between groups)
- Static versus dynamic/intertemporal
- Unidimensional vs. Multidimensional
- Objective versus subjective
- Inequality versus polarization
(2) Income inequality reduces well-being

- **Intrinsic:**
  - Unfair (conceptions of justice)
  - Pervasive inequality aversion reduces measured well-being
  - Lowers mobility

- **Instrumental:**
  - Increases poverty
  - Reduces poverty impact of growth
  - Promotes other inequalities (in health, education, political power)
  - Promotes conflict, disaffection, and strife
  - Lowers economic growth
(3) Drivers of inequality differ

- Role of changes in education and returns, rural-urban and regional gaps, and changing redistribution by the state;
- No *dominant* secular economic forces but
  - Skill-biased technical change relevant
  - Increased trade in labour-intensive manufacturing relevant
- **policy matters:**
  - Liberalisation and financial market opening
  - Labour market policies (e.g. minimum wages, unionization)
  - Education policies
  - Social spending and redistribution by state
  - Social protection policies
(4) Deep drivers make change difficult

- Inequality has self-sustaining path dependency
- Deep-seated social stratification (e.g. by race, ethnicity, caste) sustains inequality
- Demographic dynamics can exacerbate inequality
- Norms regarding inequality and redistribution durable
- Strong link economic-political inequality
- Presence/absence of social movements important
National and International Policies

• Policies can affect inequality pre-market, in markets, and post-market
• Policy agendas have to be country-specific
• Political economy matters (e.g. size and strength of middle class, political coalitions)
• Some scope for international policies: e.g.
  • International cooperation on tax avoidance and capital flight by rich individuals and companies;
  • International cooperation on financial sector regulation
Inequality & Cash Transfers
Key message: fiscal policy matters!

The Gini Coefficient before and after Taxes, Transfers and Free Services, Education and Health Falls by over one-fifth [SOUTH AFRICA]

- Market Income: 0.771
- Net Market Income: 0.75
- Disposable Income: 0.694
- Post-Fiscal Income: 0.695
- Final Income: 0.596

+ direct transfers

COMMITMENT TO EQUITY
Social spending/GDP increases with income

\[ y = 6 \times 10^{-6}x^{***} + 0.073^{***} \]

\[ (3.09) \quad (3.51) \]

\[ R^2 = 0.3027 \]

More social spending/GDP, more redistribution
(Redistributive effect=change in Gini from mkt to final income)

$y = 0.9399x^{***} - 0.0283^*$

$(6.89) \quad (-1.88)$

$R^2 = 0.6734$

AND social spending/GDP increases with market income inequality

\[ y = 0.2131x^{***} + 0.002 \]

\[ (2.87) \quad (0.06) \]

\[ R^2 = 0.2637 \]

More unequal, more redistribution - no “Robin Hood Paradox”

\[ y = 0.0951x^* - 0.0184 \]
\[ (1.76) \quad (-0.70) \]
\[ R^2 = 0.1181 \]

Cash transfers improve educational outcomes

- Large body of evidence that CTs raise enrolment and attendance, esp. for the poorest children

- But... Less evidence of impact on achievement

- New studies (e.g. in Nicaragua and Ecuador) suggest cognitive improvements for children that received CTs BEFORE they entered school (ECD).
Indirect pathways

- Cash transfers improve child nutrition
  - Some evidence of increased height for age, esp. if CT received during the nutritional window of 0 to 3 years.
  - Some evidence of reduced anaemia
  - Increased diet diversity
Indirect pathways

- CTs increase investment & entrepreneurial activity

  - Oportunidades – 12% of CT was invested
  - Bolivia – pension recipients invest in smallholder agriculture
  - Receipt of Bolsa Familia increases likelihood of entrepreneurial activity
  - Maharashtra Employment Guarantee Scheme recipients are more likely to plant higher risk higher-yield crop varieties

- Increased access to credit
- Programme needs to be sustained
- Threshold effects? (Carter & Barrett, 2006)
A radical re-think of worker protection

• Marc Fleurbaey has provided a very provocative blog on the SASPEN website... do read it

• Critique of the traditional welfare state

• New model of bottom-up social democracy
In conclusion

- Reducing inequality is a key part of building stronger, happier, healthier, more cohesive societies

- Social protection is an important part of the fiscal policy package to reduce inequality (directly and indirectly)

- Fiscal policy in turn is but one mechanism for reducing inequality

- Time for radical thinking
  - Please do read the draft report and make your voice heard!

https://comment.ipsp.org
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https://www.ipsp.org

Southern Africa Labour & Development Research Unit

https://www.saldu.uct.ac.za