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# Time to Act on Inequality and Exclusion



**PATHFINDERS**

FOR PEACEFUL, JUST AND INCLUSIVE SOCIETIES





# Introduction

Rising inequality and exclusion are among the most pressing issues of our age. They are a formidable challenge to sustainable development, and a source of political grievance which can undermine democratic gains. Inequality and exclusion matter to everyone, not only to those who feel excluded. The evidence is clear that inequality and exclusion cause human suffering, breed political instability, and stunt growth and development for all. The damage caused by inequality, until recently denied, has finally been accepted—but nowhere has enough been done to tackle it. However, we can reverse this trend by fostering social harmony, achieving inclusive growth, and restoring trust in politics.

The Pathfinders’ Grand Challenge on Inequality and Exclusion brings together of governments from every region and countries at every level of income. They share a common desire to deliver this new agenda through bold action. Supported by a multi-stakeholder group of international agencies, research institutions, and civil society organisations, these governments are developing practical and politically viable solutions to meet the Sustainable Development Goals commitments to fight inequality. The challenge links the best of ideas with determined policy-makers in a position to implement them.

Analyses of inequality and exclusion have too often tended to narrowly focus on the bottom 40 percent of the population. Partners in the Pathfinders’ Grand Challenge on Inequality and Exclusion recognize the harder truth that efforts to address inequality need also to look at what is happening in the upper reaches of society, where wealth and power is increasingly concentrated in fewer hands. To meet citizens’ demands for democratic oversight and limits on the unaccountability enjoyed by elites, the members of the Grand Challenge are working to enable greater participation in society and a fairer distribution of its fruits. They recognize that fiscal austerity has increased inequality and failed to increase growth, and that new forms of thinking are needed—ones that are holistic and can respond to social and environmental, as well as fiscal, needs. This group of countries and communities have come together to jointly develop and implement transformational solutions: to show that where there is a will, there is a way to beat inequality.

## Solutions

Our 2019 “challenge paper” on inequality illustrates the kinds of solutions and policies that are being explored and developed in politically critical areas, such as:

- **Building common ground through practical measures to increase political and social cohesion, drawing on lessons from countries that built unity after conflict or during democratic transition;**
- **Empowering social protection systems that give people dignity, justice, and recognition of their equal rights in practice;**
- **Ensuring decent work and incomes for all, in ways that adapt to the growth of the digital economy and technological change;**
- **Narrowing the gap between thriving cities and lagging regions, while paying close attention to access to housing and public services;**
- **Achieving fiscal compromises for more progressive taxation policies and action against corruption.**



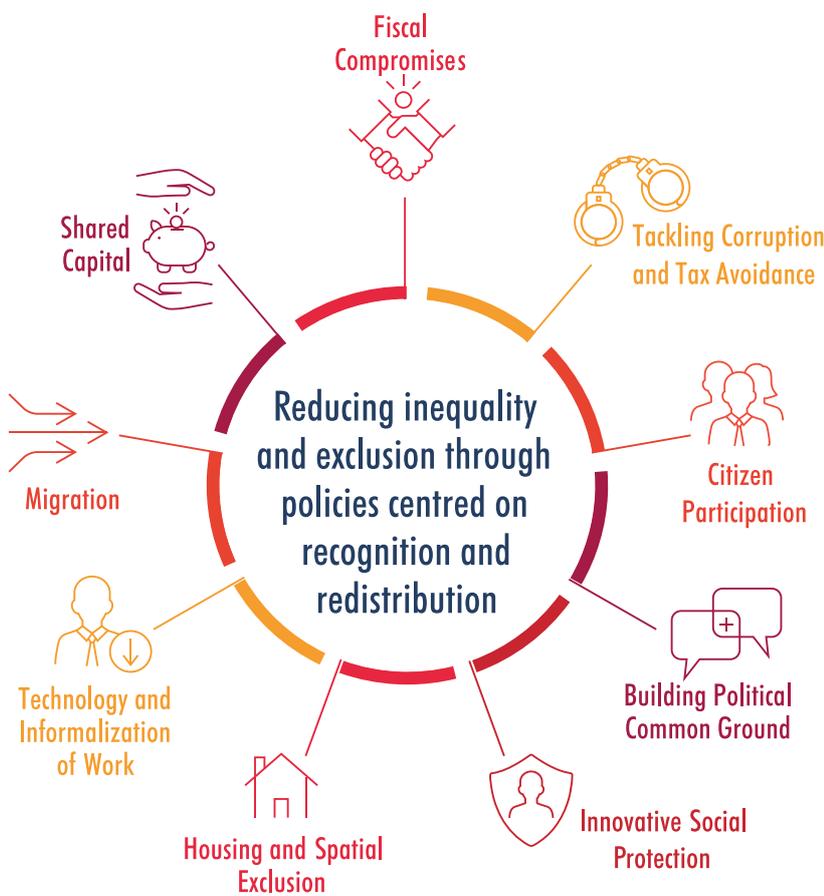


# Recognition and redistribution framework

Current ways of measuring inequality are not fit for purpose. They fail to capture existing inequalities and disparities between groups, and they ignore the rapidly increasing concentration of income and wealth among the upper echelons of society. Anger at inequality has also increased, and often relates to a strongly-held perception of disrespect as well as to the material manifestations of inequality. This feeling is captured by the concept of hogra in North Africa.

Through a framework of recognition and redistribution, the Grand Challenge identifies solutions that engage the problem at a structural level and respond to the needs of general populations, as well as those of historically marginalized groups. This framework looks at multiple dimensions of inequality, which are distinct but related: including material opportunities (distribution), but also status, esteem, and perceptions of worth and respect (recognition). The framework argues that recognition is an important part of the solution, but it must be underpinned by tangible material changes. Similarly, material changes that fail to deliver a sense of dignity and belonging are insufficient.

We adopt a unifying approach that views efforts to tackle group-based and generalized inequality as being complementary, not competing. For example, our research on gender equality demonstrates that addressing gendered aspects of inequality leads to broader society-wide reductions in inequality, benefiting not just women, but men and boys as well.



## Political, Social and Economic Equality and Inclusion

- Gender
- Age
- Race
- Disability
- Ethnicity
- Religion
- National Origin
- Economic or other status





# Work Clusters

## Political Inclusion and Building Common Ground

The eruption of new social media outlets has been used to broadcast political extremism more often than political consensus, but:

- Polarization can be defused, and confidence and trust in politics restored.
- Constitutional measures can help underpin political common ground.
- Trade Unions can play an important and beneficial role in democratic transitions
- Inclusive political processes can create favorable political terrain for policy change

⊖ **Tunisia:** Political gestures accompanied by institutional commitments allowed for the drafting of a progressive and widely accepted constitution in a delicate post-revolutionary environment, while including significant advances in the promotion of gender equality.

⊖ **Timor-Leste:** The government’s hau pronto program partners with NGOs to increase the number of youth and women candidates for local elections.

⊖ In **Lithuania**, in advance of the March 2019 municipal elections, the National NGO Coalition initiated a debate with the leaders of the main political parties that led to the signing of a cooperation agreement to implement ten key goals. These included the introduction of participatory budgeting, elections for municipal boards, and access to municipal services for people with disabilities.

⊖ In **Canada**, private sponsorship of refugees has existed since the late 1970s and is estimated to have helped resettle around 280,000 refugees. Sponsorship typically occurs either through religious, community, or civil society organizations, or through “groups of five” or more Canadian residents. The program invites the participation of the broader community and has played a positive role in building social cohesion, as well as delivering improved outcomes for refugees.

## Spatial Inclusion

Inequality and exclusion have a postal code. All countries face challenges in addressing inequalities between lagging rural regions and thriving cities, as well as between the urban poor and the urban rich. Access to housing and associated urban transport—issues of density and distance—warrant both specific national policy solutions and municipal approaches. They involve aspects of both material redistribution, and recognition, dignity, and empowerment. Housing and land policy raise issues of identity and emotional attachment, as well as of practical welfare.

The Grand Challenge is carrying out research on regulatory, governance, tax, and investment policies that can help to address housing and territorial inequalities, as well as research to highlight and measure levels of disparity in services. Topics for further research include:

- Launching a “mind the gap” index that measures disparity in access to services such as education, police response, and health access in rich and poor areas.
- Examining centralized decision-making on housing at national, regional, or municipal levels.
- Developing normative standards on housing and local governance, and options for inclusive participation in local decision-making processes.
- Creating new approaches to municipal taxation.




**Singapore** is a multi-cultural and densely populated urban center. Its holistic and long-term housing policies have sought to combine urban growth with equity and peaceful pluralism. The Housing Development Board (HDB) is the key institution responsible for implementing urban housing policy. More than 80 percent of Singapore’s residents live in public housing built by the HDB. 90 percent of those resident households own their homes.


**Uruguay’s** housing cooperatives are vibrant social movements that provide housing and related urban services to low-income families, while also promoting solidarity, social empowerment, and democratic inclusion. The cooperative members identify the land, collectively take out a loan, and assume control of the building process and management of the urban space. Over 2,000 housing cooperatives provide affordable and good-quality housing to approximately 30,000 households.

## New Technology and the Future of Work

Rising levels of precarious employment and wage stagnation carry harmful implications for society that extend far beyond the economy. Informalization tends to diminish the bargaining rights, earning power, and social status of workers, and reinforces unequal relations between labor and capital, thereby contributing to inequality, social division, and a lack of dignity and rights. While the digital economy poses the risks of increased inequality, new technologies and shared capital models also have the potential to promote social, economic, and political empowerment. Strategies include:

- Using the technologies that underpin the “gig economy” to extend rights and benefits and monitor workplace conditions.
- Strengthening unions and promoting an inclusive model of membership for non-standard workers in informal sectors.
- Providing a low-cost means of enhancing land ownership, security of land tenure, and the value of land.
- Supplementing conventional shareholder governance with more comprehensive mechanisms for worker participation in decision-making.
- Introducing an element of “participatory budgeting” to sovereign wealth management.
- Providing regulatory and public financing support for cooperatives to engage in shared capital initiatives.


**Indonesia:** Incorporating informal sector workers into the National Health Insurance system has been challenging, but the Gojek app—an online motorbike hailing platform which works with two million driving partners, and to which half of all Indonesians have access on their phones—has helped workers gain a semi-formal status that allows them to claim services provided to formal employees.


**Sweden:** Job security councils—the product of collective agreements across a variety of sectors—provide income support, skill development, and redeployment services for two million employees. They complement public employment services and contribute to the dynamism of enterprise and sectors, reducing union resistance to restructuring and job cuts.


**Rwanda:** After years of post-colonial conflict and the 1994 genocide against the Tutsi population, Rwanda was in a unique position to enact sweeping land reform policies, which democratized land ownership and increased gender-based recognition and ownership as a key component of post-conflict development. This has led to a more equitable distribution of land as a productive asset.



## Social Protection and Services

The framework of recognition and redistribution—thinking about rights and dignity, as well as safety nets and opportunities—has particular salience for the design and sustainability of social protection and services. For example:

- Constitutional rights have been useful sources of political leverage, reducing stigmatization and helping foster feelings of respect and empowerment among recipients as rights-holders.
- Community-driven development programs marked by “co-development” of solutions have shown promising results.
- Ensuring access to justice has facilitated access to social protection.
- Generating positive links between vulnerable groups and the broader community has proved important for the political and developmental success of social programs.
- Targeted programs, particularly for historically disadvantaged groups, win more popular support when rolled out at the same time as broad-based programs.

€ **Indonesia:** Social protection and services span an unusually wide range of approaches, from universal health care to broad community projects to tight household targeting to special programs for historically disadvantaged groups. The simultaneous roll-out of universal benefits alongside more targeted provisions has helped generate social acceptance and popular support for all programs, and widespread community consultations even on targeted assistance has produced programs that are accepted both by historically disadvantaged groups and the broader community.

€ **Ethiopia:** The Productive Safety Net Programme (PSNP), which benefits eight million Ethiopians annually, has been transformed into a “shock-resistant” protection scheme. Contingency funds in the budget allow for variations in need during the year, so that beneficiaries and transfers can be increased in response to shocks. Support is also provided to those in situations of humanitarian need, such as refugees.

€ **Mexico:** “Jóvenes construyendo el Futuro” is a youth-focused vocational training program with a particular focus on historically marginalized groups that seeks to address social and economic exclusion. The scholarship program provides young people with the opportunity to work for a year at an enterprise or public institution that matches their interests and experience. The program not only supports the entry of youth into the labor force, but also offers them an opportunity to gain skills in professions that interest them and offer good prospects for employment.

## Fiscal Compromises and Macro-Distribution

The resourcing of efforts to address inequality and exclusion is challenging and involves political as well as technical considerations. Historically, two strong arguments that have created support for successful fiscal compromises are compensatory arguments and the prevention of social unrest and conflict. Elements that affect the success or failure of fiscal compromise may include:

- **Timing**—reforms are more likely to occur in periods of expansion (or crisis) than recession.
- **Information**—people consistently underestimate levels and contours of inequality.
- **Framing**—people relate better to percentages than absolute numbers, are more willing to pay when it is effortless, and prefer “contributions” to “taxes.”
- **Countering negativity**—it is important to expect and plan for the efforts at distraction and political hostility, often fear-based, that often arise during public discussions on inequality.
- **Society-wide buy-in**—broad support from political parties and parliamentarians, social movements, and pressure groups generates political traction.



⊖ In 2018-19, in response to increasing inequality and a growing socio-economic divide, the government of the **Republic of Korea** adopted a strategy and policies for an “innovative, inclusive nation.” Supported by the national budget, the policy involves the creation of quality jobs, increased investment opportunities for innovative small- and medium-sized enterprises and start-ups, the growth of household income, and the expansion of social safety nets for vulnerable groups

⊖ In **Indonesia**, regressive fuel subsidies were replaced with a more progressive social spending model and conditional cash transfers, which has laid the foundation for an expanded social protection system.

⊖ In post-apartheid **South Africa**, an extension of corporate taxation helped the wider population gain a share of the “unearned gains” of those who had benefited under the apartheid regime.

⊖ Other successful steps towards fiscal compromise include initiatives to address corruption, such as the increasingly widespread adoption of transparent beneficial ownership registries. **Colombia**, the **Dominican Republic**, **Peru**, and **Trinidad and Tobago** are setting up transparent beneficial ownership registries informed by the Extractive Industries Transparency Initiative (EITI) framework.



## The Way Forward

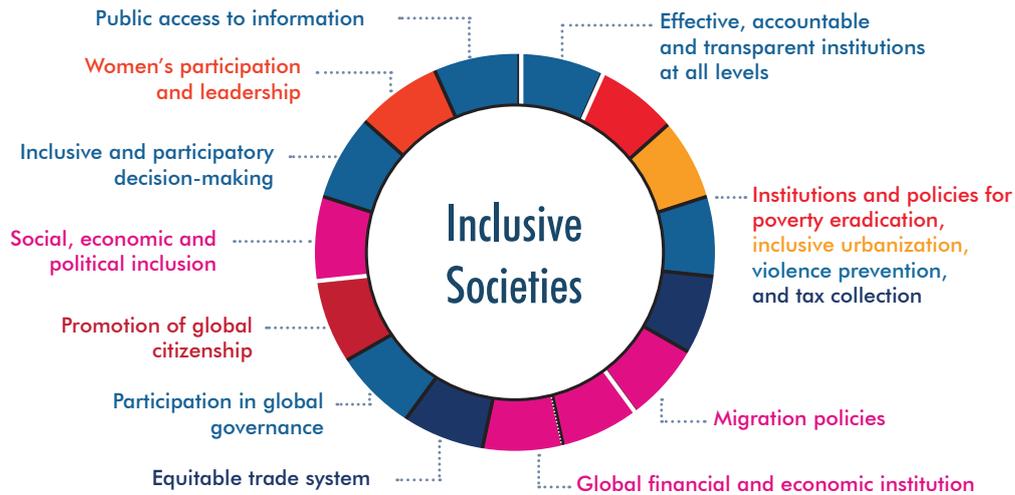
The Grand Challenge is focused on ideas for practical, politically viable solutions to reduce inequality and exclusion. It draws on country experiences and recent research to provide inspiration to decision makers who will tailor these solutions to their own particular contexts. It is rooted in the belief that policies matter, and the idea that despite common myths to the contrary, states are frequently able to be innovative and “entrepreneurial.” In the future:

- Drawing on the challenge paper, which has helped to identify the most promising areas for innovation and collaboration, partners will research, develop, and share policy solutions, while also considering related issues such as migration and environmental sustainability.
- An Advisory Group of ministers and key multilateral leaders, with institutional support, will assess the solutions emerging from the Grand Challenge for their political and technical feasibility, and their relevance to different contexts and settings.
- Sponsoring countries will share lessons learned and emerging ideas, and ensure those will be heard in the highest and most influential arenas.
- At the end of the Grand Challenge initiative in 2021, a final report will provide policymakers with a comprehensive menu of policy options for action on inequality and exclusion.

We are conscious that the solutions we offer exist in a time of political turbulence and emerging threats, most ominously that of the climate crisis. Yet the Sustainable Development Goals offer a signpost to what we can achieve by working together with a collective purpose. We cannot afford to see inequality as destiny, as a force against which governments, civil society, private sector leaders, and above all, citizens are helpless. We need to practice ecologically and socially responsible forms of economics and politics, ones that can deliver not only prosperity, but also sustainability, equality, justice, and inclusion. The governments that have come together in the Grand Challenge on Inequality and Exclusion are setting out to demonstrate, through innovation and delivery, how that vision can be realized—and inequality overcome.



# The Grand Challenge on Inequality and Exclusion is an initiative of the Pathfinders for Peaceful, Just and Inclusive Societies



## Member States

- |           |                   |             |
|-----------|-------------------|-------------|
| Canada    | Liberia           | Sweden      |
| Ethiopia  | Mexico            | Timor-Leste |
| Indonesia | Republic of Korea | Tunisia     |
| Jordan    | Rwanda            | Uruguay     |
|           | Sierra Leone      |             |



pathfinders@sdg16.plus

<https://www.sdg16.plus/inequality>

NYU | CENTER ON INTERNATIONAL COOPERATION  
CIC | SECRETARIAT