CRISIS OF INEQUALITY

Shifting Power for a New Eco-Social Contract
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The United Nations Research Institute for Social Development (UNRISD) is an autonomous research institute within the United Nations system that undertakes interdisciplinary research and policy analysis on the social dimensions of contemporary development issues. Through our work, we aim to ensure that social equity, inclusion and justice are central to development thinking, policy and practice.

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October 2022
Preface

The world is in a deep state of crisis, confronted with violent conflicts and entrenched political divisions, a cost-of-living crisis affecting both global North and South, and the existential threat of the climate crisis that manifests in extreme weather events, all the while still grappling with the devastating consequences of the Covid-19 pandemic.

This report—Crises of Inequality: Shifting Power for a New Eco-Social Contract—shows that there is a common thread that links these crises: growing economic and social inequalities that both drive and are driven by crises.

Our current system perpetuates a trickle-up of wealth to the top, leaving no possibilities for shared prosperity. It destroys our environment and climate through over-consumption and pollution, and offloads the steep costs onto those who consume little and pollute the least. Increasing inequalities in income, wealth, opportunity and social outcomes intersect with inequalities in access to rights and participation, which are under threat in many parts of the world.

Taken together, inequalities create a gravity toward multiple crises and shocks and make the effects worse. Each crisis plays out in an existing pattern of inequalities. This inevitably means that those who are already disadvantaged or excluded face the worst impacts, while those with more resources are able to shield themselves and recover more quickly. Many people are excluded and disenfranchised and feel that there is one set of rules for them and another for elites.

Our Common Agenda, a clarion call for greater solidarity in the next quarter century, points to the need for a renewed social contract that is fit for the twenty-first century: a contract that responds to the common and shared challenges we face and rebuilds trust; a contract that is more inclusive of all people and respects our natural home.

This report takes up the task of envisioning such a contract, a new eco-social contract that will halt the climate crisis and promote greater social and economic justice in our globalized societies. It calls for stronger universal social policies, transformations to our economies to prioritize well-being and sustainable progress, and solidarity across the globe in a renewed multilateralism.

This analysis is highly relevant for a wide global audience as we strive to avoid and mitigate crises, and work for a new world that moves toward equality, sustainability and justice. I hope that it both informs and inspires.

Paul Ladd
Director, UNRISD
Acknowledgements

Flagship reports are a collective endeavour reflecting generous contributions from many people, both inside and outside of UNRISD. This report benefitted greatly from our extensive research and advocacy networks around the world, who contributed rigorous research and bold ideas through various initiatives. These include an international conference that UNRISD convened in November 2018 under the theme “Overcoming Inequalities: Between Elite Power and Social Mobilization,” which laid much of the groundwork for the framing of the report; the Global Research and Action Network for a New Eco-Social Contract initiated by UNRISD and the Green Economy Coalition; and the June 2022 People’s Global Summit, which UNRISD co-convened with the International Federation of Social Workers under the theme “Co-Building a New Eco-Social World: Leaving No One Behind.” The numerous discussions, exchanges and feedback shared in these spaces inspired and influenced the final product in important ways.

UNRISD Director Paul Ladd has been a driving force in this project since the beginning, from his firm belief that the issue of elite power and wealth concentration needed to be brought onto UN agendas, to his active role in developing the report concept, structure and content. Substantive inputs were also received from UNRISD colleagues Isabell Kempf, Ilcheong Yi, Francisco Cos-Montiel, Dunja Krause, Paramita Dutta, Osiame Molefe and Rafael Ponte. Former UNRISD Deputy Director and current research associate Peter Utting, UNRISD Visiting Fellow Vicente Paolo B. Yu III and Neetu Choudhary contributed written inputs and valuable feedback on the manuscript. Former Head of Communications and Outreach Jenifer Freedman provided valuable support and guidance in the initial phase of the project.

Support and valuable comments provided by members of the UNRISD Board during discussions held at annual Board meetings are gratefully acknowledged.

The report benefitted from the expert guidance of an outstanding advisory group, which included Rania Antonopoulos, Karina Batthyány, Chee Yoke Ling, Giovanni Andrea Cornia, Gabriele Koehler, Ben Phillips, Frances Stewart, Sirjana Subba and Dzodzi Tsikata.

We are grateful for peer reviews of selected chapters and parts of the report provided by Rowland Atkinson, Oliver Bakewell, Yusuf Bangura, Sophie Brown, Sara Burke, Dennis Canterbury, Hoi Wai Jackie Cheng, Sarah Cook, Enrique Delamonica, Manisha Desai, Ellen Ehmke, Valeria Esquivel, Andrew Fischer, Katie Gallogly-Swan, Richard Kozul-Wright, Graziella Moraes Silva, Oliver Pearce, Vladimir Popov, Nadia Saracini, Silke Staab, Julia Steinberger, Dimitris Stevis, Constanza Tabbush, Katie Tobin and Matthew Walsham. We extend a special thanks to Sophie Plagerson for reviewing the entire manuscript. Feedback provided by discussants Jeffrey Sachs, Jayati Ghosh and Lysa John at the launch of the report preview at the 2022 High-Level Political Forum on Social Development in New York was also highly valuable.

Once again, we decided to put our flagship report up for critical scrutiny by the global public, holding an online open consultation of the draft report in July 2022. We are especially grateful for the thoughtful, substantive feedback received from the 40 individuals and organizations that participated in the consultation, which helped us identify remaining gaps and improve the accessibility of the report.

A number of renowned global scholars and activists contributed short essays to the report—the “Spotlight” texts dispersed among the chapters. These texts shed light on themes and lived experiences that are of particular importance in the current context of multiple crises and inequalities, providing new perspectives and cutting-edge research. We extend our gratitude to Winnie Byanyima, Sakiko Fukuda-Parr, Jayati Ghosh, James Heintz, Naila Kabeer, Marta Lamas, Mariana Mazzucato, Edouard Morena, etc.
Kumi Naidoo, Reema Nanavaty, Anya Schiffrin, Jailson de Souza e Silva, Guy Standing and Vicente Paolo Yu III.

The evidence presented in the different chapters draws as much as possible on original research conducted under UNRISD’s 2016–2020 institutional strategy, Transformations to Equity and Sustainability, and our current 2021–2025 strategy, Overcoming Inequalities: Toward a New Eco-Social Contract. This work was carried out in close collaboration with our networks and partners around the world and, importantly, in the global South, and reflects their views, methodologies and recommendations. It is at the heart of our mandate to bring this rich evidence and these diverse country experiences to the attention of policy makers, practitioners, civil society actors and other stakeholders, in an effort to better understand and overcome the complex challenges we face.

Finally, this report is one small contribution to a much larger conversation and struggle that has long been led by civil society actors—from the grassroots to the global—building trust and alliances, sharing knowledge and co-creating solutions, collecting critical data and fighting to make their voices heard. This report has drawn greatly on their work, both informed by their research and inspired by their ideas.

As with all UNRISD activities, this report would not have been possible without the voluntary funding received from our institutional and project funders. We gratefully acknowledge the support received from the Swedish International Development Cooperation Agency (Sida), the Swiss Agency for Development and Cooperation (SDC), the Swiss Federal Department of Foreign Affairs, the Finnish Ministry of Social Affairs and Health, the German Federal Ministry for Economic Cooperation and Development (BMZ), the Spanish Agency for International Cooperation (AECID) and Robert Bosch Stiftung.

Report team

Research and writing
Katja Hujo and Maggie Carter undertook the coordination, research and writing of the report.

Megan Egler collected data and created figures and graphs, while Aditya Pant provided background research, written inputs and support on various tasks during the final phase of report production.

Editing, production and support
Karima Cherif coordinated the production of the report. Sergio Sandoval designed the report and produced the infographics. The report benefited from the editorial support of Joannah Caborn Wengler, Osiane Molefe and Nicole Harris. Copyediting of the full report was carried out by the team at Bourchier. Thanks are due to Alexander Dénis and David Vergari for administrative support.
Contents

Preface iii
Acknowledgements iv
Overview 1

Chapter 1. Overcoming Inequalities in Times of Crisis: Toward a New Eco-Social Contract – Introduction 39

1. Overcoming Inequalities in Times of Crisis: Why We Need a New Eco-Social Contract 40
   1.1 Entering the decade of action: A challenging context for achieving the Sustainable Development Goals 40
   1.2 Inequality: Why and when is it a problem? 43
   1.3 The objectives of the report 45
2. Long-Term Development Trends: Opportunities, Challenges and Implications for Inequality 48
   2.1 Globalization 49
   2.2 Technological change 52
   2.3 Ageing 55
   2.4 Migration 56
   2.5 Urbanization 60
   2.6 Shifting global powers 62
3. Overview 65
   3.1 Chapter 2 – Inequalities in times of crisis: How did we get here? 65
   3.2 Chapter 3 – The age of inequality: Intersecting inequalities and power 65
   3.3 Chapter 4 – Toward a new eco-social contract: Actors, alliances and strategies 66
   4.4 Chapter 5 – A new way forward: Pathways for social, economic and environmental justice 66

Endnotes 67
References 70

Spotlights
What the Sustainable Development Goals get wrong about inequality, Sakiko Fukuda-Parr 77
Vaccine inequality: A deadly discrimination, Jayati Ghosh 80
Reviving the commons would reduce inequality, Guy Standing 84
## Chapter 2. Inequalities in Times of Crisis: How Did We Get Here?  

1. Not a Flaw but a Feature  
   - 2. Economic Crisis: Market Fundamentalism, Volatility and Inequality  
     2.1 The post-war economic order and the neoliberal turn  
     2.2 The social turn: Rebuilding the social contract?  
     2.3 The 2008 financial crisis: A missed opportunity to stop hyperglobalization  
   - 3. The Climate and Environmental Crisis: A Missing Contract with Nature  
     3.1 International governance and the climate crisis: Implications for development and equality  
   - 4. The Crisis of Care: Capitalism’s “Social Contradiction”  
     4.1 Inequalities in care systems  
   - 5. Political Crisis: Protest, Mistrust and Threats to Democracy  
     5.1 An age of mass protest  
     5.2 What drives protest?  
     5.3 A crisis of trust  
     5.4 Disempowering the state  
     5.5 Illiberal democracies and the rise of populism  
   - 6. The Covid-19 Pandemic: Revealer and Amplifier  
     6.1 Covid-19 and social inequalities  
     6.2 The economic impact of Covid-19  
   - 7. Conclusions

## Chapter 3. The Age of Inequality: Intersecting Inequalities and Power  

1. Inequality Unpacked  
2. Understanding Inequality: Concepts and Approaches  
   2.1 Inequality as a relational concept: vertical and horizontal dimensions  
   2.2 Intersecting inequality and power: deconstructing identity and hierarchy  
   2.3 A multidimensional approach: Inequality across time and space  
3. Economic Inequalities: How an Economy for the 1% Threatens Sustainable Development  
   3.1 Why we should care about economic inequality  
   3.2 Economic inequalities: Where do we stand?  
   3.3 Inequalities along global value chains
Chapter 5. A New Way Forward: Pathways for Social, Economic and Environmental Justice

1. A New Development Model
   1.1 A contract for nature
   1.2 Historical injustices addressed
   1.3 Gender justice
   1.4 Solidarity

Endnotes

References

Acronyms

List of Boxes, Figures and Tables
Our world is in a state of fracture, confronted with severe crises, increasing inequalities and unraveling social contracts. Now is the time to act to secure our future and co-construct a new eco-social contract that delivers for people and planet.

Today’s extreme inequalities, environmental destruction and vulnerability to crisis are not a flaw in the system, but a feature of it. Only large-scale systemic change can resolve this dire situation.

Inequality has been a driver, amplifier and consequence of multiple and overlapping crises—economic, social, political and ecological. The result is a vicious cycle which is disrupting the basis for human life on this planet and eroding prospects for a dignified and peaceful life for all. Vulnerable and marginalized groups, who face multiple intersecting inequalities, are worst affected, falling further behind. Elites, on the other hand, can largely shield themselves from adverse impacts of crises and often even exploit crises for their own gain.

We can create pathways toward a new eco-social contract based on a vision of justice, equality and sustainability. To do this, we need a new development model with three key pillars: alternative economic approaches that centre environmental and social justice and rebalance state-market-society-nature relations; transformative social policies based on a fair fiscal compact; and reimagined multilateralism and solidarities.

Those in power work to preserve and perpetuate a system that benefits the few at the expense of the many. Only if we rebalance existing power structures and create new alliances can we achieve transformative change. Progressive political leaders, inclusive coalitions, active citizens and social movements need to come together to co-create a new eco-social contract for climate and social justice.
Introduction

There is perhaps no more telling example of the way in which our current world order is bent toward injustice than the Covid-19 pandemic, simultaneously so universal and experienced so differently from person to person and place to place. The period since the virus was first detected in early 2020 has been marked by extensive loss of life, severe economic downturn, the rolling back of many human development indicators and an overall increase in poverty. Yet, at the same time, it also brought significant gains for a very small group of people, as wealth concentration at the top has intensified since the pandemic began. Such an extreme increase in human suffering matched by an equally extreme increase in profit and privilege has been the unfortunate refrain running through the history of recent crises, growing louder with each passing year. With a central focus on inequality, this report starts from the premise that a system in which a global health crisis can double the wealth of the 10 richest men in the world (figure O.1)\(^1\) while sending more than 120 million people into extreme poverty\(^2\) signals a broken social contract, leaving behind far too many people and failing to protect our planet.

The damage wrought by Covid-19, HIV and other pandemics is not the result of the viruses alone, but of how they make space in, and expand, the fissures of our unequal society.

–Winnie Byanyima
Executive Director, UNAIDS
Only seven years ago the world seemed to be set on a more hopeful path. In 2015, the international development community agreed on an ambitious agenda to “transform our world,” with an unprecedentedly broad and transformative development vision enshrined in the 2030 Agenda for Sustainable Development. Unlike the era of the Millennium Development Goals, the new agenda included an explicit commitment to reduce inequalities within and between countries, as stipulated in Sustainable Development Goal 10. With only eight years remaining to make this ambition a reality, the context for achieving the vision of Agenda 2030 has never been more daunting because of a number of urgent challenges. These include the unprecedented concentration of wealth and income and disparate progress in reducing poverty; the elite capture of political processes and institutions; the rise of austerity, privatization of essential services and rolling back of the state; nationalism and right-wing extremism as well as backlash against egalitarian and human rights discourses and movements; insecurity, conflict and increasing numbers of forcibly displaced people; evolving technology creating new divides both within and between countries; and the climate crisis and biodiversity loss threatening our very existence. The Covid-19 pandemic has exacerbated the corrosive effects of the current system and the inequality it has wrought, revealing its lack of resilience to shocks, while in the context of Russia’s ongoing war in Ukraine, energy and food prices have skyrocketed and severe geopolitical tensions have emerged. The result is a world in a state of fracture, and at its heart is inequality.

Inequality has been both a root cause and an amplifier of multiple crises—economic, social, political and ecological. The unprecedented concentration of wealth and income among individuals, groups and...
corporations is a defining feature of the present moment, one characterized by interconnected and compounding crises which can be understood as endogenous to the current economic system. In the past three decades, the top 1 percent of humanity has captured nearly 20 times the amount of wealth as the bottom 50 percent. This wealth and income concentration at the top is both a result and a driver of elite power.

Empirical evidence shows that inequality along all dimensions is highly detrimental for our societies and economies, undermining economic development and poverty reduction, well-being and health, democracy, participation and social cohesion, as well as social, environmental and economic sustainability.

As inequality continues to increase within and among countries as a result of neoliberal policies and recent crises, vulnerable groups are especially hard hit. Race, ethnicity, caste, citizenship status, gender identity, sexual orientation, age, disability and a number of other factors continue to play a crucial role in determining people’s capabilities and social outcomes.

The current sense of crisis and insecurity contrasts with a picture of considerable development gains throughout the world since the second half of the twentieth century, including expansion in human development for the majority of the earth’s people, reduced poverty, greater longevity, advances in gender equality, progress in reducing various forms of discrimination, enhanced capabilities and widespread access to technology. However, these benefits have been unequally distributed, and past gains can quickly be eroded when crises hit.

This moment of crisis has not arrived in a vacuum but has emerged in the wake of various trends, including globalization, technological progress, demographic change—such as ageing, migration and urbanization—and shifting global power structures.
These long-term trends have on the one hand presented opportunities for human progress in terms of growth, poverty reduction and well-being. On the other hand, they have often produced highly unequal outcomes within and between countries and with regard to different social groups, as well as new risks and profound environmental impacts. This report argues that this outcome is partly due to the way in which long-term trends were shaped by policy approaches associated with the neoliberal shift that was spearheaded by several countries in the global North in the early 1980s. This shift has created a context and vicious cycle of rising inequalities, instability and crisis. In this process, benefits were distributed unequally while costs were offloaded onto subaltern groups, global South countries and the environment, hollowing out social contracts and destroying the global commons.

To understand how we got to this moment, the report will analyse how the age of neoliberal globalization and related policy choices are at the heart of the present challenges, having paved the way for the current model of unsustainable hyperglobalization, which creates an inescapable gravity toward inequality and crises. It reveals how deep fractures run through societies and economies, manifesting in inequalities, segregation, polarization, conflict and social exclusion, and what their root causes are; and it explores how broken social contracts can be reformed and transformed into eco-social contracts to overcome current challenges, protect people and planet, and set us firmly onto more sustainable pathways.

In today’s era of rentier capitalism, there has been a plunder of the commons. ... In the process, social inequalities have worsened by more than can be measured by monetary incomes.

– Guy Standing
Professorial Research Associate,
SOAS University of London
Inequalities in Times of Crises: A Vicious Cycle

Over the past half-century, the efficient operation of the market for the pursuit of private profit has been allowed to run roughshod over any notion of the public good.

–Mariana Mazzucato
Professor, University College London

Crisis by design

When taking a deeper look at the system which has ushered in an age of crisis, we understand that the inequality, environmental degradation and lack of resilience it has produced is not an unfortunate by-product, but rather built in by design. As this report demonstrates, inequality and crisis are intimately linked, bound together in an escalating spiral, with each reinforcing and compounding the other to a point of extreme vulnerability, disparity and unsustainability.

We understand crises as systemic threats and disruptions that undermine livelihoods and social provisioning and put individual or collective response mechanisms under stress, often leading to a reversal of past achievements and hard-fought progress, and pushing vulnerable and marginalized groups further behind.22

Our current economic model of neoliberal hyper-globalization produces and reproduces inequalities, is prone to volatility and fails to stay within planetary boundaries. Instead, the economy serves to create and reproduce crises in various spheres (see figure O.3), from economic and financial crisis; to the
Figure 0.3 Crises and inequality

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<tr>
<td>1.8% ↓</td>
<td>1.1°C</td>
<td>2.1b</td>
<td>87%</td>
<td>6.2M</td>
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<tr>
<td>9.9% ↓</td>
<td>Human-induced climate change has already led to approximately 1.1°C of global warming.</td>
<td>More than 40% of all children below primary-school age—or nearly 350 million—need childcare but do not have access to it.</td>
<td>Civic space is severely limited in 87% of countries.</td>
<td>During the pandemic, there were 6.2 million officially reported deaths.</td>
</tr>
<tr>
<td>9.0% ↓</td>
<td>68%</td>
<td>40%</td>
<td>11.5%</td>
<td>Non-official death estimates were more than twice as high as of April 2022.</td>
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<td>Global output</td>
<td>There has been a 68% drop in wildlife population since 1970.</td>
<td>Care pay penalty* for female paid care workers amounts to 29% in France compared to 43.7% in Mexico.</td>
<td>Mass protests increased annually by an average of 11.5% from 2009 to 2019 across all regions of the world.</td>
<td>In 2020, the Covid-19 crisis led to 114 million jobs were lost during the pandemic.</td>
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<td>Global trade</td>
<td>Financial crises undermine women’s participation in the formal workforce, their presence in politics, their educational attainment and their health outcomes.</td>
<td>The effective coverage of persons with severe disabilities receiving benefits in 2015 was just 9% in Asia and the Pacific compared to above 90% in Europe.</td>
<td>The top 90 media owners (public and private) account for 30-50% of the world’s major media assets.</td>
<td>Compared with the last quarter of 2019, in the second quarter of 2020 the number of domestic workers in the workforce decreased by 5-20% in most European countries, by about 50% in Latin America and the Caribbean and by 70% in Peru.</td>
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<td>Investment</td>
<td>The average stimulus per capita spending in developed countries was USD 10,000 compared to USD 20 in LDCs in 2020.</td>
<td>Over the past 50 years, the occurrence of weather-, climate- and water-related disasters has increased five-fold.</td>
<td>When rich voters (5th income quintile) and poor voters (1st income quintile) disagree on an issue, poor voters are on average 31% less aligned with their representatives than the rich.</td>
<td>In 2020, 77% of survey respondents in Latin America expressed belief that their countries are governed in the interests of powerful groups and not for the benefit of all.</td>
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<td>In the US, in 2008-10, committed financial sector support amounted to 5.197 billion USD, whereas announced fiscal stimulus measures only reached 829 billion USD.</td>
<td>16.4 billion hours are spent on unpaid care work every day—the equivalent of 2 billion people working 8 hours per day without pay.</td>
<td>Only 26% of all seats in national parliaments are held by women.</td>
<td>In 2015, 2.1 billion people in the world were in need of care, and that number is expected to reach 2.3 billion by 2030.</td>
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<td>Financial crises undermine women’s participation in the formal workforce, their presence in politics, their educational attainment and their health outcomes.</td>
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<td>Women perform 76.2% of all unpaid care work globally, 3.2 times as much as men.</td>
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<td>As part of their austerity response, 114 countries contracted spending by 2.4% of GDP in 2010–11.</td>
<td>The effective coverage of persons with severe disabilities receiving benefits in 2015 was just 9% in Asia and the Pacific compared to above 90% in Europe.</td>
<td>Women perform 76.2% of all unpaid care work globally, 3.2 times as much as men.</td>
<td>More than 40% of all children below primary-school age—or nearly 350 million—need childcare but do not have access to it.</td>
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<td>The Covid-19 crisis led to a 3.4% decrease in global output in 2020.</td>
<td>The effective coverage of persons with severe disabilities receiving benefits in 2015 was just 9% in Asia and the Pacific compared to above 90% in Europe.</td>
<td>The top 90 media owners (public and private) account for 30-50% of the world’s major media assets.</td>
<td>During the pandemic, there were 6.2 million officially reported deaths.</td>
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<td>The world’s richest 1% emit more than twice as much CO₂ as the poorest 50% of the population.</td>
<td>The effective coverage of persons with severe disabilities receiving benefits in 2015 was just 9% in Asia and the Pacific compared to above 90% in Europe.</td>
<td>Women perform 76.2% of all unpaid care work globally, 3.2 times as much as men.</td>
<td>Non-official death estimates were more than twice as high as of April 2022.</td>
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* The care pay penalty is a gap in hourly wages that cannot be attributed to differences in skills, experience or credentials.
crisis of climate change, biodiversity loss, pollution and unsustainable resource use; to the care crisis, marked by steep inequalities in both who receives care and who gives care, with a disproportionate amount of unpaid care work placed on women; to a political crisis that is characterized by increasing power asymmetries, backlash against democratic values and human rights, decreasing trust and eroding state legitimacy, and unprecedented levels of protest and violent conflict. The Covid-19 pandemic is a “great revealer” of the inherent flaws of this system, both in terms of the conditions that led to it, specifically the closing-in of human civilization on natural ecosystems, and the outcomes it has produced. Acknowledging this would allow us to move to a bolder agenda for transformative change, addressing the structural drivers of crises and inequalities.⁵⁷

How did we arrive at this model? Despite the opportunities that state-led development and early globalization during the post-Second World War era offered for poverty reduction and social progress, there was a radical shift toward market fundamentalism in the early 1980s. This was spearheaded by governments and institutions in the global North and led to increased instability, inequality and uneven development. Despite efforts to counteract the adverse impacts of liberalization, deregulation and privatization policies through a “social turn”—a gradual shift in ideas and policies which reasserted social issues in development agendas around and after the UN Social Summit in Copenhagen in 1995—fundamental challenges remained unaddressed.⁵⁸ Social protection strategies focused on targeting the poor through social assistance programmes (for example, conditional cash transfers), while social services, employment and the macroeconomic drivers of inequality and crisis continued to be sidelined.

The period of the neoliberal turn was characterized by stalling industrialization and a multiplication of economic and financial crisis, from the debt and structural adjustment crises in Latin America and Sub-Saharan Africa leading to a “lost decade” in the 1980s, to the banking, currency and financial crises afflicting Latin America, Asia and transition countries in Eastern Europe and the former Soviet Union in the 1990s and early 2000s. The financial crisis of 2008, which originated in the United States and quickly spread across the world, revealed the detrimental impacts of the neoliberal turn on institutions, stability and livelihoods, and the overreliance on market instruments to address growing imbalances and social exclusion. The crisis resulted in a severe disruption of the global economy, with highly negative spillovers to national economies. It was driven by inequalities that had built up during the era of neoliberal globalization, in particular rising income and wealth inequalities,⁵⁹ and accelerated by a risky incorporation of vulnerable groups into financial markets. Structural factors such as racial and gender inequality (in particular of single-parent households) and worsening class distribution of income contributed to the crisis.⁶⁰ As the crisis unfolded, inequalities increased further due to adverse impacts on labour markets, household assets and access to public goods. Policy responses to the crisis had mixed impacts on inequalities, mostly favouring big corporations, banks and creditor countries rather than vulnerable groups. After an initial array of countercyclical policies, austerity and fiscal consolidation measures gained ground once fiscal space was exhausted and market pressure increased.⁶¹ This gave way to a scenario of skewed and slow recovery that has come to be known as the Great Recession.⁶²

In addition to frequent economic and financial crises, the world is confronted with an unprecedented environmental crisis rooted in colonialism and exploitative resource extraction from the global South that has fueled industrialization in the global North as well as an economic system prioritizing profit over people and planet.⁶³ Many planetary boundaries, the outer limits at which humanity can continue to develop sustainably, have been exceeded, with both ecological and social consequences and without achieving basic development standards and social rights for all.⁶⁴ The majority of CO₂ in the atmosphere has been created by rich industrialized nations, with the United States and Europe accounting for over half of the global total as of 2020.⁶⁵ Between 1990 and 2015, the wealthiest 10 percent of humanity accounted for 52 percent of cumulative emissions, with the top 1 percent alone accounting for over 15 percent.⁶⁶ While poor and marginalized people contribute the least to climate change, they are also the most likely to be harmed by it and have the fewest resources to cope with it (see box O.1).
Box 0.1 Transformative adaptation in coastal cities: Lessons from Ho Chi Minh City and Jakarta

Rapid and uneven urbanization and economic growth makes coastal cities home to many people vulnerable to climate impacts. The number of urban slum dwellers has continued to grow and led to more people highly exposed to flooding and living in overcrowded housing with little tenure security, poor water and sanitation, poor access to social services and unable to have their voices heard by political leaders. Urban upgrading is an attempt to tackle this situation by removing precarious settlements along rivers and canals to reduce exposure and relocate people to improved housing. However, in practice, this has forced many low-income and marginalized people to the outskirts of the city and unsettled their livelihoods.

In Ho Chi Minh City, low-income migrants are the most vulnerable group as they are often not registered or recognized as citizens, which limits their access to administrative resources and information. They have reported unstable livelihoods as a result of urban upgrading projects, as well as a lack of transparency in project planning and implementation. In general, upgrading projects focus most often on technical aspects, while social and cultural considerations, including restoring the livelihoods of affected people after resettlement, are left unresolved.

In Jakarta, participation in and communication between the city and its residents has improved, but the overall development vision for Jakarta remains that of a world-class waterfront city with little to no room for informal settlements (kampung). Researchers and civil society representatives have pointed to the important knowledge, creativity and potential of kampung dwellers who have been living with floods and adapting to them for a long time. While from an official perspective it is argued that large-scale infrastructure measures and upgrading efforts are necessary to protect the people of Jakarta, ignoring localized adaptation knowledge from kampung practices in city planning represents the continuation of business-as-usual approaches that tend to favour elites and reproduce existing inequalities.

UNRISD research has shown that much can be done in order to meet the needs and preferences of the affected households when more emphasis is placed on social impacts and support systems. Transformative urban upgrading and inclusive adaptation requires governance reforms that allow for learning from local experiences, and that harness the potential of individual leadership and innovation that is currently undermined by hierarchical decision-making structures.

Sources: Huynh and Nguyen 2020; Simarmata and Surtiari 2020; Tran and Krause 2020; UNRISD 2021a, 2021b

The destruction of our natural environment is not the only crisis threatening humanity in current times. Care is a society-wide service performed by a variety of actors that is essential for the maintenance of our social, economic, political and cultural institutions, and for our continued existence. However, the capacities of societies to engage in such forms of social reproduction under our current economic system are under severe pressure. Though a fundamental feature of how families, societies and economies are organized, it is largely neglected in social and economic policy, and therefore carries many injustices and inequalities. While these are longstanding structural issues, the Covid-19 pandemic brough this reality to the forefront, as the centrality of care, and the overwhelmed systems that provide it, became increasingly evident. This imbalance between the need for care and the failure of systems to provide it in fair and ethical ways is what defines the care crisis. The heavy emphasis on the social provision of care, in particular households, leaves a large deficit in care, one exacerbated by the fact that the number of persons in the world in need of care is growing in 2015, 2.1 billion people in the world were in need of care, and that number is expected to reach 2.3 billion by 2030. And while the number of people in need of care is increasing, shifting social arrangements, such as changing gender and family structures, render the social provision of care more tenuous. Advances in women’s rights have resulted in the participation of more and more women in the labour market. This has increased demand for care as women navigate employment and care responsibilities, and has also increased the
The focus of economic policy needs to shift from a narrow emphasis on market production and exchange—specifically the growth of gross domestic product—to a broader goal of social provisioning that redefines the economy to include both market and non-market production and processes.

– James Heintz
Professor, University of Massachusetts Amherst

double burden on women to combine productive and reproductive work. Further, institutional provision of care is largely insufficient in most of the world: the care sector has been historically chronically underfunded, and recent trends toward austerity have decreased state provision even further. Additionally, the amount of time and resources needed to be dedicated to care and domestic work is highly influenced by the availability of social services and social infrastructure such as energy, water and transportation, as well as the quality and accessibility of education and health services. These factors have a particularly significant impact on women, who take on a disproportionate share of unpaid labour, spending on average three times as many hours as men on unpaid care and domestic work. Meanwhile, the paid care sector is characterized by an erosion of working conditions, understaffing and low pay, often experiencing further downsizing during crises or political shifts.

The care crisis is a long-term systemic crisis that has become more severe in the aftermath of the global financial crisis in 2008 and the Covid-19 pandemic. The Covid-19 pandemic has demonstrated the essential value of care work, both paid and unpaid, as well as intersectional inequalities associated with the sector relating to gender, class, race, ethnicity or caste, informality and migrant status. Inequalities and underinvestment in care provisioning lead to heightened risk for both caregivers and care receivers, greater economic losses for care providers and the entire economy, and increased amounts of unpaid care work delivered by women and girls, creating time poverty and undermining their capabilities.

Political crises of various kinds are making headlines daily, from presidents being ousted by military forces, to elected political leaders caught in corruption scandals or gradually undermining democratic institutions, to new military conflicts such as the most recent Russian invasion of Ukraine that has resulted in a brutal war. Political crises have a bearing on the political order and challenge existing social contracts, even if not all lead to a complete breakdown or radical change of the political order. Some symptoms of crisis include increasing protests and decreasing levels of trust. People are taking to the streets in unprecedented numbers to express mounting political and economic grievances and discontent with political leaders. Much of the growing discontent and disenchantment in democratic capitalist regimes has been related to the multiple crises analysed in this report, which have adversely affected equality, social mobility and economic security. The reasons for declining trust are mainly attributed to economic insecurity and poor or corrupt governance, but also to rising inequality. Further, the democratic political fabric is threatened by the growing political influence of big corporations, shrinking policy space due to technocratic policy making and policy conditionalities which delegitimize governments, and illiberal democracies and rising populism.

Finally, the Covid-19 crisis has not only revealed the unequal structures in our societies but also acted as an amplifier of existing inequalities and pushed the less powerful and more vulnerable further behind. The pandemic spread quickly over the globe, putting health systems, state capacity and people’s resilience under severe strain. Death rates for Black Americans were 2.4 times higher than those for whites. Women have been more likely to lose their jobs during the Covid-19 crisis, stalling or even abandoning their careers and financial security. Lockdowns have amplified gender-based violence and violence against LGBTIQ+ individuals. The pandemic has also intensified challenges migrants and refugees face in accessing social, economic and political rights in host countries. Persons living in
disadvantaged neighbourhoods have experienced more severe impacts of the disease, whether directly in terms of cases, or indirectly in terms of effects on livelihoods and quality of life.\(^46\) Vaccine inequality, the unequal access and roll-out of newly developed vaccines for Covid-19 in high- and low-income countries, as well as the huge difference in fiscal stimulus measures between the global North and South, are additional features of the crisis demonstrating how existing global structures and a lack of international solidarity reinforce inequalities (see figure O.3). In addition, the economic impacts of Covid-19 have been much worse than those of the 2008 financial crisis, in particular in South Asia and Africa, and led to a 3.4 percent decrease in global GDP in 2020. At the same time, the number of ultra-high net worth individuals increased by 50 percent from 2020 to 2022.\(^88\)

While higher-income groups and countries can shield themselves more effectively against the negative consequences of climate change, environmental crises and pandemics than lower-income groups and countries can, they are increasingly realizing that they cannot fully detach themselves from crisis impacts and their social and political consequences. Moments of crisis unsettle conventional thinking about development paths, disrupt accepted world views and present opportunities to rethink and change direction away from business as usual. The realization that everyone depends on the global commons and public goods and that no one is safe until everyone is safe opens a window of opportunity to create a new eco-social contract geared toward greater social inclusion, equality and ecological sustainability.

**KEY MESSAGES:** **CRISIS BY DESIGN**

1. **Inequalities and crises are not inevitable, but to a large extent the result of policy choices.** Our global economic system has ushered in an age of crises, with inequality, degradation and threats to resilience built in by design.

2. **The shift toward market fundamentalism has increased inequalities.** Instability and systemic economic and financial crises, leaving all but the wealthiest highly vulnerable to shocks.

3. **The environmental and climate crisis, closely related to global inequalities and unsustainable economic systems, is reaching dangerous tipping points.** The richest individuals, corporations and countries in the world are responsible for the majority of CO\(_2\) emissions, resource use and pollution, while vulnerable groups are most affected by the worst consequences of climate change and environmental destruction.

4. **There is a crisis of care, and it is hindering social development and progress toward gender equality.** The global economy is characterized by entrenched patriarchal norms, a disproportionate amount of unpaid care work shouldered by women and communities, an undervaluation of care in the market and deficiencies in public care provision.

5. **Instability, insecurity, inequalities and the concentration of elite power are undermining trust, policy space and state legitimacy.** Democracies are eroding or backsliding, and civic space is closing down. Political crises are multiplying, manifesting as violent conflicts, increasing protests and collective discontent, political polarization and media capture, with severe consequences for democracy, development and human rights.

6. **The Covid-19 crisis has revealed and amplified existing inequalities between rich and poor people and between social groups, while erasing development gains of the recent past.** Vaccine inequality and huge disparities in fiscal stimulus policies between the global North and South demonstrate how new layers of inequality and injustice have been created.
The age of inequality: Intersecting inequalities and power

Getting to grips with the multifaceted nature of inequalities as both drivers and consequences of crisis and unsustainable development, the report unpacks vertical and horizontal inequalities, their intersections and their linkages with power. Income inequality and inequality related to group identity, when intersecting, reinforce each other. Poverty often exacerbates the structural violence and discrimination already suffered by individuals who belong to one or more marginalized category, for example, women and LGBTIQ+ groups, minority racial or ethnic groups, older or young persons, persons living with disabilities, informal sector workers, rural populations, and migrants and refugees.

Overlapping privilege is the other side of the coin, allowing us to explore how a small minority, the top 1 percent or 0.1 percent of wealth owners and income earners, accumulate disproportionate levels of resources and power. Inequality is a relational concept, reproduced in interactions between people. It is also a multidimensional concept that plays out differently across time—that is, over the life course and between generations—and space.

Inequality is not only a social and climate justice issue but has adverse impacts on key development indicators such as growth, macroeconomic stability, poverty reduction, health, nutrition and educational indicators, violence, social protection and employment.

Economic inequalities to the extent we observe today are rooted in historical legacies and injustices and have further thrived in the age of financialization and hyperglobalization. They are driven by asymmetries in global trade, investment and financial regimes, and a policy and regulatory environment that fosters the concentration of rents as well as tax avoidance and evasion by leading multinational corporations. While value is extracted at the lower end of global value chains, huge costs are imposed on workers, women, local communities and ecosystems. The flip side of increasing capital concentration and business power is the increasing livelihood insecurity of smallholders and micro-enterprises, and a growing precarious and mobile workforce made up of migrant, informal and gig economy workers. These groups often lack social protection and secure incomes and face heightened exposure to risks in times of crisis.

While within-country inequality dropped in the period from 1910 to 1980 (while between-country inequality kept increasing), it rose between 1980 and 2020 (while between-country inequality started to decline; figure O.4).

Between 1980 and 2020, the period of neoliberal hyperglobalization and financialization, the top 1 percent of income earners captured 22 percent of total world growth, versus 11 percent for the bottom 50 percent. Convergence between countries was driven by the rapid growth of large economies such as China and India, and by higher per capita growth rates in the global South compared with the OECD. However, the world’s poor population continues to be concentrated in the global South, whereas most of the rich live in the global North. About 84 percent of multidimensionally poor people live in sub-Saharan Africa (558 million) and South Asia (530 million). Despite a decline...
in relative inequality between countries, absolute disparities between rich and poor countries, for example, measured in average per capita income, have increased.\(^9\) Finally, while convergence appears in basic capabilities (countries in the low human development group are catching up more quickly than those in higher human development groups), divergence appears in enhanced capabilities, for example, life expectancy at older ages or share of adults with tertiary education.\(^9\)

Wealth distribution is even more unequal compared with income distribution (see figures O.1 and O.4), with the greatest concentration at the very top. This accumulation has been accelerating in recent years, reaching staggering numbers during the Covid-19 pandemic, during which a new billionaire was created every 30 hours.\(^9\)

Social inequalities, defined as disadvantages related to group status and manifested in unequal social outcomes, compound economic inequality, resulting in entrenched structures of stratification that constrain people’s life choices and well-being, undermining social cohesion, democracy and economic development.\(^10\) Groups affected by historical injustices and lack of resources and power are especially at risk.\(^10\) Indigenous peoples suffer lack of access to appropriate public health systems, were not properly considered in the formulation of Covid-19-related confinement measures, and had limited access to preventive information, such as updates about the disease in culturally and language-appropriate formats.\(^11\) In the United States, LGBTIQ+ people (16+) are nearly four times more likely to experience violent victimization than non-LGBTIQ+ people.\(^11\) Young workers, those aged between 15 and 24, are twice as likely to live in extreme poverty than adult workers. Eighty-five percent of people without access to electricity live in rural areas, with negative impacts on education, health and income.\(^12\) It is the most vulnerable citizens who face a disproportionate level of climate-related risk (see box O.2).\(^12\) Around 2 billion workers worldwide are informally employed (with informal employment representing a larger share of women’s work), accounting for 61 percent of the global workforce, which means they tend to work in vulnerable conditions and earn lower incomes than people in salaried employment.\(^13\) Many vulnerable groups do not benefit from any form of social protection. Less than 20 percent of older persons receive a pension, only 28 percent of persons with severe disabilities receive disability cash benefits, only 35 percent of children worldwide have access to social protection and only 41 percent of women giving birth are covered by maternity benefits.\(^14\)
Box 0.2 Universities and social inequalities in the global South

Higher education (HE), historically a privilege of elites, is now recognized as a key to social mobility and greater equality across gender and race, empowering disadvantaged groups and increasing their labour market opportunities.\(^a\) In the past several decades, more than one-third of secondary school leavers have been absorbed into some form of HE, up from one-fifth in 2000.\(^b\) But these increases are not evenly distributed across countries, and the increased participation in tertiary education has not necessarily been accompanied by sufficient formal employment opportunities for new labour market entrants, a situation that worsened during the Covid-19 pandemic.\(^c\) Further, the demand for HE in many places in the global South has exceeded the capacity of public educational institutions, which experienced budget cuts during structural adjustment and subsequent fiscal crises. Growing demand has largely been satisfied by private providers, with impacts for affordability and accessibility of HE.\(^d\) Rich students overwhelmingly outnumber poor students in terms of attendance rates and are much more likely to attend selective universities.\(^e\)

Recent UNRISD research found that while availability of HE opportunities for school leavers and adult learners has increased over the past decades, countries in the global South are still lagging behind compared with the global North. The expansion of private or fee-paying HE as the main mechanism to expand availability of opportunities reflects both fiscal constraints and international trends toward commercialization of public services. This has detrimental impacts on access and equity in contexts where inequalities are high and most student cohorts are from low-income families. In contexts where pressures for cost recovery and meritocracy compete with equity concerns, accessibility has been improved through policies such as subsidized student loans and living support schemes, expansion of subsidized programmes in public universities, quota systems favouring racial minorities in competitive entry exams, expansion of tertiary education infrastructure outside urban centres and distance education.

Low-income or poverty status continues to be the greatest obstacle to access, with some minority ethnic groups and women from better-off families having managed to access fee-paying HE. However, racial and ethnic minorities, low-income students, students from public secondary schools or with parents with low educational attainment levels, or those living in remote areas are still facing obstacles to access and completion, whereas female students are often overrepresented in less prestigious and lower-return study programmes and institutions. This points to shortcomings in terms of horizontality (uneven levels of prestige and quality across the HE system) and potential for social mobility in HE in the global South, with intersecting vertical and horizontal inequalities determining to a significant degree who can access HE and on what terms. For example, women tend to be overrepresented in less prestigious universities; non-degree programmes or private, fee-paying programmes (with public, no-cost universities being the most competitive and highest quality in many countries); and degree courses with lower earning potential. This, combined with inequalities in access to social capital including family networks, labour market segregation, care responsibilities and other disadvantages described above, leads to lower returns of HE for women compared to men.

\(^a\) Carter and Hujo 2021; \(^b\) McCowan and Bertolin 2020; \(^c\) ILO 2021a; Marginson 2016; \(^d\) UNESCO 2017; \(^e\) Guzmán-Valenzuela 2016.

Sources: Ayelazuno and Aziabah 2021; Gaentzsch and Zapata-Román 2020; Lebeau and Oanda 2020; McCowan and Bertolin 2020; Simson and Harris 2020

Economic and social inequalities both drive and are driven by political inequalities, as elites accumulate influence and power to preserve and perpetuate a system that benefits the few at the expense of the many. There are significant data to suggest that political systems bend toward the preferences of elites. These preferences vary to some extent across groups and places and are often related to elite perceptions of inequality and poverty,\(^f\) but elites are found to be overwhelmingly more satisfied with the system than average citizens, participate more and have more representation in politics.\(^g\) Elites wield influence over policies and legislation through various strategies, including influencing the electoral process through business networks and lobbying, media control or outright state capture.\(^h\) The largest companies have considerable sway over the global economy, as their investment
is increasingly essential for economic and political stability worldwide. In 2015, 69 of the world’s top revenue generators were companies, while only 31 were states. In times of crisis, the influence of business in politics is often heightened and consequences amplified, as the state acts to protect them from shocks. For example, during the 2008 financial crisis, responses centred around bailing out banks and creditors rather than minimizing the impact on vulnerable groups. During the Covid-19 pandemic, corporations have played an outsized role in shaping policy responses, including, for example, eliminating liability for workers’ health and safety, receiving tax cuts and stimulus money, and arguing for weaker environmental regulation.

Political inequality has significant implications for the possibilities for realizing progressive change, with particularly devastating impacts for vulnerable groups. Women and minorities face challenges stemming from social norms that place them at the bottom of power hierarchies, as well as institutional barriers and limited access. While women have achieved an expansion of basic capabilities such as voting rights, there has been little improvement in advanced capabilities such as active participation in political decision making: only 26 percent of all seats in national parliaments are held by women. Further, LGBTIQ+ identifying respondents to a survey conducted as part of an UNRISD project on LGBTIQ+ inclusion in political decision making indicated that they felt they could not engage in political processes without the risk of discrimination, and that if they did, their position would not be taken into account as much as that of their cisgender heterosexual counterparts. Progress toward reducing emissions is also often highly curtailed by elite influence, as wealthy individuals and companies are able to wield their resources and power to influence environmental policy and commitments at national and global levels.

The material and symbolic consequences of racism must be treated as defining elements of the political agenda. The institutional and power structures that fuel racism must be transformed.

– Jailson de Souza e Silva
General Director, Instituto Maria e João Aleixo (IMJA)
High levels of economic inequality, often converted into steep power imbalances, undermine sustainable development and prevent transformative change. When intersecting with inequalities related to group identity such as gender or race, they can lead to protracted situations of marginalization and oppression.

Economic inequalities, which have spiraled upward during neoliberal globalization, lie at the heart of power asymmetries and elite domination. While an overall decrease in global inequality between countries has been driven by a small number of large emerging economies, gaps in terms of income and other development indicators have expanded for many developing countries.

Social inequalities between groups along lines such as gender, race, ethnicity or caste, age, disability, citizenship and other characteristics are based on and reproduce hierarchies by applying discriminatory rules and practices. These social inequalities often intersect with poverty and a lack of economic resources, negatively impacting people, the economy and equity. Marginalized groups fare less well with regard to social outcomes, with intersecting forms of inequality compounding vulnerability.

Political inequalities and power asymmetries drive and are driven by social and economic inequalities, as elites accumulate influence and power to preserve and perpetuate a system that benefits the few at the expense of the many. This is a more than challenging context for realizing progressive change and has particularly devastating impacts for vulnerable groups and the environment.
A New Eco-Social Contract for a More Equal, Just and Sustainable World

PART III

Toward a new eco-social contract: Actors, alliances and strategies

In a world of multiple crises, rising inequalities and social injustice, large numbers of people are beginning to question the principles, values and public institutions our societies are founded upon, what philosophers such as Hobbes, Locke and Rousseau have called the social contract. In this report we argue that the social contract that has dominated the twentieth century—an implicit bargain between economic imperatives of growth and productivity, and social imperatives of redistribution and social protection—has broken down and cannot sustain the transformative vision of the 2030 Agenda. During the age of neoliberal globalization, increasing inequalities and multiple crises have undermined social contracts in different contexts, producing a political crisis of trust and legitimacy and a crisis of social reproduction, while humanity has not yet found an effective mechanism to secure the protection of nature or the rights of future generations.

A range of different voices from social movements, trade unions and business sectors have begun to call for a new social contract, including the UN Secretary-General, most notably in his Our Common Agenda report, though visions differ on what an ideal social contract should look like. Indeed, it is important to recognize the variety of normative and real-world social contracts as well as the power asymmetries and structural inequalities shaping them. Real-world social contracts tend to be far removed from a notion of free and equal persons creating a society based upon rules to which all agree. Rather, social contracts reflect existing power structures and inequalities at multiple levels and in varied forms, often creating de facto contracts of domination. They often do not grant broad-based political participation to non-elite groups, focusing in the best case on other legitimizing factors such as security or welfare provision. More often than not, they are the result of elite bargains and market power.
Social contracts can be found in any society. There is a large diversity among them, each emerging from different contexts and shaped by historical and contextual factors. In Africa, communitarian approaches dedicated to the common good such as *Ubuntu*—“I am because we are”—imply that individuals define themselves through their relationship with the community.126 *Buen Vivir*, the Living Well paradigm, a holistic vision inspired by Indigenous knowledge and values that promotes harmonious relationships between humans and nature, is the normative foundation for national development strategies in the constitutions of Bolivia and Ecuador.127 Another communitarian approach is *Ecoswaraj*, or ecological self-rule or self-reliance.128 It combines the concept of *Swaraj*, used by Gandhi in India’s independence struggle, with ecology. As with any social contract, communitarian philosophies and imaginaries are not insulated from economic and political interests. They need constant engagement with grassroots movements and others who defend their intrinsic meanings.129

Recent history shows that social contracts are not set in stone but renegotiated when contexts change, or when contracts are losing legitimacy and support. Countries have created new social contracts at critical junctures, in response to regime changes, citizens’ demands and social struggles, embarking on a variety of institutional and policy reforms. For example, in Africa, social contracts were rewritten by independent post-colonial governments concerned with nation building, state legitimacy and social cohesion, contributing to economic and social development.130 During the neoliberal era, social contracts associated with welfare capitalism or nation building were increasingly undermined and replaced by new types of contracts that emphasized individual responsibilities to the detriment of communal values, redistribution and public provision, leading to increasing inequalities and a weakening of public institutions.131 Constitutional reforms associated with democratization processes (see box O.3), progressive land reforms, or expansion of social rights during the period of the social turn that brought social policy back onto development agendas in the 1990s and 2000s are different examples of how social contracts have been renegotiated, often with real benefits for vulnerable or previously excluded groups.132

### Box O.3 Renegotiating social contracts in the aftermath of the Estallido Social (social outburst) in Chile

Protests in Santiago, Chile in October 2019 were triggered by a hike in metro fares but quickly turned into a rally against inequality and high costs of privatized education, health and social security systems. They united around 1.2 million people, including many middle-class citizens, in what was the largest protest march since the country’s return to democracy in 1989. Increasing living costs and constraints on social mobility were associated with the neoliberal economic regime that was imposed in the early 1980s under the Pinochet dictatorship and which produced disproportionate benefits for wealthy economic and political elites, with few fundamental modifications since the democratic transition. While the country had seen mass protests before, in particular those led by the student movement demanding free education services in 2012 and a march of one million in 2016 calling for a reform of the country’s privatized pension system, the 2019/2020 protests reached a new scale, prompting the government to declare a state of emergency in the capital city and resulting in violent clashes with security forces. The protests in Chile not only gained broad media attention across the world but also achieved concrete government responses addressing their claims, the most important one being direct election of a constitutional convention tasked with drafting a new Magna Carta, replacing the much-criticized constitution dating from the Pinochet era. However, Chilean citizens who were asked to vote on the draft text—which proposed various radical changes such as more rights for Indigenous Peoples, women and nature—in September 2022 rejected the proposal with a large majority. Clearly, the road to building a new eco-social contract is not without obstacles.

* Pribble 2017; b DW 2019.

Considering the linked economic, social, ecological and political crises faced worldwide, organizations and movements are calling for the creation of a new social contract among people, between citizens and governments, and between people and nature. The United Nations has a strong voice in this process, based on its charter and its comprehensive human rights framework; its different organizations working for peace, security, economic stability and sustainable development; and the emerging
climate governance regime. The 2030 Agenda for Sustainable Development represents a high-level global consensus and commitment of UN member states on the key objectives that a new eco-social contract needs to fulfil.

This report posits that the social contract needs a fundamental overhaul if we aim to achieve sustainable development for all; it must become an eco-social contract, incorporating the ecological dimension and creating a new contract for the planet and future generations. This new eco-social contract needs to be grounded in a broad consensus between different stakeholders, embarking on a democratic, inclusive and participatory decision-making process at multiple levels, and feeding evidence-based policy proposals into decision-making forums. The basic idea of a new eco-social contract is to foster a range of deliberative processes at local, national, regional and global levels, in different sectors and with different sets of stakeholders, to arrive at a shared vision, concrete objectives and commitments and accountability mechanisms.

For a new eco-social contract to be sustainable, there has to be a broad societal and global consensus regarding the questions of what the common public goods are (for example, keeping global warming under 1.5°C, providing decent work for all, and maintaining global peace and security in line with the UN Charter), how to arrive there and how to finance them. Achieving such a consensus might not be a smooth process, nor a quick fix, but it should be a democratic, inclusive and transparent process.

Bargaining for a new eco-social contract also requires being explicit about normative foundations and values. We need to rethink the current principles and values that guide our societies and economies and that underpin the policies and institutions needed to overcome urgent development challenges. Based on the evidence and analyses presented in this report, we argue that a new eco-social contract should be instrumental in reconfiguring a range of relationships that have become sharply imbalanced—those between state and citizens, between capital and labour, between the global North and the global South, and between humans and the natural environment. It should be based on rebalancing hegemonic gender roles and relations rooted in patriarchy, remedying historical injustices and strengthening solidarity at community, national and global levels. New eco-social contracts can be guided by a vision that aims to make social contracts more inclusive, just and sustainable by applying seven principles: human rights for all; progressive fiscal contracts; transformed economies and societies; a contract for nature; historical injustices addressed; gender justice; and solidarity.
The twentieth-century social contract, while delivering social progress and greater well-being for many, left many behind and ignored planetary boundaries. A new eco-social contract for the twenty-first century needs to be fully inclusive and grapple with historical injustices such as colonialism and slavery as well as contemporary challenges, while shifting and restructuring economies and societies to halt climate change and environmental destruction.

There is not one social contract, but many. As we move toward a new eco-social contract there is much to learn from the diversity of communitarian visions and country experiences in all parts of the world. Decolonizing knowledge is crucial for shifting power asymmetries.

Existing social contracts have often been renegotiated in times of crisis and at critical junctures, opening a window of opportunity to build better futures. There is, however, a risk of backsliding through elite-driven and populist bargains and a backlash against equity and human rights.

A new eco-social contract should be created through deliberative processes at local, national, regional and global levels, in different sectors and with different sets of stakeholders. To arrive at a shared, equitable vision and transform it into tangible results, we need normative, regulatory and policy changes and concrete objectives, commitments and accountability mechanisms tailored to local contexts.

If we want to harness crisis as an opportunity for change, the time to act is now. A new development model is needed that promotes social, economic and environmental justice, reduces inequality and addresses economic, social, environmental and political crisis drivers. We propose a model that is grounded in an integrated approach consisting of three pillars that are mutually reinforcing (see figure O.5): alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations, transformative social policies underpinned by a fair fiscal contract, and reimagined multilateralism and strengthened solidarities.

Alternative economic approaches need to overcome the key contradictions laid out in this report: the exploitation of people and planet and growing inequalities that erode the social contract. They also have to provide a counter-narrative to the belief that free markets and the private sector on their own can deliver sustainable growth and development. And they need to put key relationships on a new footing—those between states and markets, between different market actors and along global value chains, and locally between markets and communities.

Different actors, including governments, trade unions and international organizations, are proposing a Green New Deal, which will require international cooperation and a rethinking of multilateral institutions to ensure the rules work to promote social, economic and environmental justice, while guaranteeing it is also a good deal for the global South. Civil society and climate justice organizations in particular often propose just transition projects and plans that envision fundamentally different futures, are rooted in solidarity economy thinking and tackle different dimensions of existing injustices and inequalities intersectionally. Business actors are increasingly active in seeking ways to incorporate environmental, social and governance concerns into their operations, and new approaches to corporate sustainability reporting as proposed by UNRISD are a step toward measuring progress toward sustainable development more effectively while providing incentives to apply more transformative approaches. Overarching economic policy concerns are related to the
Figure O.5 A new development model for social, economic and environmental justice

7 Principles for building a new eco-social contract

1. Alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations
2. Transformative social policy underpinned by a fair fiscal contract
3. Reformed and strengthened multilateralism and solidarities

11 Policy platforms for reducing inequality

- Universal social policies
- Labour market and employment policies
- Fiscal policies
- Business and market regulation
- Socially sustainable environmental policies
- Urban policies
- Food systems sovereignty and nutrition policies
- Gender equality policies
- Anti-discrimination policies and affirmative action
- Democratic governance and access to rights
- Global governance reforms and global redistribution
question of how to best create an economy that is stable, sustainable and dynamic, creates decent and productive employment, and is conducive to innovations and technological progress that help to tackle the big challenges of our time while minimizing incentives for negative behaviours such as greed and corruption. The current economic policy environment tends to favour powerful economic actors such as multinational corporations and big business to the detriment of smaller entities, some of which are operating based on greater environmental sustainability and democratic governance. The state role has often been reduced to fixing so-called market failures and providing an enabling environment for investors. In the context of globalization this has often meant the liberalization and deregulation of the market, monetary stabilization policies and socializing investment risks of for-profit enterprises, which allows them to rake in huge profits without paying the costs related to their operations. To make our economies more inclusive, sustainable and productive, it is imperative to rethink and retrofit the role of the state in economic development. This would involve changing relations between states and markets, better governance of global value chains and new relationships between market actors and communities, embedding economic activities back into social and territorial contexts that are more conducive to inclusiveness, human rights and sustainability. Social and Solidarity Economy (SSE) is an alternative economic approach that can meet these requirements. By institutionalizing collective action and re-embedding the economy into society and promoting forms of production, exchange and consumption that protect both people and the planet, it aims to realize emancipatory purposes within economic spheres and the wider political economy. By facilitating environmentally and socially sustainable production, exchange and consumption, SSE recentres the commons and strikes a new equilibrium between the economy and society to ensure that everyone has what they need to live well, the essence of a new eco-social contract. As this report shows, appropriate legal frameworks and public policies are critical to promote SSE and maximize its potential of making economies and societies more sustainable (see box O.4). Transformative social policy and a fair fiscal contract play a key role in shifting the current development model toward social and climate justice. They are at the core of a new eco-social contract, benefiting the economy and society, strengthening social cohesion and trust, and providing legitimacy and credibility to governments. Institutionalized, long-term, universal and human rights-based approaches to social protection, which empower all segments of society to play a role in the development of their communities, are key to reducing inequalities and building resilience in the face of future shocks and crises. Transformative social policies have a particular role in redistributing unpaid care work in society and supporting social reproduction, tying together the spheres that have been separated and which led us into the current crisis scenario. Social policy is also highly important for stabilizing the economy through so-called automatic stabilizers (when the economy contracts in a downturn, tax receipts decrease and transfer payments increase, and vice versa during booms), for production through investing in a healthy and educated workforce, and in terms of redistributing market income to increase equality, with positive impacts on growth and poverty reduction. Social insurance and assistance programmes protect people against lifecycle and market risks and are key instruments to cushion the impacts of crises, shocks and humanitarian emergencies.

The Self-Employed Women’s Association’s (SEWA) experience of organizing informal-sector women workers for over five decades in India has shown that, to address the multiple challenges these workers are facing, there is a need to strengthen their collective agency, bargaining power and leadership to help them fight against unjust working conditions and bring them voice, visibility and validity as workers.

– Reema Nanavaty
Director, Economic and Rural Development, Self-Employed Women’s Association (SEWA)
There is a need to reinvent ideas around care and care ethics and how care work and care services are valued in market and non-market spheres. Care needs to be at the centre of a new economic and social model. Global trends such as ageing and the Covid-19 pandemic have demonstrated that we are at a tipping point of a care crisis. To curb this development, we need publicly funded (universal) care services, including health care, and we need to improve the working conditions of care workers, including domestic workers, while creating a supportive context for unpaid caregivers through policies that increase access to social services and social protection and facilitate the combination of paid and unpaid work, for example, through labour market regulation and parental leave policies.

Reforming the care economy and our approach to care is an essential step toward a new gender contract grounded in justice.

Transformative social policies, as opposed to residual or targeted social policies, are based on institutionalized rights and provide universal coverage for all across the life course, for example, universal child benefits and social pensions, social inclusion policies, extension of coverage of social protection toward informal and self-employed workers, basic income guarantees and minimum

Box 0.4 Promoting SSE through public policies: Guidelines for local governments—Dakar

In Senegal, SSE has been promoted as a response to a growth context that failed to trickle down to provide broader social development gains. The Senegalese economy has been growing at an average annual growth rate of more than 6 percent in recent years (2016–2019), driven mainly by domestic demand, fueled by public spending and household income growth, including remittances from Senegalese workers abroad. Despite economic growth, unemployment and underemployment rates reached 16.9 percent and 27.7 percent respectively in 2019, with rates being higher in rural areas and for women. In 2019, the unemployment rates for women and men were 27.6 percent and 8.6 percent respectively. The majority of Senegalese citizens do not think they share the benefits of economic growth, and poverty is entrenched.

SSE has played a key role in addressing this situation, most notably in the form of housing cooperatives and health mutuals. In the context of rising costs of housing, the cooperative option has become an alternative for people who want to own a house. In the Dakar region, more than 600 housing cooperatives have been established. In addition, more than 100 health mutuals have been set up since 2012. They provide health insurance, filling the large gap in public health provision, and contribute to the improvement of health conditions of the population in both urban and rural areas.

Responding to the growth of the SSE sector and its benefits, the Senegalese government established SSE as a priority sector within the framework of the Emerging Senegal Plan, placing it as the second most important among five major initiatives. The government decided to promote and develop the SSE sector, noting that the productive and redistributive function of SSE can help disadvantaged and marginalized people share in the benefits of economic growth and consequently strengthen democratic society.

In June 2021, the Senegalese national parliament passed the SSE Framework Law, which introduced the official definitions of the terms used in the SSE sector, special taxes for the sector and the creation of a National SSE Council to promote SSE throughout the country. RACTES (Réseau des Acteurs et Collectivités de l’ESS—Network of SSE Actors and Communities) played a significant role in providing inputs to the lawmakers and lobbying to pass the SSE Framework Law. In particular, its recommendations on policies to promote SSE, drawn from UNRISD’s research on “Public Policies for Social and Solidarity Economy: The Experience of the City of Dakar” and “Guidelines for Local Governments on Policies for Social and Solidarity Economy,” have been adopted as Chapter IV. Mesures d’accompagnement et de promotion de l’ESS (SSE support and promotion measures) of the SSE Framework Law.

* Diop and Samb 2021; † Jenkins et al. 2021.

Sources: Diop and Samb 2021; RTES 2021
The achievement of proposals [to democratize vaccine access] is held back by constraints that are mainly political, reflecting the significant lobbying power that large corporations have with states across the world. But such constraints are binding only if citizens do not apply sufficient counterpressure on their governments. This is necessary not only to ensure the vaccine equity that is essential to deal with the Covid-19 pandemic, but also to achieve the international solidarity that is a minimum requirement for humanity to address other existential threats such as that posed by climate change.

– Jayati Ghosh
Professor, University of Massachusetts Amherst

Social policies need to be financed through a fair fiscal contract, guaranteeing both the sustainability of financing and the reduction of inequalities and negative social impacts. Taxation has the highest potential of contributing to demand growth, economic stability and greater equality when it targets high incomes, excessive windfall profits and related wealth accumulation and speculative activities while providing incentives for sustainable production and consumption. Successful fiscal bargains at the national level require bringing economic elites back into the social contract. Reforms at the global level should foster global redistribution and sustainable access to finance, reduce external debt in the global South and curb financialization, tax competition and evasion and capital flight.

In a deeply integrated world where transnational issues are becoming more and more important, national policy reforms will only take us so far. The third pillar of a new development model for social and climate justice is a reformed global governance system, grounded in reimagined multilateralism and strengthened solidarities, recognizing the interdependencies of all people and between humans and nature. This global regime should create an enabling environment for security, peace, human rights and sustainable development, and seek to overcome the fractures and inequalities that are dividing us. Reining in neoliberal hyperglobalization and addressing global power asymmetries requires strengthening rules and regulations that would re-embed the global economy into social and ecological norms, increasing the weight of the global South in international relations and the global economy, empowering civil society’s voice and impact in multilateralism, and fostering solidarity and new values. This new development model must be underpinned by a transformative policy platform that aims to reduce inequalities (see figure O.5).

In sum, creating an economy and society that cares and thrives requires us to rethink priorities, move away from an exclusive focus on growth and profits, and change institutions, policies and behaviours that negatively impact our economy, environment and social relations, at national and global levels.

The key question is then how to arrive at the political support and financial means to put these suggestions into practice. Alliance building is
essential to effectively harness the power of the many to rein in the influence of the few and to rebalance existing power structures. Such alliances take very different forms today than they did in the past, adapting and changing in the face of evolving economic systems, shifting identities, new forms of politics and communications, new conceptions of class, a transformed world of work and reimagined notions of family and community. For example, forms of collective resistance are emerging among digital workers, who are making use of social media to organize strikes and protests and establish unions or alliances, as well as mobilizing legal mechanisms to lobby for their rights.

New forms of collaboration are emerging among marginalized groups as they apply various strategies to adapt to rapidly changing environments while stabilizing their livelihoods. They develop innovative strategies to increase their capital base for investments, such as in the case of fishers in Tamil Nadu, or co-produce social services as a way to change their relations with state and market providers, for example, in the case of informal workers in India and Thailand. They build networks of different types of actors, such as between domestic workers and housewives in Uruguay, to mobilize for labour rights and gender equality. Alliances between trade unions and other workers’ associations have increased minimum wages, improved occupational safety and health, and made advances in other forms of labour legislation through the use of social dialogue mechanisms and the constructive contribution of experts.

UNRISD research has shown that a combination of progressive leadership inspired by the common good and public interest and grassroots pressure from below, by protesting citizens, progressive social movements and civil society organizations, supported by multilateral organizations and frameworks, can go a long way toward more sustainable and inclusive development approaches. Learning from successful past experiences in fighting inequality and which policies and political strategies have worked provides lessons for future struggles. It is only through this form of collective learning and acting that we will be able to both identify the strategies and summon the strength needed to support the necessary eco-social turn, and build a new eco-social contract. Such a contract must be based on a new sustainable development model that is not only more resilient toward crisis, but also much more inclusive, egalitarian and in harmony with our planet than previous ones.
**KEY MESSAGES: A NEW DEVELOPMENT MODEL**

**ONE**

We need a new development model for social and climate justice. Implementing the vision of a new eco-social contract will require an integrated approach consisting of three pillars that are mutually reinforcing: alternative economic approaches that centre environmental and social justice and rebalance relations between the state, society, markets and nature; transformative social policies financed by a fair fiscal contract; and strengthened multilateralism and solidarities.

**TWO**

Alternative economic approaches—such as Social and Solidarity Economy, progressive proposals for a Green New Deal and just transition strategies—hold the promise to make our economies more sustainable and equitable. To achieve this transformation, states need to play an active developmental role and expand their policy space, particularly in the global South.

**THREE**

Transformative social policies are key tenets of a new eco-social contract. They include universal social protection and social services, integrated care systems and labour market policies fostering decent work and productive employment. They need to be based on a fair fiscal compact where rich people pay relatively more than poor people while promoting innovative financing instruments that support the transition to sustainability.

**FOUR**

Progress toward transformation at regional, national and local levels can be strengthened through a reimagined multilateral system and solidarities. International reform and regulation to support transformative change is needed in multiple areas: curbing tax competition and evasion; improving social and environmental standards along global value chains; reversing the concentration of economic and political power of the global business elite; and strengthening global redistribution and cooperation. Power asymmetries in multilateralism need to be rebalanced by empowering the global South and civil society actors.

**FIVE**

Transformative change can be supported by a new narrative, one that abandons the myths of self-correcting markets, endlessly renewable natural resources and “trickle-down” development. Such an approach must address structural crisis drivers, entrenched inequalities and internal contradictions associated with neoliberal hyperglobalization. Progressive leaders, active citizens and social movements need to join forces to achieve a truly inclusive vision of climate and social justice.
Endnotes

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The world has entered the decade of action of the 2030 Agenda for Sustainable Development in a state of fracture, confronted with severe crises and unraveling social contracts. The failure of the global economic model to account for the natural boundaries of the planet has led to environmental destruction and human precarity. And despite considerable advances in human development for more than half a century, progress has been uneven and volatile, while past gains have been partially reversed as a result of the Covid-19 crisis. Inequality has been both a root cause and an amplifier of multiple crises—economic, social, political and ecological. The age of neoliberal globalization and related policy choices are at the heart of the present challenges, having prepared the way for the current model of unsustainable hyperglobalization, which creates an inescapable gravity toward inequality and crises. Deep fractures run through our societies and economies, manifesting in inequalities, social exclusion, polarization and conflict. The set of aspirations, norms and institutions commonly referred to as the social contract have been hollowed out by market fundamentalism and increasingly fail both people and the planet. Key global trends, presenting both opportunities and challenges, have shaped inequalities and challenged social contracts over the last decades: globalization, technological change, migration, ageing, urbanization and shifting global power structures. To overcome inequalities, address multiple crises and harness the opportunities of a changing global context, we need a new eco-social contract that unites people in the fight for social and environmental justice and sustainable development.
1. Overcoming Inequalities in Times of Crisis: Why We Need a New Eco-Social Contract

1.1 Entering the decade of action: A challenging context for achieving the Sustainable Development Goals

There is perhaps no more telling example of the way in which our current world order is bent toward injustice than the Covid-19 pandemic, simultaneously so universal and experienced so differently from person to person and place to place. The period since the virus was first detected in early 2020 has been marked by extensive loss of life, severe economic downturn, the rolling back of many human development indicators and an overall increase in poverty. Yet, at the same time, it also brought significant gains for a very small group of people, as wealth concentration at the top has intensified since the pandemic began. Such an extreme increase in human suffering matched by an equally extreme increase in profit and privilege has been the unfortunate refrain running through the history of recent crises, growing louder with each passing year. With a central focus on inequality, this report starts from the premise that a system in which a global health crisis can double the wealth of the 10 richest men in the world while sending more than 120 million people into extreme poverty signals a broken social contract, leaving behind far too many people and failing to protect our planet.

Only seven years ago the world seemed to be set on a more hopeful path. In 2015, the international development community agreed on an ambitious agenda to “transform our world,” with an unprecedented broad and transformative development vision enshrined in the 2030 Agenda for Sustainable Development. Unlike the era of the Millennium Development Goals, the new agenda included an explicit commitment to reduce inequalities within and between countries, as stipulated in Sustainable Development Goal (SDG) 10. With only eight years remaining to make this ambition reality, the context for achieving the vision of Agenda 2030 has never been more daunting because of a number of urgent challenges. These include disparate progress in reducing poverty; high and rising levels of wealth and income inequality; the persistence of other multidimensional inequalities, including gendered forms; the climate crisis and environmental destruction; insecurity and conflict; migration and forced displacement; precarious work; as well as accelerating demographic and technological change—all of which challenge the capacity of policy makers to steer the course of development to the benefit of all people and our planet.

The current sense of crisis and insecurity contrasts with considerable development gains throughout the world since the second half of the twentieth century, including expansion in human development for the majority of the earth’s people, reduced poverty, greater longevity, advances in gender equality, progress in reducing various forms of discrimination, enhanced capabilities and widespread access to technology, for example. The reasons for the sense of crisis and insecurity are threefold: for one, development has been skewed, not benefiting all equally and even pushing some further behind. Second, the world has become more volatile and unpredictable for many (as will be explored in chapter 2), confronting people with new risks and shocks, including economic, health and environmental ones that threaten lives and livelihoods. Thirdly, some challenges such as climate change and environmental destruction have evolved in parallel, or even as a consequence of, socioeconomic progress, without prompting the necessary political will and policy responses needed to address them.

The unprecedented concentration of wealth and income among individuals, groups and corporations is a defining feature of the present moment, one marked by interconnected and compounding crises which can be understood as endogenous to the current economic system (chapter 2). In the past three decades, the top 1 percent of humanity has captured nearly 20 times the amount of wealth as the bottom 50 percent. The share of global income earned by workers has declined from 53.7 percent in 2004 to 51.4 percent in 2017, while the share of capital income has increased from 46.3 percent to 48.6 percent. Public wealth has been depleted while private wealth has grown unceasingly, in particular in countries like France, Germany, Spain and Italy. More than two thirds of the world population live in a country where inequality has grown. This wealth and income concentration at the top is both a result and a driver of elite power. Elite capture of political processes and institutions is halting possibilities for...
change at every turn, while multinational companies are further concentrating wealth and power, often aided by rapidly evolving technology that creates new divides both within and between countries. On the other side of the spectrum, countervailing powers such as trade unions and the extent to which they can engage in centralized collective bargaining have been weakened in a number of countries as a result of unemployment, informalization, privatization, sectoral shifts, international labour migration and the rise of non-standard forms of work.

As inequality continues to increase within and among countries (despite some convergence at the global level largely driven by China) as a result of neoliberal policies and recent crises, vulnerable groups are being especially hard hit (see chapter 3). Race, ethnicity, caste, citizenship status, gender identity, sexual orientation, age and a number of other factors continue to play a crucial role in determining people’s capabilities and social outcomes. For example, young workers, those aged between 15 and 24, are twice as likely to live in extreme poverty than adult workers. Rural areas are home to 85 percent of people without access to electricity, which impacts outcomes related to education, health and prosperity.

Meanwhile, national politics in several countries have swung toward nationalism, isolationism and xenophobia, pitting nations, ethnicities and religions against each other. Political extremism, in particular right-wing extremism, has taken hold across the globe, gaining prominent footholds in political institutions and spearheading a backlash against egalitarian and human rights discourses and movements (see chapter 2). Such trends are setting back gains in gender equality, racial justice and LGBTIQ+ rights to name a few and even inciting renewed violence and discrimination toward marginalized groups.

A chronic gap in public finance, aggravated by the cyclical recurrence of austerity policies in response to economic crises, is undermining already fragmented and insufficient social protection systems and public provision, mainly as a result of privatization, commercialization or cost-saving measures in health, education or social protection schemes. This retrenchment of the state and public expenditure leaves more and more people vulnerable to the ravages of markets and life course risks.

The impact of increasing inequalities tends to negatively affect those who are already marginalized or discriminated against.

The climate crisis and biodiversity loss are destroying ecosystems, changing the face of our planet, rendering it ever more inhospitable, destroying homes and lives, and disproportionately affecting those already living at the margins. The period 2010–2019 was the warmest decade on record, bringing with it destructive wildfires, hurricanes, droughts and other climate-related disasters, increasing poverty and hunger and displacing millions, with 2020 seeing 30.7 million new displacements due to disasters. According to the Emission Gap Report, the world is still heading for a steep temperature rise in excess of 3°C this century, far beyond the Paris Agreement goals of limiting global warming to well below 2°C and pursuing 1.5°C. Responsibility for emissions is highly skewed: the world’s richest 1 percent emit more than twice as much CO₂ as the poorest 50 percent of the world’s population. Economic incentives at all levels—global, country, firm and individual—are focused on extracting maximum value from economic processes rather than investing in strengthening systems that are resilient and sustainable in economic and social terms.

Unsustainable consumption and production patterns, mainly driven by a small group of industrialized countries, have led to a depletion of natural resources, pollution and environmental deterioration. Research shows that deforestation and threats to biodiversity associated with the dominance of supply chain production increase the likelihood of future epidemics. According to the Dasgupta Review (Dasgupta 2021), global assets have not been managed sustainably. Estimates show that between 1992 and 2014, produced capital per person doubled and human capital per person increased by about 13 percent globally, but the stock of natural capital per person declined by nearly 40 percent. Such growth, which furthermore was
unevenly distributed across countries and people, has come at a devastating cost to nature and to the opportunities for future generations. The report estimates that the resources of 1.6 earths would be required to maintain the world’s current living standards.\(^24\)

The Covid-19 pandemic has added to this list of troubles, exacerbating the corrosive effects of the current system and the inequality it has wrought.\(^25\) For the first time since the 1990s, absolute poverty rates are on the rise and the impacts of Covid-19 are expected to set back progress toward ending extreme poverty by at least three years. In 2020, Covid-19 pushed up to 124 million more people into extreme poverty.\(^26\) The number of persons suffering from hunger and food insecurity is also on the rise, a process that started before the outbreak of the pandemic, driven by agrarian stagnation and the fallout of the financial, energy and food crises of 2007/2008, and is now accelerating. Almost 690 million people were undernourished in 2019, up by nearly 60 million from 2014. About two billion people were affected by moderate or severe food insecurity in 2019, and the estimated figure for chronic hunger in 2020 rose by more than 130 million people as a result of Covid-19.\(^27\)

The result of these multiple challenges is a world in a state of fracture, and at the heart of it is inequality. Inequality describes a relationship between the haves and the have-nots, the included and the excluded. It manifests vertically (inequality among individuals), as the gap between the rich and the rest grows wider every day, and as well as horizontally (inequality among groups), as people’s capabilities and life chances are deeply affected by characteristics such as gender, age, religion, sexual orientation, gender identity, citizenship status, race, ethnicity and much more.\(^28\) There is also a third way in which inequality operates, and that is at the intersection of vertical and horizontal inequality, the combination of income and group-based discrimination: poverty undermines people’s participation, well-being and enjoyment of rights and exacerbates other forms of disadvantage related to marginalized groups.\(^29\)

Unequal power relations, driven by economic dominance, lead to different types of exclusion: unequal power is manifested in the home, the community, the workplace and national and international governance, underpinned by social norms that attach value and visibility to some groups and activities while devaluing others and rendering them invisible.\(^30\) The impact of increasing inequalities tends to negatively affect those who are already marginalized or discriminated against, particularly children and women living in poverty, people with disabilities, older persons, refugees and migrants, Indigenous peoples and people in other minority groups.

These cleavages have eroded social cohesion, citizenship practices and trust in public institutions, leaving deep fault lines that manifest economically, politically, socially and spatially. Consequently, many governments lack the will or capacity to foster inclusive development and to protect the well-being and rights of their citizens, while some turn toward exclusionary policies and “othering” to consolidate their political base, resulting in divisive political polarization.\(^31\) As the power of economic and political elites grows and societal gaps widen, institutions representing the public good and universal values are increasingly disempowered or co-opted, and visions of social justice and equity are sidelined. This reality contrasts with the normative vision of a social contract that considers all persons as equals, holds decision makers and individuals to account for respecting an agreed social order and promotes social justice (see box 1.1; see chapter 4).
Whether societies consider inequality to be a problem depends not only on the level, type and evolution of inequality but also on other factors, for example, to what extent prevailing ideologies and social norms legitimize inequalities or whether the distribution of opportunities is seen as fair, allowing for social mobility. It is often claimed that ensuring equality in opportunity is more feasible and legitimate than equality of outcome. Addressing inequality of opportunity tends to be the preferred approach of liberal or libertarian political forces, who shy away from greater income distribution activities by the state (see box 1.2). However, achieving equality of opportunity in practice is difficult given historic injustices leading to and compounding inequalities in opportunities afforded by one’s place of birth, individual and family-related assets, and endowments or social networks. Therefore, in order to guarantee a dignified life for all and in line with human rights conventions, the state must assume responsibilities to ensure a basic level of social outcomes by guaranteeing a minimum income or a social protection floor for all, alongside investments that level the playing field, for example, in public health, education and other basic services.

Some inequality in outcomes can be considered unavoidable due to variations in ability, talent, initiative and fortune, which make them compatible with prevailing notions of justice. However, current inequalities and disparities enjoy little such legitimacy. At least three factors indicate when inequalities become an issue of economic and social justice and fairness (see box 1.2 and chapter 4): first, when inequality is the result of discrimination and systematic disadvantage such as fewer opportunities, lack of access to essential services, basic living standards, decent work or meaningful participation in public life, which often relates to group-based inequalities that are legacies of historical injustices; second, when inequalities are growing at rapid rates, leading to power concentration on the one hand and disempowerment on the other, creating multiple fractures and biases in our political and economic systems that undermine societal progress; and third, when social discontent and perceptions of unfairness are expressed in mounting (violent) protest, political radicalization and “othering”, which erodes social cohesion, solidarity and democracy, the foundations of a progressive social contract.

1.2 Inequality: Why and when is it a problem?

Empirical evidence shows that inequality along all dimensions is highly detrimental for our societies and economies in every part of the world, undermining economic development, well-being and health, democracy and participation, as well as social, environmental and economic sustainability. The Covid-19 crisis has demonstrated that the combination of inequality and a pandemic has deadly consequences beyond those of the virus itself (see Spotlight by Winnie Byanyima). A highly unequal world is ill-prepared to address a global health crisis efficiently and equitably, amplifying divides and leaving it unable to contain the disease and to shield the most vulnerable from its adverse impacts.
Box 1.2 Approaching inequality from a justice perspective

Approaching inequality from a justice perspective requires some considerations about key concepts and questions in the debate, for example, what the difference is between justice, fairness, equality and equity; what can be considered a just society, just institutions or procedures; and how they can be advanced. Inequality can be related to a range of root causes and is not per se associated with injustice. It can turn into a justice issue under certain conditions, for example, when it deprives persons of basic capabilities and life chances.

While fairness implies equal and impartial treatment of every person without bias, justice approaches can imply unequal treatment in line with agreed rules and moral standards, for example, policies for older people or persons living with disabilities to enhance their capabilities, or affirmative action to enhance gender or racial justice. Equity is often used as a synonym for justice or fairness. There is a certain ambiguity between the terms justice, equity and fairness, as definitions vary and overlap, in particular in daily use. In popular discourse, fairness is often used when referring to subjective perceptions, whether a person considers an action toward herself or others or an outcome as fair. It is an imagining of what is considered just (the term is often used in opinion surveys), not necessarily tied to a predefined theoretical approach, legal framework or institutional accountability mechanism. Promoting justice or addressing injustice, in contrast, requires some previous public reasoning and formulation of what exactly is considered just or unjust, so that public institutions can administer conflicting claims and assign rewards and punishments. Justice has multiple dimensions and can be understood as distributive justice (a fair share for everyone), procedural justice (unbiased processes) and restorative or reparative justice (healing wounds and repairing harm done).

Notions of justice vary according to different ideologies and world views. It is important to be transparent about the normative foundations that underpin public policies in different contexts. This is even more necessary when existing social contracts are contested and new ones are proposed, which might be based on different value concepts. Among different theoretical approaches, four justice concepts have received particular attention. Liberal egalitarianism is grounded in a notion of justice as fairness in the sense that all citizens are treated equally by the state in terms of rights and duties and enjoy equal opportunities to live the life of their choice regardless of original position and status. It implies that the most disadvantaged should be supported through public welfare institutions. This approach is extended from the national level to the global level in cosmopolitan theories, where the justice question is how to fairly distribute benefits and costs in a globalized world. Mechanisms to advance global justice are global institutions and policies for redistribution such as international taxation. The capabilities approach evaluates institutions based on their impact on the capabilities people have to live a dignified life of their choice. It focuses on ends (capabilities) rather than on means (for example income), as people have different abilities to convert resources into achievements based on personal characteristics and context. The libertarian approach sees differences in income and wealth as legitimate if gained by lawful activities. If this is the case, redistribution is considered unjust and the role of government should be limited to protecting liberty, private property and the enforcement of contracts. Finally, different strands associated with critical theory (for example Marxist/neo-Marxist, feminist or post-modern approaches) focus on human emancipation from structural injustices and oppression, for example, based on class, race or gender. Addressing structural injustices in this approach requires a multi-tiered strategy of strengthening recognition, representation and redistribution (also called the triple-R framework, now expanded to the 5-R framework with the addition of reducing unpaid work and rewarding care workers) to address injustices and promote the political agency of subaltern groups.

Inequality is not destiny but is largely the result of political and policy choices.

1.3 The objectives of the report

This report provides evidence on the unprecedented rise in economic inequalities and the entrenched nature and reproduction of social and political inequalities we have witnessed since the 1980s and how they have led to and been amplified by multiple crises in a vicious cycle. It explores the root causes of this development, which we argue are mainly related to policy choices supported by powerful elites, and provides examples of the societal consequences, from adverse impacts on social outcomes and the environment, to disparities in economic development, to discontent, protest and an unraveling of social contracts.

Inequality has been both a root cause and an amplifier of multiple crises—economic, social, political and ecological. To understand how we got to this moment, the report will analyse how the age of neoliberal globalization and related policy choices are at the heart of the present challenges, having paved the way for the current model of unsustainable hyperglobalization (see box 1.5), which creates an inescapable gravity toward inequality and crises. It reveals how deep fractures run through societies and economies, manifesting in inequalities, segregation and polarization, conflict and social exclusion, and what their root causes are; and it explores how social contracts can be reformed to overcome current challenges and protect people and the planet (box 1.1; chapters 4 and 5).

The report explores both vertical and horizontal inequalities and their intersections, as well as the power relations underpinning them. Through the lens of crises, the report combines structural analysis and case studies to expose the way in which inequalities and the policies and institutions (re-)producing them pose the greatest barriers to achieving a sustainable, inclusive and just future. It then explores ways to combat inequalities at different levels and through a combination of top-down and bottom-up approaches. Taking an intersectional approach, the report will unpack cumulative disadvantage, using an intergenerational and life course perspective to connect past, present and future, and political economy analysis to shed light on power asymmetries and their consequences for equality and social justice outcomes (box 1.3; chapter 3).

Box 1.3 Useful concepts: A multidimensional approach to inequality and power

Responses to inequality need to address economic, social and political disadvantage and discrimination, which is deemed unjust and not compatible with norms of equity, human rights and social justice. To understand the drivers and consequences of inequalities, we must pay specific attention to intersecting inequalities and their compounded effects. Vertical inequality ranks individuals according to their relative position in the income and wealth distribution, as measured, for example, by the Gini coefficient. Horizontal inequality refers to social groups as a measure of differentiation, for example, along lines of age, gender, sex, ethnicity, race, religion, disability or geographical location, establishing patterns of exclusion and segmentation. In sociology and social sciences, both vertical inequality and horizontal inequalities are associated with class, status, power and hierarchy, emphasizing the relational character of inequalities.

Income inequality and inequality related to group identity, when intersecting, reinforce each other. Poverty often exacerbates the structural violence and discrimination already suffered by individuals who belong to one or more marginalized categories. Overlapping privilege is the other side of the coin, allowing us to explore how a small minority, the top 1 percent or 0.1 percent of wealth owners and income earners, accumulate disproportionate levels of resources and power.

Further conceptual entry points are an intergenerational perspective that factors in demographic change and climate change, and a life course approach showing that inequalities tend to increase over a person’s life if no action is taken to reverse them. A political economy lens is applied for analysing processes of contestation and bargaining, focusing on key actors and relationships, power asymmetries, and institutions and norms that reproduce and reinforce inequalities.

In terms of methodological approaches, the report combines an interdisciplinary problem analysis of the drivers and impacts of inequalities and crises with empirical case studies of positive examples of policies that have addressed inequalities and led to transformative outcomes, those that reflect structural and long-term improvements in economic, social, environmental and political domains.

Stewart 2013; Therborn 2010; Bourdieu 1979; Foucault 1976; Spicker 2020; Weber 1922; Grenshaw 1991; Kabeer 2014; Stewart 2013; UNRISD 2010; Malhotra and Kabeer 2002; Stewart 2020; UN 2002, 2003, 2013; Cecchini et al. 2015; ISSA 2019; UN 2003; See, for example, Amable et al. (2019) and Folbre (2020); UNRISD 2016.
Building on the work of the 2016 UNRISD flagship report, which proposed an “eco-social turn” as a way forward, this report will take a closer look at how we might propel such a turn by building a new contract for social, economic and climate justice, an eco-social contract, bringing together all stakeholders and defining rights and obligations, promoting greater equality and solidarity, building crisis resilience, and ensuring legitimacy, credibility and buy-in for radical transformations. Inequality is not destiny but is largely the result of political and policy choices. Multiple examples exist showing that inequalities can be tackled if political will and citizen mobilization come together to promote transformative change (box 1.4).

By providing in-depth analysis of inequality in its various forms, policy recommendations supported by data and case studies, and principles and pathways for building a new eco-social contract—all drawing on empirical evidence and new conceptual thinking developed by UNRISD and its international network of scholars, activists and practitioners over the past years—this report makes a key contribution to the debate on how to address inequality, break the cycle of multiple and interlocking crises, and work toward a more equal, just and sustainable future.

The report explores ways to overcome inequality, address multiple crises and build a new eco-social contract by:

- analysing how inequalities drive economic, social, environmental and political crises and how inequalities are amplified as a result of crises, undermining resilience and threatening to undo past gains, as the Covid-19 pandemic revealed (chapter 2);
- unpacking intersecting inequalities, entrenched disadvantages related to economic and social inequalities, their impacts, and links to asymmetric power structures and political inequalities (chapter 3);
- scrutinizing varieties of social contracts as well as critical junctures when social contracts have been renegotiated, examining current stakeholder views in social contract debates and presenting principles for a new eco-social contract grounded in social and climate justice (chapter 4);
- presenting a new eco-social paradigm for equality, equity and sustainability, building on three pillars—alternative economies, transformative social policies, and renewed multilateralism and solidarities—and based on an integrated approach for social, climate and gender justice (chapter 5).

Box 1.4 UNRISD’s definition of transformative change

Transformative change involves changes in social and economic structures and relations, including overcoming patterns of stratification related to class, gender, ethnicity, religion or location that can lock people (including future generations) into disadvantage and constrain their choices and agency. It also means changing norms and institutions, both formal and informal, that shape the behaviour of people and organizations in the social, economic, environmental and political spheres. The achievement of desirable development outcomes through just, participatory and democratic processes is ultimately a political project, at the core of which lies power configurations at household, local, national, regional and global levels, which inevitably involve a contestation of ideas and interests between different groups and actors. Policy discourse that highlights the goal of transformation often ignores the deep-seated changes that are required in regulation, and in economic, social and power relations. Transformative change understood in this way is therefore a long-term process, requiring both individual agency and collective action by societies. Its means and results would include visible and measurable economic and political empowerment of disadvantaged and vulnerable groups; greater gender equality in all spheres; more equal redistribution of income and wealth; active citizenship with greater agency of civil society organizations and social movements; changes in North–South power relations and global governance institutions; empowerment of small enterprises, rural producers and informal workers; and an alternative economic model that reverses the current hierarchies of norms and values, putting social and environmental goals of equity and sustainability above economic objectives of profit maximization and efficiency.

Source: UNRISD 2016: ch. 1.
Our world is in a state of fracture, confronted with severe crises, increasing inequalities and unraveling social contracts. Now is the time to act to secure our future and co-construct a new eco-social contract that delivers for people and planet.

Today’s extreme inequalities, environmental destruction and vulnerability to crisis are not a flaw in the system, but a feature of it. Only large-scale systemic change can resolve this dire situation.

Inequality has been a driver, amplifier and consequence of multiple and overlapping crises—economic, social, political and ecological. The result is a vicious cycle which is disrupting the basis for human life on this planet and eroding prospects for a dignified and peaceful life for all. Vulnerable and marginalized groups, who face multiple intersecting inequalities, are worst affected, falling further behind. Elites, on the other hand, can largely shield themselves from adverse impacts of crises and often even exploit crises for their own gain.

We can create pathways toward a new eco-social contract based on a vision of justice, equality and sustainability. To do this, we need a new development model with three key pillars: alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations; transformative social policies based on a fair fiscal compact; and reimagined multilateralism and solidarities.

Those in power work to preserve and perpetuate a system that benefits the few at the expense of the many. Only if we rebalance existing power structures and create new alliances can we achieve transformative change. Progressive political leaders, inclusive coalitions, active citizens and social movements need to come together to co-create a new eco-social contract for climate and social justice.

This report makes a key contribution to the debate on how to address inequality, break the cycle of multiple and interlocking crises, and work toward a more equal, just and sustainable future.
2. Long-Term Development Trends: Opportunities, Challenges and Implications for Inequality

This report explores inequality in times of crisis, understanding the various crises facing humanity and the planet and the inequalities they compound not as separate and distinct but as deeply interlinked and constitutive of and constituted by a crisis of the system, one that we have been building toward for decades. This moment of crisis has not arrived in a vacuum but has emerged in the wake of various trends that on the one hand have presented opportunities for human progress in terms of growth, poverty reduction and well-being, and on the other have in many cases produced highly unequal outcomes within and between countries and with regard to different social groups, as well as new risks and profound environmental impacts. This report argues that this outcome is partly due to how long-term trends were shaped by policy approaches associated with the neoliberal shift that swept the globe in the early 1980s, which created a context and vicious cycle of rising inequalities, instability and crisis. In this process, benefits were distributed unequally, while costs were offloaded onto subaltern groups, global South countries and the environment, hollowing out social contracts and destroying the global commons. In this section we will focus on selected long-term trends we deem particularly relevant for understanding the current context: globalization, technological progress, demographic change—such as ageing, migration and urbanization—and shifting global power structures. Each of these trends has evolved over decades, influencing economic, social and environmental dimensions of sustainable development across the globe. Each applies across boundaries and societal limits and will persist over time, evolving as it builds upon itself and interacts with the other trends as well as other changes in societies in complex ways. For example, the changing world of work is driven by several trends such as globalization, technological progress—in particular digitization and automation (including artificial intelligence)—and demographic change. Long-term trends and crises are not inevitable natural facts or agentless processes but are actively shaped by different actors and their interests. Long-term trends bear the seeds of both challenges and solutions; they are interlinked and can reinforce each other in positive or negative ways or lead to mitigation of certain effects. Identifying key development trends is important as they indicate processes of long-term change relevant for citizens, workers and business actors. Policy makers must respond to these trends in order to steer them toward desired outcomes, minimizing potentially negative effects.

In today’s era of rentier capitalism, there has been a plunder of the commons. In the process, social inequalities have worsened by more than can be measured by monetary incomes.

– Guy Standing
Professorial Research Associate,
SOAS University of London
2.1 Globalization

Globalization in the age of neoliberalism, starting in the late 1970s/early 1980s, was a process of accelerated global integration fueled by technological innovation, enabled by free-market policies and dominated by profit-maximizing private corporations. Reductions in restrictions on trade and finance that had characterized the preceding phase of globalization in the post-war era led to growing trade integration and global financial flows as well as foreign direct investment (FDI) and production relocation. It has profoundly influenced social relations and institutions that constituted the bedrock of the post-war welfare state model and its associated social contract, both in global North and global South countries. The different crises we analyse in more depth in chapter 2, from the climate and care crises to Covid-19, are in one way or another connected to how globalization in the neoliberal era has shaped economies and societies.

Neoliberal globalization is often praised for its positive development impacts in terms of greater efficiency, productivity, growth and poverty reduction. Indeed, the accelerated integration of global trade coincided with a phase of catching up of developing countries while the Western world lost its manufacturing monopoly; millions of people managed to emerge from poverty; key social indicators such as life expectancy, infant mortality and access to primary education improved; and a growing number of people gained access to a wide range of consumption goods, technology, international transport and improved medication and vaccines. Several former authoritarian and socialist countries democratized, and many people gained larger freedoms and protection of their human rights, access to information and political participation. These change processes and the entry of China and the countries of the Former Soviet Union (FSU) into the global economy have led to an ever more interconnected world and increases in cross-national flows of information, goods, capital and people.

On the other hand, outcomes of the most recent period of neoliberal globalization have been highly unequal in the distribution of profits, costs and risks. This is both a reflection of market outcomes and the policies and institutions chosen to govern global integration. As with the other trends analysed in this section, long-term processes of change such as globalization create winners and losers, but benefits tend to be harnessed more easily by powerful players, which in turn tend to shape the rules of the game to their advantage (see chapter 3). As market distribution becomes more unequal, policies are less effective in producing egalitarian outcomes. In addition, when talking about the positive development impact of globalization where it occurred, it should be noted that much of the groundwork for success was in fact laid during the developmentalist-welfarist post-war era, a period of slower and more regulated global integration, that preceded the neoliberal era. This period was characterized by higher market regulation and development strategies focusing on full employment and social protection, increased fiscal capacity and a shift toward mass consumption in the global North and considerable state investments in social services and social security by post-independence governments in the global South (see chapters 2 and 4).

While neoliberal globalization is associated with increasing inequalities and economic instability, it is important to acknowledge that it has led to different outcomes for countries, sectors and individuals. It also needs to be viewed in a broader historical context of previous phases of globalization or de-globalization, as well as historical drivers of inequalities such as colonialism and imperialism. Particular outcomes are associated with specific policies, institutions, behaviours and initial conditions. Neglecting the specific context and history of a country or region when analysing the impact of globalization on development can lead to erroneous conclusions. Most importantly, globalization has led to shifts in power relations, with more power accruing to creditor countries, financial actors and international financial institutions (IFIs), large multinational companies (MNCs), capital owners and some high-skilled professional groups, to the detriment of most debtor and aid-dependent countries, unskilled workers in the formal sector and informal workers as well as vulnerable groups relying on state and solidarity mechanisms. Figure 1.1 shows, for example, how intensifying globalization has gone hand in hand with a declining labour share in output, only temporarily reversed during the financial crisis of 2008–2009, as wages tend to fall.
Social contracts did not simply fall victim to an agentless globalization process but were actively dismantled by neoliberal reforms.

Slower than profits during a recession. As explored in greater detail in chapter 2, these negative results of increasing economic inequality can be associated with the neoliberal turn in economic and social policies and the concentration of elite power (see chapter 3), as well as some of the other trends discussed in this section such as demographic and technological change, in combination with job outsourcing, loss of union power and labour market deregulation, deindustrialization, and regressive tax and social policy reforms that have resulted in rising inequalities and insecurity.

In much of the global South, globalization is associated with the triad of Washington consensus policy advice of liberalization, privatization and deregulation. These policy conditionalities were imposed on debtor countries and aid recipients in the aftermath of the sovereign debt crises of the early 1980s and resulted in increased macroeconomic instability, reduced policy space and a stalled developmental project, retrenchment of the state and dismantling of public services, which weakened solidarity structures and protective and redistributive institutions. Indeed, social contracts did not simply fall victim to an agentless globalization process but were actively dismantled by neoliberal reforms.

Growth of national income or GDP during globalization has been uneven among countries and over time, with a few large developing countries such as China sustaining high growth over several decades contributing to overall North-South convergence (see chapter 3). Disparities within the South continued to grow as much of the rest of the world was left behind or unable to sustain growth beyond brief spurts; sub-Saharan Africa in particular, but also much of Latin America as well as Eastern Europe and the FSU, have not been catching up since the 1970s. Others have fallen further behind, especially much of Africa during the last two decades of the twentieth century, Latin America during the 1980s and the FSU in the 1990s after the transition to a market economy.

One key characteristic of globalization is the growth of global value chains (GVCs). GVCs locate the different stages of the production process, including design, production, marketing and distribution, across different countries. Connecting local producers in manufacturing or agriculture with GVCs has been promoted as an opportunity for farmers and workers in the global South to benefit from world markets. However, this has also resulted in exposure to risks and volatility that local communities, workers and small producers have not experienced before when operating in less connected but also more sustainable systems (chapters 2 and 3). GVCs are dominated by powerful MNCs, some of which have built their dominant market position on the invention and application of new technologies, holding dominant positions in national economies in terms of shares of GDP, trade, research and development, and employee compensation (for example, companies such as Google and Amazon in the United States) but also generating a significant share of their revenues from abroad. The Organisation for Economic Cooperation and Development estimates that MNCs account for half of global exports, nearly a third of world GDP (28 percent) and about a fourth of global employment. Much of the increase in international trade associated with globalization is therefore better recognized as intra-firm trade.

Another feature of the post-industrialist global economy, financialization, introduced a new logic into global markets, with huge implications for accumulation and investment, value creation and distribution along GVCs as well as distribution of risks and rewards between business and state actors. This catalyzed income and wealth concentration and further undermined solidarity relations, ecological sustainability and employment creation.
Financialization as a key driver of hyperglobalization (box 1.5), the most recent phase of globalization, describes the growing influence of the financial sector on the real economy and is closely associated with the rise in economic inequality and crises with which this report is concerned (see chapters 2 and 3). Defined as a process where financial motives, markets, actors and institutions are increasingly important in the functioning of modern-day economies, financialization can increase inequalities through the shareholder value orientation of companies and a rising demand for financial professionals. On the other hand, strong labour institutions that strengthen labour rights at company and national levels can effectively mitigate these effects, as research on post-industrial democracies has shown.

Problems associated with neoliberal globalization, which regularly provoke protests accompanied by alternative visions of “globalization from below” by antiglobalization and alterglobalization movements in different places in the world (see chapter 2), have intensified in recent years for a couple of reasons. For one, global financial and economic crises such as the 2008 crisis and the recent Covid-19 pandemic, both closely associated with neoliberal globalization, have shaken the world economy, undermining economic and social progress while exposing governance and policy failures at global and national levels. Second, and partly as a result of these crises and the unequal distribution of the costs of neoliberal globalization, social tensions are rising and a marked shift toward greater protectionism and nationalist policies, including more restrictive migration policies, is taking place promoted by large, industrialized countries, which could further undermine development opportunities for the global South. Third, the Covid-19 pandemic itself, with its significant impacts on international mobility (tourism and so forth), migration and GVCs, could mark the start of a potential period of deglobalization or “slowgalization,” as efforts of national governments to resharre production of essential goods into national economies or to decrease dependencies on politically less aligned countries seem to indicate.

In this context, the most recent geopolitical tensions around the Russia–Ukraine war are likely to have severe implications for the future of globalization, while the consequences for individual countries and economic sectors remain uncertain.

**Box 1.5 Hyperglobalization**

Hyperglobalization is characterized by the dominance of private finance and large corporations engaging in rent-seeking activities, and an ideology motivated by neoliberalism. Hyperglobalization is associated with rising inequalities, extreme levels of debt, heightened insecurity and stalling levels of investment and structural change. The origins of this process go back to two events in particular: the OECD’s decision in 1989 to remove all restrictions on cross-border financial flows, and the establishment of the World Trade Organization (WTO) in 1995, with wide-ranging implications for domestic health and safety rules, subsidies and industrial policies. A key feature of the hyperglobalization period taking off in the mid-1980s has been a significant expansion and acceleration of global trade, driven largely by East Asia and Southeast Asia, in particular China, and an associated expansion of GVCs. This process has negatively affected national income distribution in various countries, not least because large transnational corporations capture the highest share of value produced within GVCs. Global trade openness decreased after the Great Recession in 2008 but reached pre-crisis levels in 2018. GVC activity has also declined since 2008, leading some scholars to limit the definition of hyperglobalization to the period from 1986 to 2008. This report, however, applies the term beyond the 2008 crisis, as global and national governance mechanisms and incentives for hyperglobalization remain in place, despite periodic disruptions due to economic, health and geopolitical crises.

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*a* UNCTAD 2020; *b* Rodrik 2016; *c* UNCTAD 2018a; *d* Antràs 2020.

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**Current discourse with respect to SDG 10 largely focuses on those who are excluded, marginalized and living below the poverty line. ... In contrast, little attention is given to the top of the distribution: the rich and powerful.**

– Sakiko Fukuda-Parr  
Professor, The New School
2.2 Technological change
Technological change, the invention, innovation and diffusion of technologies or processes, is a key driver of economic development, and the belief in steady technological progress and associated welfare gains is at the heart of current growth models.\textsuperscript{66} Technological innovation and diffusion are also key elements of green economy approaches, policy proposals aiming to reduce the environmental and climate impact of contemporary market economies (chapter 5). Technologies are seen as key means of implementation of the SDGs (SDG 17), with positive contributions across all goals, for example for realizing goals related to hunger through agricultural improvements, health service innovations, digitalization of education services or decentralized renewable energy.\textsuperscript{67} Access to technologies, determined by intellectual property rights and the ability to purchase and operate them, has direct benefits for consumers, producers, and administrators and service providers, for example, through better connectivity, which can have positive impacts on opportunities and social capital; through health and pharmaceutical innovations improving well-being; and through increasing productivity of businesses and efficiency in administrative processes.

Technological change, with its social, political, cultural and economic implications, has impacts on current social contracts. The rise of the gig economy has led to gaps in workers’ rights and social protection coverage of platform workers\textsuperscript{68} and prompted business actors to demand a new division of labour between states and markets, where the state would assume responsibilities for social protection of an increasingly flexible and short-term workforce having multiple employers or self-employed status (see chapter 4). While business is pushing for...
further flexibilization and deregulation of labour markets to increase their profits, governments and private service providers are promoting digital services in their quest for greater efficiency and cost reduction. Indeed, the development of information and communication technology (ICT) is a key feature of the shift toward globalized post-industrial societies, also called the network society, and has been associated with the accelerated pace in global trade and financial markets. The current era, characterized by a fourth industrial revolution defined as rapid advancements in new technologies and global connectivity, has not only changed the world of work and production but is also having an immense impact on how people relate to each other, communicate, and consume and process information. UNRISD (2016) has argued that technological innovation has the potential to provide synergies with social innovation, for example, through facilitating the delivery of social benefits or the communication among social network actors. However, we also argued that combinations of social and technological innovations were necessary to address some of the limitations of development strategies that centre on technological fixes and often disregard the social and political contexts where diffusion occurs.

ICT has experienced the fastest global diffusion of any technology in history: the time taken for people to adopt ICT-based applications such as mobile phones, computers, the Internet and social media has overtaken that for any previous technology, although fewer people have access to these technologies in developing and least-developed countries compared with developed countries (figure 1.2). While diffusion of new technologies can accelerate catch-up development and allow leapfrogging, for example, through adoption of technologies for renewable energy or technologies that are more resource efficient and less polluting, it also creates new disparities between capital and labour and between countries: access to technological knowledge and associated rents (for example, rents associated with intellectual property rights) shapes global profit distribution at firm, national and global levels, mainly benefiting large MNCs and a few countries operating at the frontier of technological innovation (see chapter 3). Technological change has been identified as one of the key drivers of rising income inequality through channels such as skills premium and capital intensity of production, both favouring the upper part of the income distribution.

Digitalization and automation are expected to create positive dividends for growth, jobs and service delivery. Countries in the global South have outpaced global North regions in terms of growth rates of trade in exports of digitally deliverable services, in particular between 2005 and 2010. However, job losses and rising inequalities associated with digitalization and automation in the shorter term are acknowledged as well as risks such as market concentration and increased state control over citizens. This concern is echoed by UN Secretary-General Guterres in his preface to a recent UNCTAD (2021:IV) report:

Recent developments in frontier technologies, including artificial intelligence, robotics and biotechnology, have shown tremendous potential for sustainable development. Yet, they also risk increasing inequalities by exacerbating and creating new digital divides between the technology haves and have-nots. The COVID-19 pandemic has further exposed this dichotomy. Technology has been a critical tool for addressing the spread of the disease, but not everyone has equal access to the benefits.

In addition, digitalization and automation facilitate reshoring entire productions back to OECD countries, which in the past were dependent on low labour costs in Asia or elsewhere. Demand for manufacturing and processing by a human workforce may thus drop even further in the future.

Covid-19 and related social distancing measures and lockdowns have accelerated the digital transformation worldwide, catalyzing teleworking, distance learning, e-commerce, and the digitalization of public administration and other services such as finance and banking. This process is seen as providing both opportunities and challenges, as disadvantaged groups have relatively less access to the Internet, electronic and mobile devices, and teleworking opportunities. Women face specific barriers to participating in the digital economy, in particular in least-developed countries (figure 1.3), while many children do not have access to devices, and older persons often lack digital literacy. Finally, concerns are growing that governments might use
digital technologies and surveillance mechanisms introduced in the context of the Covid-19 pandemic or before to control access to information, undermine political opposition or restrict civic space (chapter 2). Private ICT companies have furthermore been accused of digital colonialism because of their aggressive data extraction methods in the global South, for example in Africa, as well as their neglect of data privacy and user protection regulations. This illustrates that technological progress without appropriate legal and policy frameworks is likely to produce undesired outcomes and deepen inequalities.

Source (figure 1.3): ITU 2020. Gender parity scores calculated by report team. Notes: The gender parity score is calculated as the proportion of women who use the Internet divided by the proportion of men. A score below one indicates that more men use the Internet than women.

Figure 1.2 ICT indicators by level of development, 2020 or most recent available year

Figure 1.3 Gender gap in Internet use by level of development, 2019
2.3 Ageing

Thanks to increasing life expectancy and decreasing fertility rates, populations are getting older, a process that has been shaped by other long-term trends such as advancements in health technologies and pharmaceuticals and changing gender norms. Older persons make significant contributions to national economies and societies through paid and unpaid work (for example, childcare), as entrepreneurs, supporting their families with pension income, and through political participation and social capital. Older persons are included in the SDG principle of leaving no one behind while also featuring in Goal 3 (“Ensure healthy lives and promote well-being for all at all ages”), Goal 5 (“Achieve gender equality and empower all women and girls”) and in the commitment to data disaggregation by age and other social group characteristics.

Population ageing, while a positive trend, is also considered one of the key long-term structural challenges with which twenty-first-century societies are grappling. Over the next decades, the number of older persons is projected to more than double, reaching over 1.5 billion and increasing the share of the population aged 65 years or over to 16 percent in 2050, up from 9.3 percent in 2020. The increasing share of individuals in the age group associated with retirement (starting at age 60/65) is affecting virtually all countries in the world and has implications for social protection schemes, labour markets and social services (benefit structure and financing), and also for society at large. Ageing is a gendered process, as women tend to have a longer life expectancy, while they acquire lower pension entitlements due to interrupted employment histories because of unpaid care work and lower wages. Ageing also has implications for the generational contract. The generational contract refers to expectations and social norms governing intergenerational relations (for example, living arrangements, care responsibilities, decision making and so forth) as well as concrete institutional and policy design determining the distribution of resources between generations (for example, how much national income is distributed between economically active members of working age and economically dependent members such as children and older persons) and guaranteeing all generations, including future ones, a decent living standard within planetary boundaries (see Spotlight by James Heintz; figure 1.4).

While demographic change such as ageing is a predictable process, it can be affected by unexpected and unpredictable events such as pandemics, natural disasters, wars or large migration or refugee movements. The pace of and advancement in the process of population ageing and the stage of an individual country in the demographic transition, as well as the broader economic and social context, determine its policy implications, for example, adjustments in public pension schemes (increasing contribution rates, higher retirement ages), investments in health systems and long-term care policies, healthy ageing policies combined with individual approaches, and labour market reforms targeted at either increasing retention rates and life-long learning for the older workforce, facilitating labour migration, or improving labour market conditions and education for both older and younger persons.

Overall, ageing processes have so far not resulted in global declines in global population numbers, as the world population continues to grow, driven by high population growth rates in some of the poorest countries in the world, mostly in sub-Saharan Africa, with many Least Developed Countries (LDCs) estimated to double their population between 2022 and 2050. It has increased from 2.5 billion in 1950, to 4.8 billion in 1985, to 7.7 billion in 2019, and it is estimated to reach 8.5 billion in 2030 and 10.4 billion in 2100. Global population growth is expected to create challenges for SDG achievement, though it also offers a potential demographic dividend, understood as opportunities arising from improving dependency ratios due to increasing working-age populations and declining fertility rates.

Ageing impacts inequalities and the social contract: more national resources are needed to avoid old-age poverty and protect the human rights of older adults, invest in long-term care, reduce unpaid care work by women and support older women negatively affected by low lifetime earnings. Addressing ageing successfully is therefore closely related to several other global trends, such as migration (care workers are often migrants), technological progress (service provision through digital means, health innovations and so forth) and the changing world of work (retaining older workers in the workforce and providing job opportunities for young people).
Inequalities accumulate over the life course, leading to increased gaps and reduced life chances during old age (with a divide between those covered by contributory social insurance and those depending on assistance); intersectionality is also key, as difficult-to-cover groups are often those where inequalities intersect. For example, while women and girls are delivering the bulk of unpaid care work globally (three times as much as men), age can be an additional discriminating factor, with older women taking on a disproportionate amount of unpaid care work in households compared to older men, often the result of an accumulation of “a lifetime of gender inequalities” undermining older women’s choices and well-being. In the same vein, undocumented migrant women workers often lack social protection and income as they have not accumulated entitlements for pensions or health care due to their (irregular or undocumented) migration status, their lack of a formal employment relation and periods spent on family care work (see chapter 3).

2.4 Migration

People migrate for a variety of reasons, from economic, social and political to environmental, typically seeking better livelihoods and opportunities but also escaping life-threatening circumstances such as persecution, violent conflict, war or natural disasters (figure 1.5). Over the last two decades, the stock of all types of migration has increased, encompassing people moving to seek better employment, to join family members or to study abroad, internally displaced people (IDPs) and international refugees (figures 1.5 and 1.6). Between 2000 and 2010, the number of international migrants increased by 48 million globally, and by 60 million between 2010 and 2020, reaching a total stock of 281 million in 2020 (figure 1.6). Humanitarian crises contributed to this number with an increase of 17 million in the number of refugees and asylum seekers between 2000 and 2020. Human mobility continues to be predominantly regional, in particular regarding forced displacement. In sub-Saharan Africa, intra-regional migration amounted to more than half of all migration (53 percent of all African migrants, or 19.4 million, lived in other African countries in 2017).

The Covid-19 pandemic reduced mobility, leading to a reduction in the growth of international migration of an estimated 27 percent compared with projections based on its evolution between July 2019 and June 2020, as well as a slight decrease in remittances, which dropped by an estimated 1.7 percent. In 2021, remittance flows to low- and middle-income countries were projected to reach USD 589 billion, a 7.3 percent increase compared with 2020. Nonetheless, regardless of the pandemic, the proportion of international migrants remains very small and incommensurate with the pace and scope of globalization in trade and finance: international migrants constitute only 3.6 percent of the world population (figure 1.8), indicating that many potential migrants lack the resources and opportunities to migrate and remain “involuntarily immobile,” partly due to restrictive immigration policies and associated barriers to migration.

Whether migration is seen as a relatively stable long-term demographic trend or as a coping mechanism in times of crisis, conflicts or disasters,
Migration and development are closely intertwined and interdependent. Migration has important influences on development, with positive and negative impacts on its economic, social and environmental dimensions. Remittance flows have far exceeded official development assistance and are approaching the level of FDI flows, constituting important supplements to migrants’ household income and often used to invest in better nutrition, education and health. Migrant workers constitute an important share of the essential workforce in many destination countries, in particular in care and domestic work, also exposing them to greater risks, as seen during the Covid-19 pandemic (see Spotlight by Naila Kabeer). Diaspora communities have evolved into important transnational development actors. And migration is one way of adapting to the adverse impacts of climate change, a type of migration that is likely to grow greatly in coming decades.

The Agenda 2030 for Sustainable Development identifies migration as a key development issue, recognizing its potential to make positive contributions as well as some of the challenges it raises (in particular regarding forced displacement and human trafficking). It includes several explicit targets on migration, for example, target 10.7 to facilitate orderly, safe, regular and responsible migration and mobility and to implement planned and well-managed migration policies. Other targets aim to improve migration outcomes in six of the SDGs, for example, protecting the rights of migrant workers, especially women (target 8.8), and reducing remittance transfer costs (target 10.c). Scholarship that highlights the positive development effects of migration associates migration with economic growth and productivity improvements, increasing household incomes and access to foreign exchange for origin countries through remittances. It also points to positive effects when migrants return to or invest in their home country, for example, by changing social norms and contributing new skills or new entrepreneurial networks. In practice, however, empirical evidence demonstrates that the experience and development impacts of migration are shaped by policies and context: rights-based legal frameworks and migration-friendly policies as well as an enabling development context are crucial factors for harnessing development benefits from migration for countries and communities and for allowing migrants to access decent work, social protection and social services in sending and receiving countries.

Migration is not only a cross-cutting issue in the SDGs but is also a global trend that is closely connected with inequality and multiple crises. While evidence points to the broadly positive impact of migration on poverty reduction, the impact on inequality is less clear and may differ at local, regional and national scales. Some scholars regard migration as an individual or household response to inequalities in wages, labour market opportunities or lifestyles and research finds positive impacts of remittances on inequality in Mexico. However, the relationship between migration and inequality goes two ways: while migration bears significant development potential in terms of employment opportunities or disrupting inequalities associated with unequal social structures, it can both create new inequalities and exacerbate existing ones, in particular horizontal inequalities between groups, but also vertical inequalities between individuals or income classes such as income concentration at the top. Effects may differ according to type of migration: internal migration may reduce inequalities, while more costly international migration may increase it. Timescales also matter: migration may initially be very difficult and costly, available only to the relatively wealthy, but become easier and less costly over time, when networks have developed, for example.
While inequalities and lack of economic opportunities drive labour migration, they can also act as a constraint for those people who cannot afford to migrate due to a lack of resources. Much of forced displacement (figure 1.5), in particular stocks of IDPs, is the result of violent conflict. The dramatic resurgence of displacement over the last few years, particularly as a result of (internationalized) civil wars, has caused immense human suffering. Forced displacement—combining IDPs and refugees—reached 80 million people in 2020, with low- and middle-income countries hosting over 80 percent of the world’s refugees and asylum seekers. 2020 saw the highest absolute number of refugees, 24.5 million, on record, and IDPs also increased significantly, reaching 55 million. The recent Russia-Ukraine war has already resulted in over 6.8 million Ukrainian citizens and other residents fleeing the country. Violent conflicts continue to be complex and protracted, involving non-state groups and regional and international actors.

Environmental change can also result in forced displacement, both through sudden-onset events such as floods and hurricanes, as well as slow-onset processes such as desertification and sea level rise. Black et al. (2011) argue that migration as a climate change adaptation strategy should be recognized and supported and debates are ongoing on how best to approach climate change-induced displacement and internal migration. Where cross-border movements are warranted, there is debate as to whether a new category of climate refugees could be established, a proposal that is, however, contested or not endorsed, not only by organizations such as the International Organization for Migration (IOM) and the United Nations High Commissioner for Refugees (UNHCR), but also by some affected communities who do not want to be seen as climate refugees.

International migrants and refugees, as well as internal migrants in some countries such as India and China (where social and political rights are tied to the usual place of residence or community of origin), are rarely fully integrated into national social contracts. As such they have limited access to labour markets, social services and social protection, and to equal political and cultural rights, thus restricting their political voice and their scope to take action to improve their situation. These exclusions are more frequent for undocumented and irregular migrants—or those in transit—and are further exacerbated by constraints in the availability and accessibility of public services and protection schemes in many receiving countries. This holds true for destination countries in the global North and South though conditions may change over time: while pathways for regularizing migration status or acquiring citizenship exist in some countries, they are less available in other countries.

While international human rights and labour protection standards have been set up to overcome the limitations of national social contracts in protecting migrants and granting them equal rights with citizens, constituting the foundation of a human rights-based approach to migration, implementation and ratification are lagging. Instead, approaches focusing on the management of migration in line with development and security interests of sending and receiving countries are shaping migration policies to a large extent (see chapter 5). The most recent efforts to improve the situation of migrants and refugees globally have been the agreement on a Global Compact on Migration and a Global Compact on Refugees. Regional bodies such as the African Union have created a regional migration policy framework and plan of action, while some donor countries or regions have policies and programmes that aim to address root causes of irregular migration and displacement in countries of origin, such as helping to create economic opportunities to curb potential immigration flows. However, this approach is at odds with empirical evidence that shows increasing incomes are associated with more mobility. Finally, the securitization approach that is applied at EU borders and implemented by its specialized agency FRONTEX frequently works to the detriment of migrants’ rights and can actually put their lives in danger.

Often, migrants and refugees are instrumentalized and scapegoated in political discourses and public debates, for example, during the so-called European “refugee crisis” in 2015. Some politicians, mostly from far-right parties, promote an outright anti-migrant stance, grounded in xenophobic, racist and culturalist attitudes. Racialized borders and bordering practices through restrictive migration policies and welfare institutions creating boundaries of inclusion and exclusion from social rights have dehumanizing effects. But even more moderate political forces are increasingly expressing concerns
about potential downward pressure on wages through job competition or additional pressures on housing and social services caused by migration, despite the fact that there is little empirical evidence to support them. Moreover, increased security concerns in the wake of international conflicts and terrorism have reinforced the securitization approach to migration governance, which can be detrimental for safeguarding the human rights of migrants.

It becomes clear that migration is not only a cross-cutting issue in the SDGs but is also a global trend that is closely connected with inequality and multiple crises. How to integrate migrants and refugees into national social contracts and how to shift global migration governance toward a human rights-based approach remain key challenges to address.
2.5 Urbanization

The concentration of human populations in urban centres is not a new story. It has long been a driving factor of social and economic development, as cities are essential sites of exchange, innovation and economic development. Development economists have associated urbanization with a process of structural change from agrarian societies to industrialized economies, where shares of manufacturing and services contributing to GDP are growing. In this process, lower-productivity surplus labour from rural areas is assumed to be absorbed into higher-productivity urban wage labour, which leads to growth and higher incomes.\textsuperscript{132} Since the middle of the twentieth century, this process has been accelerating, in many ways faster than our cities can keep up with, while in many countries the national economy has not been able to absorb surplus labour into formal wage labour, resulting in increasing informal urban economies. While overall population growth partly explains this increase, the steep proportional rise is largely a result of migration from rural areas to cities in search of better life opportunities, reflecting broader challenges associated with rural livelihoods such as land inequality (see chapter 3)\textsuperscript{131} and lack of infrastructure and services. Between 1950 and 2020, the proportion of the global population living in cities went from 29 percent to over 56 percent (see figure 1.7).\textsuperscript{134} That share is projected to increase to over 60 percent by 2030\textsuperscript{135} and to 68 percent by 2050.\textsuperscript{136} Importantly, this development has not been even across the globe. Until recently, the majority of urban development had occurred in developed countries: with the exception of Latin America and the Caribbean, the developed world is much more urbanized than the developing world.\textsuperscript{137} However, close to 90 percent of the urbanization projected to occur over the next 30 years is expected take place in Asia and Africa.\textsuperscript{138} The extreme growth rate in the developing world (in Africa the rate of urban growth is 11 times greater than in Europe)\textsuperscript{139} indicates a shifting centre of gravity of urbanization, and with it urban economic weight, which will have significant human development and global economic impacts.\textsuperscript{140}

Urbanization presents both challenges and opportunities for human development, social and economic justice, and environmental sustainability. On the positive side, urbanization has undeniable economic benefits, in particular through economies of scale. The concentration of people and economic activity in one place can lead to job creation, increased productivity and higher standards of living.\textsuperscript{141} Indeed, more than 80 percent of global GDP is generated in urban centres.\textsuperscript{142} Cities are also hugely important for national economies, increasing national GDP while facilitating stronger institutions and resilience to global economic shocks.\textsuperscript{143} Cities can also bring greater economic prosperity to surrounding rural regions, by providing a market for goods, and through spillover effects of innovation, educational opportunities and prosperity from urban into surrounding rural regions. The concentration of people into cities also presents potential environmental benefits through the efficient use of energy and resources, for example, through smart transportation and housing.\textsuperscript{144} There are also many social development impacts associated with urbanization, for example, improvements in gender equality: life in cities presents greater educational and employment opportunities for women. Urbanization is often correlated with reduced fertility rates, with women engaging in labour outside the home at higher rates. These opportunities also

**Figure 1.7 Growth of urban population, 1950–2050**

Source: UN DESA 2019c.
tend to lead to greater economic independence for women.\textsuperscript{145} Realizing this potential, however, requires sufficient planning, management and governance that is rights-based, inclusive and sustainable. UN-Habitat puts forward a number of criteria which are important for achieving this, including involving local governments in national and international decision making, fostering innovation and making use of new technologies, turning to nature-based solutions that are inclusive and equitable to unlock the environmental potential of urbanization for all, integrating migrants into cities as key to their socioeconomic development, employing feminist and youth-centred approaches to urban planning, and recognizing the value of the urban commons (shared resources, spaces and knowledge).\textsuperscript{146} To be sure, alternative economic models which centre local actors, their needs and the environment, such as social and solidarity economy (SSE), have a key role to play in this as well (see chapter 5).\textsuperscript{147}

Despite the positive potential of urbanization for human development, in many places these have not been realized, and in fact urbanization has produced the opposite effect. Urban centres have become the nodes of the globalized neoliberal system, in which heavily pro-market policy regimes create an environment bent toward ever greater accumulation, and predatory finance repurposes the city for its own gain.\textsuperscript{148} Economic growth associated with urbanization does not necessarily translate into increased prosperity, as low-income and minority groups are often left out of these benefits. Growing cities often lead to increased poverty as well as inequality, both within and between cities. Increasing costs of land, housing and goods, in combination with low wages, force residents into situations such as housing insecurity (living in inadequate and/or unsafe housing, or prolonged or periodic houselessness) and hunger. Migrants are particularly at risk as their citizenship status often relegates them to informal employment and housing opportunities. The life of low-income urban dwellers can be highly precarious.\textsuperscript{149}

In many places, this precarity takes the form of the expansion of slums and informal settlements, with more and more residents relegated to highly underserved areas as cities grow. While the proportion of the urban population living in slums declined between 2000 and 2014, since then the proportion has been increasing, with 23.5 percent of urban dwellers living in slums in 2018.\textsuperscript{150} These communities are often partially or entirely cut off from essential municipal services such as transport networks (which has significant implications for accessing economic opportunities or essential public services and creates time poverty), water and sanitation, and electricity, and access to health and education services is very limited. Further, life in these communities presents many health and safety concerns. With limited state presence and high rates of poverty, crime and violence are widespread. Living in close quarters, often with poor sanitation facilities or in proximity to polluted water supplies or industrial sites, presents high risks of disease and adverse impacts on long-term health. Finally, these settlements are often built in disaster-prone areas. Many of the world’s largest cities are located in low-lying and coastal areas, and it is estimated that by 2050 over one billion people will live in low-elevation coastal zones (LECZs).\textsuperscript{151} It is the most vulnerable citizens who face a disproportionate level of climate-related risk (see box 2.1).\textsuperscript{152} Currently, 80 percent of the population living in LECZs are in developing countries,\textsuperscript{153} and 10 non-permanent households out of every four are at risk of environmental disasters such as landslides and floods.\textsuperscript{154}

The pressure urbanization puts on our environment is considerable. Cities generate 70 percent of global carbon emissions and consume two-thirds of the world’s energy.\textsuperscript{155} While concentration of populations can lead to more efficient use of resources, if unplanned it can lead to greater use of land and resources, soil sealing and pollution. Currently, the increase in urban land area is growing at a faster rate than urban populations, on average. Between 1990 and 2015, urban land area increased by 1.5 times in relation to population growth in developed countries. In developing countries, urban land growth increased 3.5 times in relation to population.\textsuperscript{156} The expansion of urban land area has significant implications for carbon emissions, energy consumption, environmental degradation and ecosystem loss. Urbanization has led to significant ecosystem alteration over the past several decades, with implications for food and water supply, air quality, species loss, environmental disasters such as floods and landslides, zoonotic diseases and more.\textsuperscript{157}

While cities have the potential to bring people together across race, class, ethnicity, religion and
culture, they also have the potential to cement divides along these lines. The segregation of cities along neighbourhood lines has significant implications for quality of life, health and education, access to services, political rights and, importantly, intergenerational mobility.\textsuperscript{158} Urban policies and infrastructure, for example, relating to transportation, housing, policing and public space, as well as processes of privatization, often serve to further these divides and exclude certain groups from the life of cities.\textsuperscript{159} Legacies of structural racism or ethnic discrimination have manifested in urban policies, excluding communities of colour from the benefits of development and locking them into cycles of poverty and deprivation that are inscribed in space (see Spotlight by Jailson de Souza e Silva).\textsuperscript{160} Practices such as divestment by the state in favour of developing other areas (a practice which is also politically driven); redlining, the withholding of services to a community, most consequentially credit and insurance, because they are doomed too risky; and discriminatory housing policies which aim to keep people of certain groups out of certain neighbourhoods have created cities that are highly segregated along racial/ethnic as well as economic lines.\textsuperscript{161}

It is important to note that spatial segregation goes beyond the question of address and entails processes of enclosure such that communities become inaccessible and their resources unavailable to all but those who live there. This can be seen in the privatization of public space, restricted access to public schooling by neighbourhood, and transportation reform that renders certain neighbourhoods less accessible from other neighbourhoods, creating highly spatially distinct existences between residents who may live only one zip code apart. An extreme example of this divide is the rise of gated communities in large cities as those with means retreat into fully serviced private spaces. These processes have severe economic, political and social costs for marginalized groups and entail highly disproportionate consumption of urban space.\textsuperscript{162} Ultimately, urbanization has many potential human and environmental benefits; however, the current model is unsustainable and compounds injustice and inequality.

### 2.6 Shifting global powers

The Russian invasion of Ukraine in February 2022, resulting in a brutal war, is a stark and tragic reminder of the continuous impact of global power struggles and geopolitical interests on peace, security and sustainable development.

Global politics and dominant powers have shaped international relations and development from ancient empires to colonialism and imperialism, to the cold war period and the new multilateral world order emerging in the late twentieth century under US leadership. Imperial transitions and global power shifts are critical junctures which redefine the rules of the game of international policy making. They can result in a repositioning of the different players and bring new opportunities and constraints, as well as potential periods of increased instability and risk.\textsuperscript{163} Emerging powers are changing the global power balance and the political economy, while bringing new interests and ideas into the international arena, with important implications for global governance and multilateralism, seen most concretely in the elevation of the G20 to a leaders’ level forum in 2008. Declining powers, meanwhile, can present important security risks: “Playing rogue is the weapon of great powers in decline.”\textsuperscript{164}

Since the end of the Second World War and the creation of the United Nations, the global world order has shifted from a bipolar structure prevalent during the cold war period, with the United States and the Soviet Union as major rivals, to a unipolar world under US hegemony that emerged after the fall of the Berlin Wall in 1989 and the concomitant demise of socialist regimes in Eastern Europe and the FSU. This reinforced the geopolitical power of the West, “removed the East–West bargaining chip, and appeared to justify anti-statist and anti-Keynesian policy positions”.\textsuperscript{165} US hegemony entered a new phase with the declaration of a US-led global War on Terror after the 9/11 Al-Qaeda attacks on the World Trade Centre in 2001. This ushered in two decades of (increasingly technologically-driven) securitization and militarization approaches dominating international (and domestic) affairs, with “politics of borders” manifesting in a proliferation
of walls and fences worldwide in a context of increasing xenophobia and anti-immigration.\textsuperscript{166} These developments, in combination with US-led wars in Afghanistan and Iraq, as well as numerous counterterrorism military operations, led to major destruction of lives, livelihoods and infrastructure and at times intensification of local conflicts.\textsuperscript{167}

The current world order is described as multicentric or multipolar, with increasing geopolitical influence of countries such as China (and, to a lesser degree, other BRICS countries such as India, Brazil and South Africa, as well as other emerging markets such as Indonesia, Mexico, South Korea or Turkey) alongside the traditional powers—the United States, Europe and Western allies. In this group, the current hegemon, the United States, and the rising power, China, are singled out as the two most important countries in the international system, engaging in both cooperative and rivalrous webs of relations,\textsuperscript{168} while the most recent developments signal that Russia is reclaiming terrain in this US-dominated multipolar order, with highly disruptive impacts.

The shift in global power from a bipolar structure to a stronger role for a number of global South countries is reflected not only in terms of economic, demographic or military power (table 1.1), but also in ideational and epistemological shifts captured by terms such as decolonizing and decentring knowledge and politics or shifting the geopolitics of knowledge.\textsuperscript{169} In this context, recent efforts to redress cultural injustices related to colonialism, for example, the transfer of cultural and artistic artefacts, as well as debates around climate justice (see chapter 2), are of importance, as are decolonial reflections on the Covid-19 crisis.\textsuperscript{170} Increasing South–South cooperation is also highly relevant, supported in the United Nations through the UN Office for South–South Cooperation (UNOSSC).\textsuperscript{171}

Aiming to measure countries’ international weight, Derviš (2018) identifies three criteria: the size of the population; the size of the economy, measured by GDP; and military power, measured by defence expenditure. If all three metrics are considered as equally important, the United States, China, the European Union (considered one actor), Japan, India, Russia and Brazil emerge as the key international powers. Comparing the evolution of these indicators over time, the picture that emerges situates the United States and China at the top, with the European Union following and India as a potential future candidate in the top ranking (see table 1.1).\textsuperscript{172} When focusing on economic activity from a geographical perspective, it becomes clear that the global economy’s centre of gravity—\textsuperscript{173}the average of economic activity across geographies—has shifted east and is projected to move further eastward from the previous mid-Atlantic centre of gravity between North America and Western Europe.

Additional power sources can be added to this metric. McCoy et al. (2012) include technological innovation as a basis for applied science and military systems as well as energy sources such as natural gas reserves (of which an estimated 60 percent is held by Russia and Iran), an issue that has gained high relevance since tensions emerged between the United States, the European Union, Germany, Ukraine and Russia over the Nordstream 2 gas pipeline\textsuperscript{174} and recently in the context of the Russian invasion of Ukraine in February 2022. Russia’s threat to use nuclear weapons against any country

| Table 1.1 Metrics of global power: GDP, population, military expenditure (percent of world total) |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| United States      | 26.3%  | 24.7%  | 4.7%     | 4.2%   | 45.6%  | 40.3% |
| China              | 1.6%   | 17.4%  | 21.5%    | 18.2%  | 1.4%   | 13.1% |
| European Union     | 28.6%  | 18.0%  | 8.0%     | 5.8%   | 20.2%  | 12.1% |
| Japan              | 13.8%  | 6.0%   | 2.3%     | 1.6%   | 4.0%   | 2.5%  |
| India              | 1.4%   | 3.1%   | 16.5%    | 17.8%  | 1.5%   | 3.8%  |
| Russian Federation | 2.3%   | 1.8%   | 2.8%     | 1.9%   | 1.1%   | 3.2%  |
| Brazil             | 1.7%   | 1.7%   | 2.8%     | 2.7%   | 1.3%   | 1.0%  |


Note: GDP measured in current USD.
entering the war further highlights that Russia, despite its weak position in terms of economic power, population and military expenditure, ranks first in one important power resource: it holds the largest number of nuclear warheads in the world.\textsuperscript{175} Interestingly, all five permanent members of the security council are also the world’s largest nuclear powers, with Russia and the United States possessing around 20 times more nuclear warheads than the others combined (figure 1.8).

**Figure 1.8 World nuclear forces in 2022 (inventory of nuclear weapons)**

![Diagram showing world nuclear forces inventory in 2022]

Source: Kristensen and Korda 2022.
Notes: Last updated February 2022. Total inventory includes warheads in the military stockpile as well as retired but still intact warheads in the queue for dismantlement.

Power is about interactions and relationships, and leaders’ ability to use resources and skills to achieve intended results through interaction with others.\textsuperscript{176} The concept of soft power, popularized by Joseph S. Nye (1990), has increasingly entered the field of international relations and can be understood as the power of attraction (as opposed to coercion). Nye (1990) identifies three sources of soft power: culture, political values such as democracy and human rights, and policies that are legitimate because they are framed with an awareness of others’ interests.\textsuperscript{177}

While the security role played by the United States, especially when it is deployed outside of any multilateral or international framework, has received much criticism, culminating in the recent withdrawal from Afghanistan after 20 years of military presence and trillions of dollars of investment,\textsuperscript{178} analysts tend to agree that no other power will be able to take up the role any time soon.\textsuperscript{179} The United States is still considered ahead of China,\textsuperscript{180} despite China’s efforts in vaccine diplomacy during the current Covid-19 pandemic and infrastructure development in the global South in the context of its Road and Belt Initiative.\textsuperscript{181} According to Nye (2022), this is also due to the soft power assets embedded in US civil society and culture.

Much has been said about the supposed decline of US power\textsuperscript{182} and the impacts of the new multipolar world order on development opportunities in the global South and on North–South relations. One key question is the impact on multilateralism and international institutions, both formal intergovernmental organizations such as the United Nations, the WTO and IFIs, as well as informal clubs such as the G7, G20 and BRICS, and global agendas such as the SDGs, the Paris Agreement and the human rights agenda. A range of factors is already undermining multilateralism, for example postcolonial backlash against Western dominance, populism emerging in several countries and eroding liberal values multilateral institutions are founded upon, nationalist leaders contesting and withdrawing from multilateral institutions and international treaties (including Western leaders), stalling trade negotiations of the WTO Doha round, the dismantling of the Iran nuclear deal, chronic lack of financial resources, inefficient decision-making processes and power asymmetries (see chapter 5).\textsuperscript{183} The question then emerges whether the hypothesis on the adaptability and durability of multilateral arrangements still holds,\textsuperscript{184} and which measures need to be adopted to increase the problem-solving capacity of multilateralism in a time when international collaboration to address global challenges is more needed than ever (see chapter 5).\textsuperscript{185}
Regarding the potential implications of power shifts for the global South, perspectives from the global South are revealing. Some analysts are critical of the neoliberal world order and the globalization project, which have been promoted by successive US governments over the last four decades. They are also sceptical about the hegemon’s ability to continue to discipline the rest of the world (in particular after the most recent withdrawal from Afghanistan and the Russian invasion of Ukraine), to remain a or the dominant economic power and to overcome its deep internal political polarization. Scholars such as Canterbury (2021) see new opportunities arising for Africa’s development in a multipolar world order, in particular regarding non-traditional sources of finance and less reliance on the IFIs. He argues that a mix of competition and cooperation between the United States and more state-led approaches prevalent in the European Union, Russia and China might open up developmentalist alternatives for the global South.

Finally, the implications of the Russia–Ukraine war are not boding well for the global South as it could lead to a reinvigoration of the spheres of influence doctrine in Africa and elsewhere; affect food and energy importers through oil, wheat and other grain and fertilizer price hikes; and worsen the widening post-pandemic debt crisis that affects an increasing number of developing countries (chapter 2). It could also result in aggressive competition between Russia and Western countries to gain political and economic allies in the global South, prompting some scholars to call for a new non-aligned movement of developing countries.

Global long-term trends such as globalization, technological progress, demographic change and shifts in geopolitical power dynamics have profound impacts on development. Whether positive opportunities associated with trends can be harnessed to realize the SDGs and benefit more people depends on the policies chosen to govern them. The following chapters analyse how crises and inequalities are interlinked with global trends and the dominant policy approaches that have shaped them, which has resulted in unraveling social contracts and growing divides and fractures. The report will also provide positive policy examples and proposals on how to govern global trends in the interest of sustainable development, peace and human rights.

3. Overview

This final section summarizes the different chapters and the related questions addressed in the report.

3.1 Chapter 2 – Inequalities in times of crisis: How did we get here?

When taking a deeper look at the system that has ushered in an age of crisis, we understand that the inequality, environmental degradation and lack of resilience it has produced is built in by design. Multiple and interdependent crises, inequalities and the demise of social contracts are interlinked, from various economic and financial crises associated with neoliberal globalization; to the crisis of climate change, biodiversity loss, pollution and unsustainable resource use that has been unfolding over two centuries, reaching alarming tipping points; to the care crisis which manifests itself through a disproportionate amount of unpaid care work placed on women and an undervaluation of care services in the market; to a political crisis that is characterized by increasing power asymmetries, a backlash against human rights, democratic principles and multilateral governance, decreasing citizen trust and eroding state legitimacy, and an unprecedented level of protests and violent conflicts. The Covid-19 pandemic is a “great revealer” of the inherent flaws of this system in terms of both the conditions that led to it, specifically the closing-in of human civilization on natural ecosystems, and the outcomes it has produced. What are the policy choices that have resulted in the current situation of multiple crises and rising inequalities? How can we break the vicious cycle between inequality, crisis and unsustainable development?

3.2 Chapter 3 – The age of inequality: Intersecting inequalities and power

When poverty intersects with inequalities associated with gender, race, ethnicity, caste, age, sexual orientation, migrant or refugee status, location or other markers of group identity, it creates particularly oppressive and protracted forms of disadvantage that impede people from developing their capabilities and contributing fully to society. Addressing these inequalities is not only a question of social justice, but also a key condition for achieving more sustainable development outcomes. Inequality has adverse impacts on growth, macroeconomic stability, poverty reduction, health, nutrition and educational
indicators, social protection and employment, gender equality, human rights and democratic governance. At the top of the income and wealth pyramid, economic, social, environmental and political privileges accumulate, building the foundation of elite power that often opposes transformative change toward greater social, climate and economic justice. The Covid-19 pandemic has amplified pre-existing inequalities, but also helped to expose the extreme state of fracture of our world, pushing forward a consensus on the need to change the system that led us into the crisis. What is the current evidence on vertical and horizontal inequalities, how do they affect the implementation of the SDGs and how do they shape the uneven impacts of crises? What are the power dynamics underpinning these intersecting vertical and horizontal inequalities?

3.3 Chapter 4 – Toward a New Eco-Social Contract: Actors, Alliances and Strategies

The twentieth-century social contract—an implicit bargain between economic imperatives of growth and productivity, and social imperatives of redistribution and social protection—has broken down and cannot sustain the transformative vision of the 2030 Agenda. The breakdown of the social contract manifests itself in multiple global crises, rising inequalities and the deep divisions in our societies. Multiple actors call for a new social contract, but visions differ on what an ideal social contract should look like. Indeed, it is important to recognize the variety of normative and real-world social contracts as well as the power asymmetries and structural inequalities shaping them. Recent history shows that social contracts are not set in stone but renegotiated when contexts change, or when contracts lose legitimacy and support. Countries have created new social contracts at critical junctures, in response to regime changes and citizens’ demands, embarking on a variety of institutional and policy reforms. To overcome present challenges and lay the foundations for just and sustainable societies and economies, this report suggests uniting all stakeholders in deliberations on a new eco-social contract based on principles of inclusivity, human rights, social justice, respect for planetary boundaries and our global commons, solidarity and multilateralism. How can diverse understandings of the concept of the social contract help us to make sense of the current situation and to create new visions and alliances for transformative change? What type of real-world social contracts exist, and how have they changed over time? What are key propositions from different actors on how to reform social contracts? When rethinking social contracts, which principles can guide us in creating a new eco-social contract for sustainable futures?

3.4 Chapter 5 – A new way forward: Pathways for social, economic and environmental justice

Establishing a new eco-social contract to overcome inequalities and address multiple crises and the root causes of unsustainable development requires that we change our mindset, rethink priorities and move away from a dominant focus on growth and profits. A new eco-social contract needs to be grounded in integrated approaches for economic, social, climate and gender justice. Such a contract would rein in hyperglobalization and financialized capitalism; connect the spheres of production and reproduction through establishing a caring economy in ways that impede the exploitation of people and the planet; and reinvigorate a transformative social turn based on universal social policies, decent work and a rights-based approach. Pathways toward a new eco-social contract can be built on a new development model consisting of three key pillars: alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations, transformative social policies based on a fair fiscal contract, and reformed and strengthened multilateralism and solidarities. What is needed to move this agenda forward and secure our common future is a combination of progressive leadership that goes beyond elite preferences and is inspired by the common good and public interest, together with grassroots pressure from below by progressive social movements and civil society, supported by multilateral organizations and frameworks. What are the policies that address inequalities and enhance social and climate justice? How can we build the alliances and coalitions to support a new eco-social paradigm for sustainable development?
Endnotes

1. Oxfam 2022.
2. UN 2021a.
3. UN 2015.
8. WIL 2022: ch. 3.
12. Decreasing union membership density concerns mainly wage and salary earners, whereas union membership of own-account workers has increased since 2009 (ILO 2022a); Gernignon et al. 2000.
14. UN 2021a.
18. UN DESA 2020b.
22. UN 2021a.
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27. FAO et al. 2020.
29. UNRISD 2010.
30. Fraser 2016; Mazzucato 2017; Razavi 2007.
33. Oxfam 2022.
34. Kwame Sundaram and Popov 2022.
38. See, for example, Ortiz et al. (2022), Pathfinders for Peaceful, Just and Inclusive Societies (2021) and Roman-Alcalá (2022).
40. UN 2020.
41. OECD 2011.
43. Subramanian and Kessler 2013.
Despite an increasingly interconnected world, asymmetries in the treatment of flows of goods and capital and movement of people are staggering: migration flows have not increased to the same extent as trade and finance in the contemporary globalization period, and restrictions are particularly strong for low-skilled workers from low-income countries (see section 2.4; Quiggin 2005; Independent Group 2019).

Rising inequality during this period does not necessarily indicate a correlation with globalization or trade liberalization. Jaumotte et al. (2013) identify a positive link between financial globalization, technological change and FDI, and rising inequalities, but not regarding trade liberalization.

International migrant stock is the number of people born in a country other than that in which they live, including refugees (see figure 1.6).
Yuval-Davis et al. 2019; Williams 2021.
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UNHCHR states that counter-terrorism interventions have often violated human rights, for example through the use of torture and violation of the principle of non-refoulement. They have also undermined the independence of the judiciary, stifled civil society voices and diverted fiscal resources that are urgently needed for implementing social rights through public investments towards security and military spending (UNHCHR 2008), a policy choice that has once more gained currency in response to the recent geopolitical tensions with Russia; Savell 2021.
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What the Sustainable Development Goals get wrong about inequality

Inequality can take many forms that raise different political and social concerns: highly skewed income and wealth distribution raises questions about fairness in the way individuals experience life; how the prevalence of absolute or relative poverty, discrimination and marginalization is morally unacceptable; and the ways in which extreme inequality marked by the concentration of wealth is troubling as it can give rise to elite capture of policy-making processes and threaten social stability. Sustainable Development Goal (SDG) 10 targets reducing inequalities within and between countries. However, current discourse with respect to SDG 10 largely focuses on those who are excluded, marginalized and living below the poverty line. For example, the 2022 Sustainable Development Goals Report calls attention to the rise in refugees, migrants and relative poverty, that is, the proportion of a population living on less than half the national income, and workers’ share of income. In contrast, little attention is given to the top of the distribution: the rich and powerful.

This narrative within the SDG discourse that represents inequality as poverty and exclusion is not an accident. It accurately reflects the inequality agenda in the SDG framework that is dominated by targets and indicators focusing on the bottom of the distribution rather than the top. As many who followed the negotiations between 2012 and 2015 will recall, inequality was one of the most contentious issues. SDG 10 was in and out of multiple drafts and it was uncertain until the last moment if it would survive. But the negotiations around the goal were not simply about whether or not it would be included, but about how inequality would be defined.

Inequality is a politically sensitive issue that has been avoided in development debates for decades. But in the context of the time, it could not be excluded from the SDGs. The glaring failure to include inequality in the Millennium Development Goals (MDG) framework in 2000 has been heavily criticized, and inequality has since emerged as a major political and social issue. For example, social movements across the world—such as Occupy Wall Street in New York City—have protested the capture of the economy by the top 1 percent. At venues such as the World Economic Forum, global leaders in politics, business and academia have ranked extreme inequality as the number one threat to social peace and economic stability. While the importance of inequality could not be denied, there was much contestation around how and by what definition it should be included in the SDG framework: should it be a free-standing goal or mainstreamed? Inequality of what among whom?

During the formulation process, two competing perspectives emerged: “extreme inequality” and concern over the concentration of power and wealth at the top of the distribution; and “exclusion” and concern over vulnerable and marginalized populations’ lack of access to opportunities. It is important to note that these two perspectives also imply different types of policy response. Extreme inequality poses a radical challenge to reconsider the economic model and to redistribute wealth, while social exclusion invites a social protection approach to inequalities.

Proponents of a strong inequality agenda—from academia, civil society, many developing country delegations and several UN organizations such as OHCHR, UNICEF and UNRISD—argued for a stand-alone goal. They voiced concerns with extreme inequality, including marginalization, discrimination and the concentration of power and wealth at the top of the distribution. Those opposed to a free-standing goal conceptualized inequality narrowly as poverty and exclusion. Many high-income country
Sustainable Development Goal (SDG) 10 targets reducing inequalities within and between countries. However, current discourse with respect to SDG 10 largely focuses on those who are excluded, marginalized and living below the poverty line. ... In contrast, little attention is given to the top of the distribution: the rich and powerful.

Delegations and prominent academics vigorously argued that an inequality goal would be redundant. As the delegate for the United Kingdom put it during the negotiations, inequality could be addressed “through goals and targets related to poverty eradication; equal access to productive and other assets; social protection floors; gender equality; elimination of discriminatory practices, policies and laws; and job-rich and inclusive growth.”

Ultimately, a stand-alone goal was included in the agreed SDG framework adopted by the UN General Assembly in September 2015. However, the targets focus primarily on poverty and exclusion, and they do not take into account the distribution of wealth within and between countries or make reference to extreme inequality.

In the early stages of the negotiations, the World Bank and several donors advocated for defining the target for income inequality (SDG 10.1) as “shared prosperity,” that is, the incomes of the poor growing faster than the national average. The corresponding indicator, growth rate of income per capita of the bottom 40 percent of the population compared with the national average, was included in the indicator framework proposed by the technical committee, the Inter-Agency and Expert Group on SDG indicators (IAEG-SDG), despite considerable pushback from many delegations, civil society organizations, UN agencies and other stakeholders. These groups proposed alternatives such as including targets on vertical distribution, and the use of measures such as the widely used Gini coefficient and the Palma ratio—that is, the ratio of the top 10 percent of the population’s share of national income divided by the share of the bottom 40 percent. However, these alternatives failed to gain traction.

The choice of these measurement tools is supposedly technical, but behind a seemingly technical choice lies a political agenda. The Gini best captures shifts in the middle of the distribution, the Palma ratio at the top, and the shared prosperity measure at the bottom. The choice of the shared prosperity measure excludes from the narrative the problems of extreme inequality and the power of the wealthy.

There is no consensus among philosophers and economists on how much inequality should be desirable for any society. For a long time, the standard economic argument held that inequality was constructive and part of a necessary incentive for hard work and talent. But more recently, new literature and theories have emerged about the destructive effects of inequality. High inequality is increasingly associated with rent seeking and monopoly power, as well as the elite capture of policy-making processes and the erosion of social cohesion and democracy. Indeed, economist and public policy analyst Joseph Stiglitz (2012) argues that inequality has a dampening effect on demand and economic growth and is associated with economic instability.

The focus on inequality as poverty and exclusion is unfortunate in today’s political economy, where vested interests obstruct policies to combat key challenges to sustainability and social equity such as climate change and the Covid-19 pandemic. Covid-19 and its socioeconomic consequences have disproportionately affected the poorest and most marginalized populations. But the pandemic has helped to expose the underlying power structures that perpetuate inequality. For example, the international community failed to address accessibility obstacles when gross inequalities regarding access to Covid-19 vaccines emerged.
Similarly, the contestation over enacting a TRIPS waiver—the proposal to waive certain provisions of the WTO Trade-Related Aspects of Intellectual Property Agreement (TRIPS) for Covid-19 vaccines, medicines and diagnostics for the duration of the pandemic—is illustrative of the power corporations and high-income governments wield to defend their interests. Tabled by India and South Africa in October 2020 to respond to the critical vaccine supply shortages and lack of access for low- and middle-income countries, the proposal was supported by over 100 countries but vigorously opposed by pharmaceutical lobbies and most high-income countries. According to the South Centre (2022), after 18 months of negotiations, the agreement reached in 2022 was so diluted that its impact is likely to be limited. In response, the co-chair of the People’s Vaccine Alliance, Max Lawson, stated: “This is absolutely not the broad intellectual property waiver the world desperately needs to ensure access to vaccines and treatments for everyone, everywhere. The EU, UK, US, and Switzerland blocked that text.”

Leading pharmaceutical companies and high-income countries have also rejected participating in other important multilateral initiatives to overcome barriers to equitable access such as the World Health Organization (WHO) Covid-19 Technology Access Pool and the Vaccine Technology Transfer Hub. Even in the face of a devastating global pandemic, these powerful corporations and governments resist efforts to address systemic obstacles to equitable access to medical technologies, to prioritize health care as a human right and to institutionalize essential vaccines and medicines as a global public good.

In his foreword to the 2022 Sustainable Development Goals Report, UN Secretary-General António Guterres (UN 2022:2) called for “bold action” in an “urgent rescue effort for the SDGs.” Tackling extreme inequality should be a top priority.

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One feature of the world today that most strikingly captures global inequality is the production and distribution of Covid-19 vaccines.

The rapid development of these vaccines shows how much can be achieved when significant public investment and support are matched with human inventiveness and private sector involvement. At the same time, however, global vaccine production has been limited and its distribution very unequal, pointing to momentous failures in how we organize our economies and govern innovation. Unequal vaccine access has dramatic consequences: in addition to unnecessarily prolonging the pandemic in less vaccinated regions, it has enabled the emergence of new variants of the coronavirus that are more infectious, which in turn affects even those countries where vaccines are widely available.

Since vaccines are the first and most effective line of defence against Covid-19, there are huge public health and economic benefits to vaccinating as much of humanity as possible, as quickly as possible. Yet, two years after the first vaccines were approved, the gaps in vaccination rates remain startling. By mid-2021, 75 percent of all Covid-19 vaccinations had been administered in only 10 (mostly rich) countries.1 By September 2022, in North America and Europe, around two-thirds of the population was fully vaccinated, and many had been provided with additional booster doses, with remaining gaps due to vaccine hesitancy rather than shortage. By contrast, in Africa less than 30 percent of the population had received even one dose. In the Democratic Republic of the Congo, only 3.2 percent of the population had been fully vaccinated.2

A pandemic can be overcome only when it is conquered everywhere. Letting the virus spread unchecked in any part of the world accelerates the emergence of new viral variants, against which the current vaccines could be less effective.3 Indeed, the emergence of new variants led to the perceived need for third and fourth “booster” doses in some rich countries, even as first doses remain in short supply in many developing countries. Equitable vaccination distribution is not just ethically desirable, it is also a public health and economic imperative. In addition to prolonging the pandemic and preventing a return to “normal” life, vaccine inequality inhibits and delays global economic recovery. These risks are so great that if the governments of rich countries had simply decided to pay for the entire cost of vaccinating all of the world’s population, their economies would have benefited materially.4

So why did this not happen? Despite a global facility (Covid-19 Vaccines Global Access Facility, or COVAX, led by the World Health Organization [WHO] and others) set up specifically to distribute vaccines equitably to the world, an “every-country-for-itself” approach dominated national responses. COVAX was significantly underfunded and was not able to purchase the vaccines required for free distribution to poor countries as planned, so its actual distribution fell well short of its own plans. Out of around five billion vaccine doses administered globally by the end of August 2021, less than 5 percent were distributed by COVAX.5

Rich countries took the lion’s share of early doses of the approved Covid-19 vaccines, by signing (often opaque) bilateral deals with pharmaceutical companies. These vaccine grabs sometimes amounted to several times what could be administered to their own populations, leading to large stockpiles of doses—some of which had to be destroyed because the vaccines reached expiry dates without being administered.

The vaccine shortage was unnecessary because supply of vaccines need not have been so constrained. The production of Covid-19 vaccines has been limited by a lack of technology transfer.
There are two impediments: the legal constraints, cemented by the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement of the World Trade Organization (WTO); and the (related) ability of major pharma companies to monopolize knowledge created mostly by publicly funded research.

Consider the patents issues first. Patents and other intellectual property rules are supposed to ensure rewards for invention and innovation, without which it is believed that technological change would either not occur or be limited. The pharma industry has successfully argued that because of the high costs and risks of developing new drugs, which may not succeed even after years of research and development (R&D) effort, it needs the incentive of property rights over this knowledge, thereby conferring a monopoly over supply and pricing.

But in reality, pharma companies typically do only the “last mile” research for most drugs, vaccines and therapeutics: the bulk of the research, not just the basic science but also more advanced discoveries that enable breakthroughs, is publicly funded. Increasingly, big companies acquire promising compounds and other knowledge from labs and smaller companies that have benefited from public investment and subsidies. Indeed, big pharma companies typically spend relatively little on R&D—much less than what they spend on advertising and marketing, and a small fraction of what they pay out in dividends to shareholders or share buybacks designed to increase stock prices.6

In the specific case of Covid-19 vaccines, big pharma companies not only benefited from prior publicly funded research and reduced costs of clinical testing due to large numbers of unpaid volunteers for trials, but also received massive subsidies from governments—public financing that mostly covered their R&D costs.7 In the United States alone, the six major vaccine companies received over USD 12 billion in public subsidies; other rich-country governments also provided subsidies to these companies for developing these vaccines.8 Even Pfizer, which claimed to have received no government support, benefited from USD 445 million provided by the German government to BionNTech, which developed the vaccine and also received significant logistical support from the US government.9 Yet even though these companies could succeed in developing the vaccines largely because of support funded by taxpayers, they were granted exclusive rights over this knowledge. They have used this to limit supply and keep prices high even as the global pandemic rages on in the developing world. The major pharma companies producing Covid-19 vaccines enjoyed massively profit increases in 2021 (Pfizer, for example, nearly doubled its revenues to more than USD 81 billion, while profits more than doubled to USD 22 billion.10 Pfizer and Moderna both raised their prices for subsequent orders of their Covid-19 vaccines.

This is why the majority of WTO members have proposed that intellectual property rights (IPRs) be suspended for Covid-19 drugs, vaccines, diagnostics and other technologies for the duration of the pandemic, until global herd immunity is achieved. Such an arrangement was overseen by the US government, for example, for the production of penicillin during World War II.11 This is important because even when a single producer declares that it will not enforce its patent, the multiplicity of patents involved in the production of the new vaccines makes it difficult for new producers and complicates the possibility of compulsory licensing, under which a government can award individual companies a

Equitable vaccination distribution is not just ethically desirable, it is also a public health and economic imperative. In addition to prolonging the pandemic and preventing a return to ‘normal’ life, vaccine inequality inhibits and delays global economic recovery.
licence to produce a particular product. A TRIPS waiver would eliminate the possibility of other patent-holders suing any producer using that technology and thereby enable scaling up of production. The United States and Australia, which had previously opposed the waiver, moved to support it in mid-2021. But pressure from other countries (mostly in Europe) prevented this waiver from being approved and led to a much-watered-down compromise in the WTO, with likely limited effect.

However, waiving IPRs, while essential during this pandemic, is merely a first step, addressing only the legal side of the problem. The next step is to ensure the actual transfer of technology to manufacture the vaccines. There are many potential producers of such vaccines across the world in countries, from Canada to Bangladesh, with the required facilities. They have requested that the major vaccine producers provide the licences and technical know-how to enable them to proceed but have thus far been denied. Not a single company has joined the voluntary facility for the sharing of technology set up by the World Health Organization (WHO), the Covid-19 Technology Access Pool (C-TAP). The WHO has been involved in setting up an mRNA tech transfer hub in South Africa to enable wider vaccine production in Africa, but not only did the big pharma companies refuse to assist with this, Moderna has filed cases of intellectual property infringement against the hub.

But since these vaccines were developed with large subsidies from governments in the United States, Europe and elsewhere, could these governments not lean on these companies to share the knowledge that was created with public funding? (Cuba has declared that it will do so for its new vaccine candidates—albeit vaccines that have not, at the time of writing, been approved by a regulatory agency or the WHO). In the United States, the Biden administration persuaded Johnson & Johnson to share its technology with Merck to ensure larger domestic production of its single-dose vaccine. It could similarly push the pharma companies it has funded to share knowledge with a larger number of producers across the world.

All these proposals are easily achievable. More funding for COVAX could come from the countries not planning to use their share of the International Monetary Fund’s (IMF) new issuance of USD 650 billion of Special Drawing Rights, an international reserve asset meant to ease liquidity constraints in times of crisis. The TRIPS waiver could be passed tomorrow if just a few countries stopped opposing it. Pharma companies, especially those that have benefited from public funding, could be prodded or persuaded to share their know-how with other producers across the world.

The achievement of such proposals is held back by constraints that are mainly political, reflecting the significant lobbying power that large corporations have with states across the world. But such constraints are binding only if citizens do not apply sufficient counterpressure on their governments. This is necessary not only to ensure the vaccine equity that is essential to deal with the Covid-19 pandemic, but also to achieve the international solidarity that is a minimum requirement for humanity to address other existential threats such as that posed by climate change.

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Guy Standing
Professorial Research Associate, SOAS University of London; Fellow of the Royal Society of Arts; Fellow of the Academy of Social Sciences; co-founder and honorary-co-president of the Basic Income Earth Network

Reviving the commons would reduce inequality

Ever since Justinian Law was codified in Rome in AD 529–534, a form of property has been legitimized as “the commons” (res communes). It is what belongs to everybody equally. It includes the land, air, water, the sea and minerals under the ground, as well as institutions inherited as common property or designated as such. The commons also refers to a way of living, enshrined in the neglected idea of “commoning”—shared, cooperative activities that have shaped society throughout history.

In November 1217, common law in England was further legitimized in the Magna Carta and the Carta de Foresta, the Charter of the Forest. These declared that every free person had equal civil rights and the right to subsistence in the commons. The Charters’ principles became the foundation of all democratic constitutions. The commons are also the bedrock of republican freedom, the freedom to act without fear of control by figures of unaccountable power. And they have also provided informal social protection, through access to resources.

Yet across the world in today’s era of rentier capitalism, there has been a plunder of the commons. This is not the “tragedy of the commons” depicted by Garret Hardin (1968) in an influential polemic, but the “tragedy of de-commoning.” Globally, the commons have been depleted through neglect, enclosure, commodification, privatization and, most egregiously, neocolonial acquisition, with foreign private-equity capital often used to acquire ownership of a country’s commons. The plunder is wholly illegitimate, amounting to the private theft of common wealth. In the process, social inequalities have worsened more than can be measured by monetary incomes.

There are five types of commons—natural, social, civil, cultural and knowledge—and they all limit inequalities, partly because they have more use value for low-income “commoners.” Land, water, air, seashores and the sea are recognized commons under common law, while other types of commons are created, bequeathed or inherited as belonging to, or for the benefit of, everybody equally. These commons are the amenities, areas and institutions that exist to give commoners—all of us within communities—a better standard of living and a more dignified life.

All forms of commons have been weakened, often by administrative neglect during the austerity era following the financial crash of 2008 and by privatization. Austerity concealed the neoliberal strategy of privatizing the natural commons, resulting in the degradation of forests, parks, allotments, village greens, urban trees and public waterways.

The plunder has also hit the social commons, such as social housing, health services, care homes, refuges for women and children suffering from domestic violence, playgrounds, youth centres and public transport. A result has been high death rates in privatized under-resourced care homes, where many residents come from lower-income families and communities.

In many countries, parts of cities and towns have been turned into POPS—privately owned public spaces—resulting in lost access to what had been zones of recreation. This has hit low-income people harder than the rich, who usually have gardens and second homes or live in leafy areas with cleaner air and more open space.

Legal institutions are civil commons if they adhere to legal principles established by the Magna Carta and the Charter of the Forest. This means that everybody should have access to an equal set of legal institutions and be able to obtain justice, with due process, affordable access to qualified
representation, an independent judiciary and punishment proportional to the offence. These principles have rarely been respected adequately, but in recent years they have been shredded, as parts of judicial systems, including prisons and probation services, have been privatized and commercialized. This is a powerful form of inequality and injustice, as are cuts to legal aid.

In some countries, homelessness has been criminalized and made more unpleasant or dangerous for health and survival. The main function of the commons historically was to ensure survival and subsistence in tough times. Erode that capacity and you indulge in “social cleansing.” That will not show up in income distribution statistics, but it is a terrible form of inequality.

Then there is the erosion of the cultural commons, shown in the loss of public libraries, the commercialization of museums and art galleries, and the disappearance of local theatres and places of shared artistic activity. The global trend toward reliance on commercial sponsorship is a form of commodification, in which corporate or philanthropic donors can dictate what the public sees and does not see, inducing self-censorship.

Finally, there is an erosion of the knowledge commons—information, education and “intellectual.” Although we appear to have much more of it than in the past, the information commons—that is, access to balanced, objective, fact-based information—has shrunk. We are bombarded incessantly by disinformation and “fake news,” heavily funded by plutocrats and zealots keen to manipulate our minds and imaginations. Prominent tech corporations have colonized the information landscape. The manipulators are hardly likely to allow the media they own to provide information that might make electorates vote for progressive redistribution policies. They favour politicians who will preserve their wealth and power.

The education commons is vital for a good society. Ideally, we rely on education to produce responsible, altruistic citizens. But educational systems have been privatized and commodified, epitomized by MOOCs (Massive Open Online Courses), packaged by corporations and sold around the world. These are never neutral and tend to marginalize local and vernacular knowledge that has been a hallmark of the commons. That too is a form of inequality being spread by stealth, which is not picked up in conventional statistics.

Globally, the commons have been depleted through neglect, enclosure, commodification, privatization and, most egregiously, neocolonial acquisition, with foreign private-equity capital often used to acquire ownership of a country’s commons. The plunder is wholly illegitimate, amounting to the private theft of common wealth. In the process, social inequalities have worsened more than can be measured by monetary incomes.
Contrary to the claims of apologists, there is no correlation between the strengthening of private property rights in ideas and growth or innovation. It is a vehicle for increasing rentier income and inequality. Witness the billions of dollars firms manufacturing Covid-19 vaccines are making, after receiving huge public subsidies to fund research and development.

Less documented is the fact that we are losing the “blue commons,” the sea, seashore, seabed and marine ecosystems that make up over 60 percent of the planet. This was accelerated by the passage in 1982 of the United Nations’ Convention on the Law of the Sea (UNCLOS), which enshrined the biggest enclosure in history. UNCLOS gave national ownership of 200 nautical miles of the sea around each littoral country, multiplying the size of some jurisdictions, while giving nothing to land-locked countries. Once enclosed, governments could privatize and commodify the seas and their contents, which they now owned. Extraordinarily, one multinational, the world’s biggest chemical company, BASF, now owns 47 percent of all the valuable patents in marine genetic resources. The plunder of the blue commons will further worsen global inequality.

What must be done? We need more awareness. Knowledge of what the plunder of the commons represents is still scanty. We need a campaign to revive them and to appreciate their value. Elsewhere, I propose that every country should set up a commons capital fund, built from levies on those who have gained from taking or having been given commons, and from which commons dividends, in the form of basic income payments, should be paid as a way of reducing insecurity and inequality.

For example, we need high carbon taxes if we are to curb the greenhouse gas emissions that are driving the world toward extinction and an era of pandemics. A high carbon tax by itself would be regressive as it would represent a higher share of the income of low-income people than of the rich and so would be electorally unpopular. However, if it guaranteed that the revenue would be recycled as equal common dividends, it would be progressive and popular.

So, reviving the commons and gaining compensation for commoners from those gaining from the plunder of the commons should be part of a strategy to reduce inequalities and to generate a Good Society suited to the twenty-first century.

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Inequalities in Times of Crisis: How Did We Get Here?

When taking a deeper look at the system that has ushered in an age of crisis, we understand that the inequality, environmental degradation and lack of resilience it has produced is built in by design. Multiple and interdependent crises, inequalities and the demise of social contracts are interlinked, from various economic and financial crises associated with neoliberal globalization; to the crisis of climate change, biodiversity loss, pollution and unsustainable resource use that has been unfolding over two centuries, reaching alarming tipping points; to the care crisis which manifests itself through a disproportionate amount of unpaid care work placed on women and an undervaluation of care services in the market; to a political crisis that is characterized by increasing power asymmetries, a backlash against human rights, democratic principles and multilateral governance, decreasing citizen trust and eroding state legitimacy, and an unprecedented level of protests and violent conflicts. The Covid-19 pandemic is a “great revealer” of the inherent flaws of this system in terms of both the conditions that led to it, specifically the closing-in of human civilization on natural ecosystems, and the outcomes it has produced.
1. Not a Flaw but a Feature

Realization of economic, social, cultural and political rights has seen considerable progress over the last decades in contexts of increasing economic integration, technological progress, demographic change and political power shifts (chapter 1). More than one billion people have been lifted out of poverty, women’s rights and protection of minorities have expanded, human development has improved through increases in life expectancy, rising incomes and wider access to basic education and health services, while democratic transitions in several countries have transformed former authoritarian and colonial regimes into systems where the rule of law is more respected and electoral votes count. However, as we have argued in chapter 1 and will unpack further in chapter 3, progress has been uneven and unstable, accompanied by rising inequalities, with severe setbacks in social outcomes when crises hit. Most importantly, advancements have come at the cost of slow-burning crises of climate change and environmental destruction which are now approaching dangerous tipping points while simultaneously reducing the capacity of people to trust in and care for each other and to leave no one behind.

How are multiple crises and inequalities interlinked (figure 2.12), and what are the implications for social contracts? What role did the ideological shift from state-led development approaches in the post-war period toward a market-led development policy orientation in the early 1980s play? This chapter argues that inequality has been a driver, amplifier and consequence of multiple crises—economic, environmental, social and political—creating a vicious circle of instability, crisis and growing disparities which undermines the social contract. We understand crisis as systemic threats related to institutional arrangements and structures (box 2.1) leading to “a disruption of social or natural systems that threatens their sustainability and compromises the provision of economic, social and ecological goods and services on which human societies depend” (box 2.1). Crises, whether originating from economic, social, political or natural factors, undermine livelihoods and put individual or collective response mechanisms under stress, often leading to a reversal of past achievements and hard-fought progress, as recently experienced during the 2008 financial crisis and the Covid-19 pandemic.

They are equally typically associated with a strengthening of elite power, rising inequalities, social fractures, setbacks in workers’ rights and backlash against minorities or marginalized groups. Crises can result in decreasing state legitimacy and trust, and they can hollow out democratic rights once top-down or authoritarian crisis-management approaches and shock responses take hold or get entrenched, or when social and economic grievances and an “us against them” attitude usher in the rise of populist forces or illiberal democracies (see section 5.5). Crises are of different types, scope, duration and impact, but are increasingly disrupting the very foundations of human life on this planet and threatening the ambitious common agendas, such as the Sustainable Development Goals (SDGs) and the Paris Climate Agreement, that the global community has agreed upon to ensure every person can live a dignified and peaceful life, now and in the future (see box 2.1).

Understanding how we got here, to this moment of urgency and systemic threats, is the key objective of this chapter. Moments of crisis unsettle conventional thinking about development paths, disrupt accepted world views and present opportunities to rethink and change direction away from business as usual. Whether opportunities to change direction in a crisis context are embraced depends on a variety of factors, including the distribution of costs and benefits associated with reforms, how they affect elite interests, whether they gain support and are supported by broad-based political coalitions, and whether implementation is practically feasible.

Over the past half-century, the efficient operation of the market for the pursuit of private profit has been allowed to run roughshod over any notion of the public good.

—Mariana Mazzucato
Professor, University College London
Policy responses are shaped by crisis interpretations and narratives, either aiming at restoring the status quo ante or targeting more radical changes.\(^6\)

This chapter takes a deeper look at the system which has ushered in an age of crisis, understanding the inequality, degradation and threat to resilience it has produced as built in by design. Instead, the economy serves to create and reproduce crises in various spheres, and they are endogenous to the system.\(^7\) Acknowledging this would allow us to move to a bolder agenda for transformative change, addressing the structural drivers of crises and inequalities.\(^8\)

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**Box 2.1 Understanding crisis**

Crisis are systemic threats that require urgent action to avert the danger. They can be defined as processes in which the structure of a system is called into question. While crisis is often understood as an unforeseeable, surprising, short-term event, this report adopts a crisis definition that allows one to link crisis with structures of the system and therefore to identify tendencies toward crisis or crisis-proneness. In this approach, crises are not (only) events but (also) mechanisms that lead to events.\(^a\) Crises are defined differently according to type of crisis and the sphere in which they originate or unfold, for example, in economic, social, political or ecological spheres, or within a specific dimension, regarding different policy areas or sectors (for example, in the economic sphere we can distinguish between banking, currency, debt, inflation or growth crises). A broad understanding of crisis which encompasses both social and natural systems is especially useful to analyse interlocking socioeconomic and ecological crises in tandem, defining crisis as “a disruption of social or natural systems that threatens their sustainability and compromises the provision of economic, social and ecological goods and services on which human societies depend”.\(^b\) Large parts of these social and natural systems are outside the market sphere, where production and distribution of goods and services are not coordinated through exchange for mutual benefit within a system of property rights, for example, in the case of natural resources or care for others. If the market sphere draws on these systems without compensation and attention to their needs, it tends to deplete resources and undermine resilience, reaching social and ecological tipping or breaking points with harmful and long-lasting effects.

\(^a\) Offe 1976; \(^b\) Heintz et al. 2021.

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**Chapter key messages**

<table>
<thead>
<tr>
<th>Key message</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inequalities and crises are not inevitable, but to a large extent the result of policy choices. Our global economic system has ushered in an age of crises, with inequality, degradation and threats to resilience built in by design.</td>
</tr>
<tr>
<td>The shift toward market fundamentalism has increased inequalities, instability and systemic economic and financial crises, leaving all but the wealthiest highly vulnerable to shocks.</td>
</tr>
<tr>
<td>The environmental and climate crisis, closely related to global inequalities and unsustainable economic systems, is reaching dangerous tipping points. The richest individuals, corporations and countries in the world are responsible for the majority of CO(_2) emissions, resource use and pollution, while vulnerable groups are most affected by the worst consequences of climate change and environmental destruction.</td>
</tr>
<tr>
<td>There is a crisis of care, and it is hindering social development and progress toward gender equality. The global economy is characterized by entrenched patriarchal norms, a disproportionate amount of unpaid care work shouldered by women and communities, an undervaluation of care in the market and deficiencies in public care provision.</td>
</tr>
<tr>
<td>Instability, insecurity, inequalities and the concentration of elite power are undermining trust, policy space and state legitimacy. Democracies are eroding or backsliding, and civic space is closing down. Political crises are multiplying, manifesting as violent conflicts, increasing protests and collective discontent, political polarization and media capture, with severe consequences for democracy, development and human rights.</td>
</tr>
<tr>
<td>The Covid-19 crisis has revealed and amplified existing inequalities between rich and poor people and between social groups, while erasing development gains of the recent past. Vaccine inequality and huge disparities in fiscal stimulus policies between the global North and South demonstrate how new layers of inequality and injustice have been created.</td>
</tr>
</tbody>
</table>
Section 2 of this chapter analyses the crisis of the current global economic system characterized by increasing inequalities, power concentration and instability. Section 3 discusses the climate and environmental crisis, while section 4 explores the care crisis. Section 5 analyses the features of political crisis and how it unfolds nationally and at the global level. Section 6 is focused on the economic and social impacts of the Covid-19 pandemic and its relationship with inequality.

2. Economic Crisis: Market Fundamentalism, Volatility and Inequality

2.1 The post-war economic order and the neoliberal turn

We have argued in chapter 1 that despite the opportunities that state-led development and early globalization had offered for poverty reduction and social progress, there was a shift toward market-fundamentalist approaches as a result of the neoliberal revolution in the early 1980s that led to rising instability, inequality and increasingly uneven development. What were the reasons for this shift, and what were the implications for social contracts in the global North and South?

What has been labeled a period of social modernity, or the golden age of capitalism, the post-war economic and political order was highly rules based and laid the foundations for three decades of fairly inclusive growth (until 1973). Its stability rested on three pillars: a new international financial and monetary order (the Bretton Woods system of fixed exchange rates and highly regulated financial and capital markets), expansion of social policies acting as automatic stabilizers to cushion economic cycles and promote social cohesion, and a system of multilateral governance and international treaties to guarantee world peace, development aid and progressive realization of human rights (see chapter 1).

This highly regulated international monetary and financial system came under increasing pressure in the late 1960s: deficit spending, wage increases and oil price shocks resulted in inflation and pressures on the US dollar. The US central bank, the Federal Reserve Bank, eventually decided to abandon gold convertibility and the fixed exchange rate regime broke down, upending the period of stability with growth and opening the way toward economic crisis and increasing instability and volatility (see figure 2.1).

Regarding social policies in the post-war period, these benefitted from claims making from civil society and organized labour movements and the systemic rivalries between market and planned economies that characterized the cold war period. Western welfare states aimed for some equalization of living standards through fiscal policy and collective bargaining between employers and trade unions. However, this social contract started to unravel under the pressures of economic crisis in the 1970s and 1980s, due to challenges associated with global trends such as technological and demographic change (see chapter 1), and at an accelerated pace after the fall of the Berlin Wall and the demise of the socialist bloc (chapter 4). Market-oriented reforms in economic and social domains were premised on the assumption that they would contribute to growth and efficiency objectives, with the most radical examples found in the United Kingdom and the United States under the conservative Prime Minister Margaret Thatcher and President Ronald Reagan, leaders who considered that there was no alternative to market rule. Other governments followed suit, though to a lesser degree, stabilizing, liberalizing, deregulating and privatizing their economies and cutting public sector employment.

Moments of crisis unsettle conventional thinking about development paths, disrupt accepted world views and present opportunities to rethink and change direction away from business as usual.
The harsh adjustment cure was deemed necessary to tackle stagflation and curb growing fiscal deficits, but the social and economic costs would be enormous. Developing countries were especially affected by the systemic liberalization and marketization of the 1980s. As Sen and Durano (2014:8–9) note, as Keynesian social contracts started to break down in the global North, so did social contracts of developmental states in the global South (see chapter 4). State-led development strategies promoting full employment and public social services adopted by developmentalist governments concerned with catching up (typically represented by Latin America and East Asia), as well as by newly independent states striving to overcome the legacies of colonialism and build their nations (typically represented by sub-Saharan Africa), were replaced with stabilization and structural adjustment policies. This was later called the Washington Consensus with reference to the powerful US institutions and international organizations shaping and funding development policy located in the city.13

Identification of the neediest and most deserving poor through targeting as practised and recommended by the donor community remained inefficient and ineffective in societies where poverty was a problem not of the few, but of the many, creating new divides.16

The post-war economic and political order was highly rules based and laid the foundations for three decades of fairly inclusive growth.
2.2 The social turn: Rebuilding the social contract?

While this compelling critique of the Washington Consensus’s recipes, and the lessons learned, did not result in immediate changes in donor practice, it prepared the ground for a comeback of active state approaches and social policy into the development discourse, what UNRISD has labeled the social turn and what we discuss in greater detail as renegotiations of the social contract in chapter 4. The social turn can be described as a gradual shift in ideas and policies which reasserted social issues in development agendas around and after the UN Social Summit convened in Copenhagen in 1995. It marked a critical juncture in global development debates, opening spaces for questioning market fundamentalism and bringing the social dimensions of development back into consideration.

However, with neoliberal globalization becoming the dominant economic orthodoxy, the liberalization and deregulation of trade and financial and capital markets gained further ground in the 1990s, while fiscal redistribution was discarded as being detrimental to growth and macroeconomic stability. Only a few countries in the global South opted to buck the trend of targeting the poor and privatizing social services. Where governments decided to venture onto more transformative pathways they often benefited from new political constellations and favourable economic conditions, allowing them to pursue alternative economic strategies and more inclusive social policies. When progressive governments assumed power in countries such as Argentina, Bolivia, Brazil and Uruguay in the early 2000s, they could harvest windfalls from the commodity price boom in international markets (table 2.1 and figure 2.2), which created the necessary fiscal space and growth dynamics to overcome elite resistance and hold interventions of external creditors at bay.

Based on broad political support over several electoral terms, these governments implemented important reforms that resulted in increased fiscal space and greater investments in social protection and social services, making social contracts more inclusive and rights based (see chapter 4). Thanks to these policies, one of the most unequal continents in the world reduced vertical and horizontal inequalities and poverty in an unprecedented manner: the Gini coefficient in Latin America decreased from 0.538 in 2002 to 0.465 in 2018 in 15 countries while poverty fell from 44.5 percent to 27.8 percent between 2002 and 2014. The approaches were less successful in greening the economy or fostering structural change, especially as the commodity boom reinforced dependence on primary sectors such as fossil fuels, mining and agrobusiness.

The social turn reached beyond Latin America, albeit in more residual forms because of differences in economic, social and political contexts and greater influence of donors in aid-dependent countries. Governments in several Asian and African countries expanded cash transfer programmes for poor households, child grants, social pensions, public works programmes or employment guarantee schemes, food aid, school nutrition programmes, universal and free primary education and increased investments in the health sector as well as an expansion of health insurance. These reforms were implemented with support of the donor community, but also in response to voter demand and citizens’ mobilizations (see chapter 4). The reforms led to some improvements in social outcomes and poverty reduction. However, the focus on social assistance for the poor, the low coverage and fragmentation of programmes, insufficient benefit levels and low quality of public service provision reduced their impact on inequality while failing to provide effective social protection. Employment promotion and investments in public services, key priorities of developmental welfare states, were sidelined.

In addition, macroeconomic drivers of exclusion

| Table 2.1 Revenues from hydrocarbons and mining as a share of total revenues in Latin America, 2007 and 2017 |
|--------|--------|
| 2007  | 2017  |
| Ecuador | 39.1   | 32.1   |
| Mexico  | 55.2   | 28.4   |
| Bolivia | 38.7   | 20.3   |
| Peru    | 24.7   | 10.5   |
| Colombia| 21.3   | 8.3    |
| Argentina| 15.2  | 7.9    |
| Brazil  | 10.7   | 6.4    |
| Chile   | 31.8   | 5.3    |

Source: OECD 2020.
Notes: Fiscal revenues from non-renewable natural resource revenues refer to tax payments and property rents that the public sector receives for the exploitation of these resources. Hydrocarbon revenues include both the extraction and the commercialization and sale of hydrocarbons.
and inequality continued unabated, operating, for example, through labour markets characterized by increasing informalization and job precarity, global value chains (GVCs) that distributed costs and benefits of increased world market integration very unequally, income and wealth concentration at the top and debt accumulation at household and national levels, counteracting whatever positive outcome social policy could achieve. At the same time, the global economy continued to be characterized by frictions between systems of production and social reproduction and frequent and severe economic and financial crises, of which the 2008 crisis was the worst since the start of the new millennium.

2.3 The 2008 financial crisis: A missed opportunity to stop hyperglobalization

The period of the neoliberal turn was characterized by stalling industrialization and a multiplication of economic and financial crisis, from the debt and structural adjustment crisis in Latin America and Sub-Saharan Africa leading to a “lost decade” in the 1980s, to the banking, currency and financial crises afflicting Latin America, Asia and transition countries in Eastern Europe and the former Soviet
Union in the 1990s and early 2000s. The financial crisis of 2008 stood out among these various crises in terms of its global reach and severity. It demonstrated how the detrimental impacts of the neoliberal turn on institutions, stability and livelihoods, and the reliance on market instruments to address growing imbalances and social exclusion, resulted in a severe disruption of the global economy, with highly negative spillovers to national economies; and how rising vertical and horizontal inequalities in the United States acted as key drivers of the crisis.

Defaults in the US sub-prime mortgage market in the second half of 2007 and early 2008 led to concerns about the solvency of the financial system, the shortage of liquidity in interbank funding markets, and deposit runs at some US banks, resulting in a severe contraction of economic output and subsequent recession. The crisis quickly spread across the globe, leading to major economic downturns, banking crises and even sovereign debt crises in several countries. In 2009, global output declined by 1.8 percent (3.4 percent in advanced economies), global trade collapsed by 9.9 percent, and global investment declined by 9.0 percent. However, the 2008–2009 global financial crisis was not a turning point for inequality trends comparable to the Great Depression of the 1930s. On the contrary, as will be shown, it resulted in further increases in inequality within and between countries, as well as in growing disparities among social groups (chapter 3).

The effects of the crisis have been transmitted toward developing countries through several channels, notably foreign capital and domestic credit, trade and foreign direct investment (FDI), commodity prices and terms of trade as well as remittances. As a consequence, countries across the globe suffered declines in national income, investment and employment; worsening fiscal accounts and balance of payments; increasing debt; and financial sector distress. At a micro level, the negative impact on well-being occurred mainly through deterioration of the labour market situation (unemployment, wage declines and informalization), price hikes in financial and goods markets, effects on household income and assets (savings, assets, unpaid work, remittances) and through adverse effects on social protection provided through states, markets and communities.

In most countries, at least initially, the public sector responded with countercyclical measures, but many countries, in particular developing countries, had to switch to fiscal tightening from 2010 onward due to pressures from creditors and to mitigate the loss of confidence of investors, with social sectors and pro-poor spending on health, education, social protection and agriculture suffering severe cuts. This switch from fiscal expansion to fiscal austerity post-crisis could indeed be a premonition for what to expect in the aftermath of the Covid-19 crisis.

While the financial crisis of 2008 does conform with causal explanations such as excessive risk-taking, lack of regulation and adverse incentives, this report puts the focus on the preceding rise in inequality as a key driver of crisis and subsequent unequal social outcomes. Early studies established that increasing income inequality and financial deregulation policies to facilitate credit access of low-income households play a key role in financial crises. However, these studies are not without criticism, for example regarding the claim that rising inequality at the top of the distribution is a key causal driver of crisis. It is also seen as a limitation that studies focus mainly on advanced countries such as the United States—and the hypothesis seems to apply more consistently to Anglo-Saxon countries with liberal welfare state models.

Notwithstanding the variety of empirical findings on the links between inequality and financial crises, which is in line with the approach taken in this report that context matters, some authors have taken a broader approach in explaining a range of channels through which inequality has a destabilizing impact on the financial sector, some of which might be more appropriate for developing countries, where research on the links between inequality and financial crisis is scarce. This broader discussion of how rising inequality can (but does not in all cases) lead to financial crisis can contribute to a better understanding of how inequality is associated not only with social, environmental and political problems, but also with instabilities in the financial system which can then have spillover effects on other sectors and from one country to another.

Stockhammer (2015) identifies four channels through which rising inequality contributed to the financial crisis in 2008: first, a falling share of wage incomes in the US economy compared with
profits prior to the crisis led to downward pressure on aggregate demand, since wage earners and in particular poorer income groups have higher marginal propensities to consume compared with those receiving income from profits. Second, global imbalances as a result of international financial deregulation allowed countries, in particular global South countries, to embark on debt-led growth, running large current account deficits (or surpluses) for extended time periods. Third, rising inequality pre-crisis led to increased household debt as low-income families in the US sought to stabilize consumption through access to credit despite stagnating or falling real wages. Fourth, rising inequality had increased speculation, as richer households tend to hold riskier financial assets than other groups. The expansion of hedge funds and subprime derivatives in particular has been linked to the rise of the super-rich (chapter 3).

In addition to income and wealth inequalities, in the US, stratification along race, class and gender have also contributed to the crisis and shaped its distributional dynamics and impacts on well-being. Inequalities were driven by asymmetries in bargaining power between capital owners versus governments and workers during a period marked by trade, financial, investment and labour market deregulation. What is important to note, and which received less attention in the analyses of the crisis, is the fact that the US subprime loans, low-quality mortgage credits, were mainly targeted at people of colour and single female heads of households. These groups had previously been excluded from credit markets and were now increasingly included, but on unfavourable terms and exposing them to considerable risk regarding the ability to serve the contracted debt.

To conclude, the global financial crisis of 2008, which originated in the United States and quickly spread across the world, was driven by inequalities that had built up during the era of neoliberal globalization and were accelerated by a risky incorporation of vulnerable groups into financial markets in a context of stagnating or shrinking wages, creating a vicious cycle. The financial sector and financialization were identified as channels through which inequalities and imbalances translate into an economic (and social) crisis. Structural factors contributing to the crisis included racial and gender inequality (in particular of single-parent households) and worsening class distribution of income.

As the crisis unfolded, inequalities increased further due to adverse impacts on labour markets, household assets and access to public goods. Policy responses to the crisis had mixed impacts on inequalities, mostly favouring big corporations, banks and creditor countries. In addition to the huge bailouts of financial institutions (estimated at USD 18 trillion), fiscal stimulus measures and countercyclical policies were implemented in several countries, supported by multilateral initiatives such as the International Labour Organization (ILO)-led Global Jobs Pact and a new ILO recommendation No. 202 on National Social Protection Floors. However, bank bailouts were much larger than fiscal stimulus measures. In the US, in 2008–10, committed financial sector support amounted to USD 5,197 billion, whereas announced fiscal stimulus measures only reached USD 829 billion. In addition, austerity and fiscal consolidation measures gained ground quickly once fiscal space was exhausted and market pressure increased, giving way to a scenario of skewed and slow recovery that has come to be known as the Great Recession.

Countries in the global South that had embarked on the social turn in the late 1990s and early 2000s were better prepared to address crisis impacts, but fiscal constraints and a less dynamic growth context started to slow the countercyclical response from 2011 onward. Countries in the global South were mainly affected through food and fuel price increases and the social costs of slower growth in a less favourable international context. In general,
global North countries were seen to be harder hit while they also had greater policy space to cushion adverse impacts. However, this did not apply to all countries. In Greece, the crisis led to a sovereign debt crisis and pressures to leave the eurozone, which was eventually prevented by debt rescheduling and credit support through the so-called Troika (the International Monetary Fund, Germany and the European Union); however, this involved huge political and social costs, including youth unemployment rates surpassing 50 percent and mass emigration of middle-class citizens.51

Looking retrospectively at expectations of how the financial crisis of 2008 would lead to changes in the global economy and the neoliberal paradigm, the option of crisis ushering in egalitarian policies and better regulation of financial markets did not materialize.52 Indeed, among the objectives proposed by the G20 to reform the global financial architecture post-crisis—making financial institutions more resilient, ending too-big-to-fail approaches, making derivatives markets safer and transforming shadow banking—progress has been made mainly on the first goal.53 Inequalities continued to increase or worsened where they had improved in the early 2000s, while no decisive steps were taken to rein in hyperglobalization and financialization (see chapter 5).

3. The Climate and Environmental Crisis: A Missing Contract with Nature

The World Wide Fund for Nature estimated that in 2020, we would need the resources of 1.6 Planet Earths to support humanity’s demand on the earth’s ecosystems.54 Planetary boundaries, the outer limits at which humanity can continue to develop sustainability, have been exceeded,55 with both ecological and social consequences56 and without achieving basic development standards and social rights for all. The United Nations, a group of eminent scientists57 as well as various jurisdictions have declared a climate emergency in view of worrying trends in a number of planetary vital signs. The present moment is characterized by a cycle of increasing extraction and pollution, ravaging the earth’s natural resources and putting back into it the toxic by-products of production, constituting a plunder of the global commons.58 Biodiversity loss resulting from unchecked deforestation and other forms of extraction, as well as urban growth, has heightened risks of zoonotic diseases and played a key role in the outbreak of Covid-19.59 As has been made unequivocally clear by the recent report by the Intergovernmental Panel on Climate Change,60 human-induced climate change has already led to approximately 1.1°C of global warming (with the past five years the highest on record since 1950) and is affecting weather and climate extremes in every region across the globe, such as shifting weather patterns (storms, increased precipitation, heatwaves), global retreat of glaciers and melting of sea ice, and increase in sea levels.

Global atmospheric heating has negative impacts on health, nutrition and food security, human capital and labour productivity, and economic opportunities;61 it can create conflicts over access to resources and affect poorer countries and poorer people disproportionally given their greater hazard exposure and vulnerability (see chapters 1 and 3). Taking other factors such as population growth into consideration, this unprecedented moment of climate crisis can be attributed to two key historical phenomena: first, the colonization of today’s global South by today’s global North from the sixteenth to the early twentieth century and the exploitative resource extraction from the South that fueled (through fossil fuels, slavery and forced servitude, colonial taxation, unfair trade, and the extraction of minerals, metals and biodiversity resources) the Industrial Revolution from the mid-1700s and consequent industrial development of the global North during this period; and second, the rise of an unfettered neoliberal economic system oriented toward unabated growth, driving production and consumption to higher and higher levels in the name of profit rather than broad-based human development.62

However, consumption patterns and associated environmental impacts are not the same the world over. According to Oxfam (2020a), the richest 1 percent of the world’s population is responsible for more than twice as much carbon pollution as the 3.1 billion people who make up the poorest half of humanity. This ratio is predicted to further escalate and be 30 times higher in 2030 than what is compatible with the goal of limiting global warming
to 1.5°C. The majority of CO₂ in the atmosphere has been contributed by rich industrialized nations, with the United States and Europe accounting for over half of the global total as of 2020 (Our World in Data n.d.a based on Global Carbon Project). Between 1990 and 2015, the wealthiest 10 percent of humanity accounted for 52 percent of cumulative emissions, with the top 1 percent alone accounting for over 15 percent (see figure 2.3). Wiedmann, Manfred, Keyßer and Steinberger (Wiedmann et al. 2020:7) have declared that it is “the affluent lifestyles of the world’s rich [that] determine and drive global environmental and social impact. Moreover, international trade mechanisms allow the rich world to displace its impact to the global poor”.

While the poor and marginalized contribute the least to climate change, they are also the most likely to be harmed by it and they have the fewest resources to cope with it. This “double injustice” of climate change operates at various levels including income, race/ethnicity, citizenship status, employment status, gender identity and sexual orientation, among others. Due to a number of factors, the poor tend to suffer the worst consequences of climate change, in what is known as the poverty-environment trap. Low-income households are, for example, more likely to be exposed to higher temperatures than rich ones, to be located in or near flood-prone areas, to be displaced due to weather-related disasters (see figure 2.4), to suffer from the effects of pollution as a result of proximity to industrial sites, and to suffer from climate impacts because their livelihoods are directly dependent on agriculture or coastal ecosystems (see box 2.2).

Among these groups, members of minority racial and ethnic groups are overrepresented, both globally and within individual countries, as a result of longstanding systemic racism, with inherently spatial dynamics that relegate communities of colour to environmentally hazardous areas and block their possibilities for political space. For example, one US study found temperatures in predominantly Black neighbourhoods to be up to 7°C (12°F) hotter than in other neighbourhoods in the same city and cited fewer green areas as an underlying cause. Among groups that are disproportionately impacted by climate change, women often suffer even greater impacts. As climate change can negatively affect access to food, water and energy, this can often make care tasks more time consuming, placing an added burden on women, who take on the majority of these tasks. Further, this can undermine outcomes for vulnerable groups, such as children, the elderly and the disabled, when time and energy are directed away from their care.
Box 2.2 Transformative adaptation in coastal cities: Lessons from Ho Chi Minh City and Jakarta

Rapid and uneven urbanization and economic growth make coastal cities home to a large number of people vulnerable to climate impacts. The number of urban slum dwellers has continued to grow and has led to increasing numbers of people highly exposed to flooding and living in overcrowded housing with little tenure security, poor water and sanitation, and poor access to social services, and unable to have their voices heard by political leaders. Urban upgrading is an audacious attempt to tackle this situation by removing precarious settlements along rivers and canals to reduce exposure and relocate people to improved housing. However, in practice, this had forced many low-income and marginalized people to the outskirts of the city and unsettled their livelihoods.

In Ho Chi Minh City, low-income migrants are the most vulnerable sector of the population as they are often not registered or recognized as citizens, which limits their access to administrative resources and information. They have reported unstable livelihoods as a result of urban upgrading projects, as well as a lack of transparency in project planning and implementation. In general, upgrading projects focus most often on technical aspects, while social and cultural considerations, including restoring the livelihoods of different groups of people after resettlement, are left unresolved.

In Jakarta, participation and in communication between the city and its residents has improved, but the overall development vision for Jakarta remains that of a world-class waterfront city with little to no room for informal settlements (“kampung”). Researchers and civil society representatives have pointed to the important knowledge, creativity and potential of kampung dwellers who have been living with floods and adapting to them for a long time. Such localized adaptation knowledge derived from kampung practices is rarely transmitted to and taken up by official planners at the city level, however. While from an official perspective it is argued that large-scale infrastructure measures and upgrading efforts are necessary to protect the people of Jakarta, ignoring localized adaptation knowledge from kampung practices in city planning represents the continuation of business-as-usual approaches that tend to favour elites and reproduce existing inequalities.

UNRISD research has shown that much can be done in order to meet the needs and preferences of the affected households when more emphasis is placed on social impacts and support systems. Transformative urban upgrading and inclusive adaptation requires governance reforms that allow for learning from local experiences, and that harness the potential of individual leadership and innovation that is currently undermined by hierarchical decision-making structures.

*a* Dodman et al. 2019a; *b* Dodman et al. 2019b; Huynh and Nguyen 2020; Simarmata and Surtiari 2020; Tran and Krause 2020; UNRISD 2021a, 2021b.

Figure 2.4 Weather-related disasters and internal displacement in 2020

**Weather-related disasters**

<table>
<thead>
<tr>
<th>Developing countries</th>
<th>Developed countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1160 events</td>
<td>435 events</td>
</tr>
</tbody>
</table>

**Internal displacement from weather-related disasters**

<table>
<thead>
<tr>
<th>Developing countries</th>
<th>Developed countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 million displaced people</td>
<td>2 million displaced people</td>
</tr>
</tbody>
</table>

Source: IDMC 2020.
3.1 International governance and the climate crisis: Implications for development and equality

As a truly global problem, there is widespread consensus on the need for a global solution to the climate crisis. This consensus is reflected in the international governance framework that has been evolving since the 1992 Rio Conference, ushering in the SDGs and the Paris Agreement. At the same time, however, the power imbalances that underlie the inequalities discussed above are built into the international climate policy framework and make ambitious and equitable climate action much more difficult.

While it is generally accepted that early industrializers and countries of the global North bear the main historic responsibility for the climate crisis, the question of how far these countries must go to account for their heavy contributions to climate change, through what mechanisms and how they should be held accountable remains a contentious issue in the climate negotiations. This is illustrated by richer nations pushing through market-based mechanisms and international carbon offsetting schemes rather than truly committing to domestic emissions reductions. At the same time, they are promoting narratives of shared responsibility to take climate action that try to shift the burden for mitigation onto developing countries and challenge long-standing principles of equity and common but differentiated responsibilities. While some progress was made at COP26 in Glasgow, civil society observers and climate justice activists (CAN 2021) have dubbed the outcome a “betrayal to the millions of people suffering from the climate crisis in developing countries” as rich countries not only fell short of their promise to deliver USD 100 billion in climate finance per year by 2020 but also refused to make adaptation financing more predictable and blocked any advances on the issue of loss and damage finance that would have supported developing countries in dealing with the unavoidable and already occurring impacts of climate change.

The question of responsibility is much more complicated than it might seem, however. Annual total emissions of emerging economies, most notably China, have overtaken those of developed nations and continue to rise sharply in both absolute and per capita terms. Those emissions in emerging economies are partly due to rising consumption-based domestic emissions and partly due to the developed world outsourcing manufacturing and industry to the developing world to produce products for export to and consumption in the developed world. This means that the rich countries are in effect offloading the developed world’s responsibility for the emissions associated with the production of these developing country exports onto the developing countries, a process termed “environmental load displacement”. Indeed, in the global North, consumption emissions, those related to domestic consumption, are higher than territorial emissions, those produced within the country, while in the rest of the world the reverse is true. While emerging economies could potentially leapfrog directly into more sustainable development pathways instead of repeating the mistakes of industrialized countries in the global North, this would require an enabling context and massive transfers of technology and finance from the global North. Persistent poverty and deprivation in low- and middle-income countries in a context of lower per capita emissions and historic responsibility for climate change reinvigorate debates on the right to development and calls primarily for rapid and deep decarbonization in the global North, which taken together adds another layer of complexity to the persistent North–South divide in international climate politics. Ultimately, whether and how these responsibilities are met will have long-term impacts on development and equality, as the ability of developing countries to reduce emissions while also meeting development imperatives depends largely on the support of developed countries, both financial and technological (see Spotlight by Vicente Paolo Yu and chapter 5).
International climate governance is also marked by a difference in priorities highlighted by rich countries and developing countries. These priorities reflect their different perspectives on the links between climate change impacts, responsibilities for climate change action, and whether and how tackling existing structural inequalities should be an integral part of climate policy. Developed countries have tended to focus their efforts on shaping the international climate change governance regime through pushing for more common and undifferentiated approaches to emission reductions, such as treating both developed and emerging economies in the same way (with some flexibility for least developed countries (LDCs) and small island developing states (SIDS)); reducing or limiting their climate finance, technology transfer and adaptation support commitments; and creating conditions through which broader economic interests such as technological dominance, market access and mitigation effort flexibility through market-based mechanisms and carbon offsets could be furthered. Developing countries’ views have varied perspectives, with some (particularly SIDS and LDCs) experiencing climate change as an existential threat and hence demanding more ambitious mitigation actions by all. Emerging economies and other developing countries tend to view the problem in terms of the systemic and structural relationship between climate change and their core economic development and poverty eradication objectives, such that adaptation, climate finance (and other support, loss and damage issues) and economic diversification become their priorities.

These differences in perspective have been reflected and played out time and time again in the international climate governance regime since at least the mid-2000s, as developed countries started seeing emerging economies as major global economic competitors, notwithstanding the continuing significant levels of poverty, inequality and social development needs in many of them. China has expanded its role in global climate governance, moving from being seen as a climate laggard due to its initial reluctance to commit to legally binding emissions commitments—instead focusing primarily on voluntary domestic actions to reduce emissions and save energy—toward becoming a more active player since the Paris Climate Agreement was reached in 2015. This new approach, part of China’s evolving soft power and international identity, focuses on elevating the importance of adaptation in multilateral climate negotiations and advancing a technocentric approach to climate mitigation, while simultaneously building alliances across the global South in support of its strategy. While the role of China will be crucial in transitioning to a low-carbon global economy, its international influence is also reinforcing incremental, technocratic and growth-oriented solutions in global climate governance.

While emerging economies could potentially leapfrog directly into more sustainable development pathways instead of repeating the mistakes of industrialized countries in the global North, this would require an enabling context and massive transfers of technology and finance from the global North.
The non-differentiated and technology-oriented mitigation approach of developed countries will likely lead to greater levels of inequality between developed and developing countries and their vulnerable populations. The development and control of near- and medium-term markets for “clean” technologies and renewable energy and adaptation-related goods and services could further enhance the dominance of developed countries in the global economic system. For example, Organisation for Economic Co-operation and Development (OECD) countries accounted for 85 percent of all patents issued globally between 2000 to 2011 for environmental management, water quality and climate mitigation inventions, and around 86 percent of patent applications in environment-related technologies filed between 2012 to 2017. This is reflected in the fact that global trade in the environmental goods that were derived from these patented technologies occurred predominantly between developed countries, with European countries, the United States and Japan being among the main exporters of environmental goods globally. This disparity in both patent control and trade dominance over what are likely to be key technological products for climate change action globally could increase North–South divides. Combined with ongoing and emerging trends in automatization and artificial intelligence (AI), the tech-heavy, Northern-dominated approach to climate action may lead to employment losses and a reshaping of capital-labour relations that might cost developing countries their trade competitiveness that is built on low-cost labour. The structural and systemic impacts of an international climate governance regime that is not able to deal with the equity aspects of relations between developed and developing countries in terms of climate change action will likely exacerbate inequality between and within countries, the latter particularly for developing countries. This could lead to increased adverse social development implications, including higher pressure for population displacement and migration (with their associated human rights violations); rising domestic income, class or ethnic-based inequalities resulting in increased social and political instability; and other adverse effects.

4. The Crisis of Care: Capitalism’s “Social Contradiction”

Care is a society-wide service, performed by a variety of actors, that is essential for the maintenance of our social, economic, political and cultural institutions, and for our continued existence. However, the capacities of societies to engage in such forms of social reproduction under our current system are under severe pressure. Though a fundamental feature of how families, societies and economies are organized, care is largely neglected in social and economic policy, and therefore carries many injustices and inequalities. While these are longstanding structural issues, the Covid-19 pandemic brought this reality to the forefront, as the centrality of care and the overwhelmed systems that provide it became increasingly evident. This imbalance between the need for care and the failure of systems to provide it in fair and ethical ways is what defines the care crisis. According to Emma Dowling (2021b),

“...despite the immense importance of care for our lives, caring carries little value in contemporary society. Overall, we can see how the responsibility for caring is systematically handed down a societal care chain of underpaid and unpaid caring labour based on a core structural feature of capitalist economies: the systemic imperative to expand markets in the pursuit of profitability, which goes hand in hand with a devaluation of the work of care, either by making this work invisible or by offloading its cost.”

A key factor in determining whether care is provided both adequately and justly is the way in which societies allocate the provision of care among actors, including the state, the market, communities and households. This “care diamond,” the architecture through which care is provided, illustrates the diversity of sites in which welfare is produced and decisions are taken by society to privilege some forms of provision over others. The dynamics of this privileging are embedded in processes of capitalist devalorization of social reproduction, constituting what Nancy Fraser calls a “social contradiction” of capitalist society. In order to function, capitalism relies on the social provisioning of care, which it
simultaneously sees as separate from economic production (and therefore without value). As Fraser (2016) argues, capitalism’s “drive to unlimited accumulation threatens to destabilize the very reproductive processes and capacities that capital—and the rest of us—need”. Institutional provision of care is largely insufficient in most of the world: the care sector has been historically chronically underfunded, and recent trends towards austerity have decreased state provision even further.

The heavy emphasis on the social provision of care, in particular households, in addition to increasing gender inequality, leaves a large deficit in care, one exacerbated by the fact that the number of persons in the world in need of care is growing. In 2015, 2.1 billion people in the world were in need of care, and that number is expected to reach 2.3 billion by 2030. This is a result of increasing life expectancies creating greater care needs in older populations, as well as changing populational health profiles leading to higher care demand. And while the number of people in need of care is increasing, shifting social arrangements, such as changing gender roles and family structures, render the social provision of care more tenuous. Advances in women’s rights have resulted in the participation of more and more women in the labour market. This has increased demand for care as women navigate employment and care responsibilities, and has also increased the double burden on women to combine productive and reproductive work (see box 3.2). Further, although extended households still constitute almost one third of all households (27 percent) and are particularly prevalent in developing country contexts, migration, urbanization and shifts in family structures mean that the traditional role of extended family members in caretaking has been reduced (thereby also changing intergenerational contracts).

4.1 Inequalities in care systems

The world of care is characterized by increasing inequalities that affect both caregivers and care receivers. This section illustrates the multiple and intersecting inequalities based on gender, race and class that shape and have always shaped access to and provision of care.

4.1.1 Intersecting inequalities in the social provision of care

The majority of care work is unpaid with on average three quarters of it undertaken by women. Time-use data indicate that women work longer hours than men (the total work of urban women exceeds that of their male counterparts by as much as 8.7 hours per week; figure 2.5). As a consequence, they are more likely to suffer from time poverty and have poorer mental health compared to men. The monetary value of unpaid care work globally for women aged 15 and over is at least 10.8 trillion. Provision of unpaid care affects women’s economic empowerment, with an economic opportunity cost of what women might otherwise be contributing to household incomes and to macroeconomic growth.

A recent UNRISD study explores the impact of expansion of childcare services on women’s economic opportunities in Mexico and finds potential positive impacts on employment and poverty (see box 2.3). The gender gap in the distribution of unpaid care and domestic work is a key determinant of slow progress in achieving gender equality at work, from unequal pay to diminishing representation up through the occupational hierarchy. Women face a double burden, “caregiving roles and cultural norms or bias that impede women’s transition not only from unpaid to paid work but also from lower-quality to higher-quality jobs”. Indeed, data shows marked declines in women’s income after having their first child. Time poverty also has a significant role to play in other aspects of female empowerment, as women engaging care responsibilities have considerably less time to engage in politics, whether running for office or engaging in other ways. Moreover, beyond women, time poverty also has an important impact on low-income men and households, bringing into the equation the conflation of gender, class and often race inequalities.
Sources (figure 2.5): Calculations in ILO 2018a based on a draft version of Charmes 2019. Note: Age group 15 and older.

Box 2.3 Assessing the impact of childcare expansion in Mexico: Time use, employment and poverty

An UNRISD study on childcare expansion in Mexico explores the multiple gendered economic outcomes of a potential care service expansion in terms of both employment creation and earnings generation as well as the changes in the unpaid and paid workload of women versus men and the associated risk of time poverty.

Several conclusions can be drawn from the report. First, the data confirm that income and time poverty in Mexico is high, and this situation is aggravated for women with care responsibilities for children. Second, simulation results show that the job creation achieved through an expansion of childcare services reduces gender gaps in employment while helping to alleviate poverty in terms of time and income. Finally, despite the fact that the results of the simulation are positive, a more in-depth reading reveals some limitations. Greater investment into childcare services in Mexico would have less impact on the time spent on other, non-childcare related household production work for women. It would, however, increase the flexibility women have to engage in both unpaid and paid activities during the times of the day that childcare is being provided. As a consequence, this policy intervention could increase time poverty if the current share of work and workload in the household remains the same.

The results also show that caution should be exercised when evaluating the benefits of expanding childcare services for women’s empowerment. For all potential welfare-enhancing impacts to be achieved once the expansion of care provision is implemented, additional measures have to be considered in order to reduce the gender disparity in household production.

Source: Masterson et al. 2022.
In addition to gender, inequalities stemming from income level also have the potential to amplify the care burden one faces. For example, the amount of much time and resources that need to be dedicated to care and domestic work is highly influenced by the availability of social services and social infrastructure such as energy, water and transportation, as well as the quality and accessibility of education and health services. For instance, proximity or lack thereof to basic services and infrastructure has profound implications for women’s time and their ability to convert that into resources. Further, marginalization and poverty also have an impact on one’s ability to seek childcare support, which leads to intersecting inequalities along gendered lines.

It is often too costly for low-income households to afford market-based care services, so women shoulder the burden of unpaid care within households or communities. In the United States, Black women are more likely than white women to be heads of households and therefore have fewer resources to support more dependents, skewing the distribution of the care burden even further towards Black women. In many contexts, LGBTIQ+ persons’ access to care services is inhibited, especially for trans women, as is their reliance on families and communities of origin to carry care responsibilities for them. For example, research conducted by the Center for Economic and Policy Research found that, in the United States, LGBT caregivers are more likely to face childcare challenges and lose earnings in the face of these challenges than their non-LGBT counterparts.

### 4.1.2 Inequalities in care systems: Markets and states

Beyond the social provision of care, the paid care sector, whether provided by the market or the state, is also rife with inequality. It is characterized by an erosion of working conditions, understaffing and low pay, as well as cuts in social budgets as a result of austerity policies implemented during crises or political shifts. Care jobs are often informal, providing little security or benefits to workers in favour of informal understandings, in a relationship that often blurs the line between professional and familial. Women make up two-thirds of the paid care workforce, being disproportionately employed in highly precarious sectors of the informal economy. For example, women constitute over 70 percent of the domestic work force. It is important to add that women employed in care work also often need to provide care for their own families as well, which further compounds vulnerability, gender inequality and intergenerational poverty.

However, care work is unequally distributed within and across countries, with the most vulnerable women shouldering the major share of social reproduction. Domestic work is characterized by the intersections of various axes of inequality related to gender, citizenship, race and ethnicity, and type of employment, and the combination of low socioeconomic status and lack of political power often leads to further marginalization and deeper vulnerabilities.

For example, global care chains, an internationalization of care and domestic work, rely heavily on female migrant workers. For migrant domestic workers, the precarity of this already insecure form of employment is compounded, leading to further disempowerment. Migrant workers often lack legal documentation, restricting paths to claim their rights as workers or social security, and leaving them open to exploitation. Further, domestic workers are dispersed in private households, working under heterogeneous conditions, which makes organizing extremely difficult. The isolation is even more profound for migrant domestic workers, as they often do not speak the language or have knowledge of the local community, and sometimes live in their employers’ homes, which can make them even more vulnerable to exploitation and violence. These intersecting inequalities affecting female migrant domestic workers as well as their vulnerability in times of crisis have been demonstrated during the most recent Covid-19 pandemic, as the following section shows.

### 4.1.3 When crisis meets crisis: Care and Covid-19

The care crisis is a long-term systemic crisis that is driven by demographic change and other global trends (chapter 1) and has become more severe in the aftermath of the global financial crisis in 2008 and in the context of the current Covid-19 pandemic. The Covid-19 pandemic has demonstrated the essential value of care work, both paid and unpaid, as well as intersectional inequalities associated with the sector (care work provided mainly by women and girls, paid care work characterized by intersecting inequalities such as poverty, race/ethnicity, informal...
worker and migrant status), in terms of heightened risk, greater economic losses, and increased burden of care (see Spotlight by Naila Kabeer). Seventy-two percent of domestic workers have faced job loss or shortened hours as a result of the crisis. Further, women’s concentration in care-oriented sectors such as health care and retirement homes has meant heightened exposure to the disease itself. added to that, the lack of social investment in care is felt acutely in times of crisis. For example, government responses to increasing care demands during the pandemic have fallen far short: only 7 percent over 3,000 social protection and labour market Covid-19 response measures adopted across 226 countries and territories have targeted unpaid care needs. Covid-19 has revealed the extent of the care crisis and its negative impacts on the global economy, in particular around issues such as the burden on social security, labour shortages in essential care services, and economic slowdown due to the negative impact of insufficient or low-quality care on women’s labour participation and overall productivity. In a context of multiple overlapping crises, as analysed in this chapter, the links between market-based care regimes and economic inequalities are reinforced. As summarized by Valeria Esquivel (2011:18),

“In highly unequal contexts, such as the Latin American region, the expanded role of the market in the provision of care (which therefore has to be paid for) deepens income inequality and exacerbates the difficulties that women from poor households face in providing care, accessing the labour market, and generating an income. In contrast, with greater public (free) care provision and high coverage levels, access to care services has an equalizing potential not only in terms of those who receive care (if the quality of the care provided is guaranteed) but also in terms of options for those providing care, when compared to situations where these services do not exist or have limited coverage”.

Despite this compelling evidence base, it is still unclear whether the Covid-19 crisis will lead to fundamental changes in the social economy of care, as advocated by several UN agencies and ILO and a range of social actors, proposals that will be discussed in greater detail in chapter 5.

5. Political Crisis: Protest, Mistrust and Threats to Democracy

Over the last 75 years, since the end of the Second World War, the world has made progress in advancing peace and stability, multilateral governance, and respect for political and civil rights (chapter 1). The ideal of liberal democracy has advanced, triggered by major processes such as globalization, decolonization and the demise of socialist regimes after the fall of the Berlin Wall in the late 1980s and 1990s (see figure 2.6). However, proxy wars during the cold war period as well as regional conflicts and civil wars were numerous in the second half of the twentieth century and in the context of the US war on terror after the 2001 attacks on the World Trade Center, and they continue up to the present. Political crises of various kinds are making headlines every day, from presidents being ousted by or with the support of the military, to elected political leaders caught in corruption scandals or gradually undermining democratic institutions, to new military conflicts such as the Russia–Ukraine war.

Armed conflicts and associated humanitarian crises are affecting development and human rights in several countries and regions. Terrorist groups and criminal cartels are perpetrating deadly violence and challenging state sovereignty, seizing control of parts of national territories and economies in various countries. Human rights violations and persecution as well as assassination of political and environmental activists are widespread and not limited to dictatorships. Civic space is severely limited in 87 percent of countries, and democratic erosion and backsliding are widespread: since 2016, the number of countries moving toward authoritarianism has been around three times as high as the number moving toward democracy (figure 2.6), while only 9 percent of the world’s population live in high-performing democracies. Regions such as Central Eastern Europe and Central Asia are increasingly turning non-democratic or strengthening their autocratic features, a development that is also visible in Africa, where several countries are experiencing democratic backlash or transitions to autocratic rule.
Political crises are usually defined as processes or events that lead to a breakdown of the existing political order or signal the non-functioning of the governance system, for example, constitutional crises, military coups, mass uprisings or civil wars. Major international political crises are, for example, geopolitical conflicts, trade wars or interstate military conflicts. Political crises as we understand them in this report have a bearing on the political order and challenge existing social contracts, though they might not lead to a complete breakdown or radical change of the political order (see chapter 4). This section will focus on political crisis manifested in democratic decline; backlash against human rights, democratic principles and multilateral governance; as well as decreasing social trust and state legitimacy; as these are closely related to inequalities, social cohesion and challenges toward the social contract.

Indicators of political crisis in this context are an increasing number of protests, decreasing levels of trust, democratic backsliding, the recent surge of populism (often weaponized by reactionary partisans) as well as political and social polarization and radicalization.

5.1 An age of mass protest

While certainly not a new phenomenon, protests have reached some new dimensions in the recent age of globalization. People are increasingly taking to the streets in unprecedented numbers to express mounting political and economic grievances and discontent with political leaders (figure 2.7). According to a 2020 report by the Risk and Foresight group of the Center for Strategic and International Studies (CSIS), rising mass protests are a global phenomenon and are likely to increase further in the future. Triggered by economic distress, poor governance, inequality, corruption, insufficient public services and lack of political rights or political repression, mass protests increased annually by an average of 11.5 percent from 2009 to 2019 across all regions of the world, with the largest concentration of activity in the Middle East and North Africa and the fastest rate of growth in sub-Saharan Africa. Not all protests are related to political crises threatening the existing political order: while some protests have resulted in regime change, others have led to political accommodation or reforms or, in the worst case, protracted political violence, including violent crackdowns on protesters by security forces.
Figure 2.7 Quarterly civilian anti-government protests by region, 2009–2019

**NOTE ON PROCESS**

CSIS’s Risk and Foresight Group analyzed data from the Global Database of Events, Language, and Tone (GDELT). The actual global numbers are likely higher than the estimates that CSIS developed for the following reasons:

- Due to machine coding accuracy concerns, strict event selection coding focuses specifically on anti-government protests and excludes riots, discontent against non-government entities, or certain issue-specific protests that target non-state entities.
- Machine coding errors necessitated heavy data cleaning, likely eliminating real protests from the dataset.
- Countries with strict press controls, where there is no robust local press or where protests are highly frequent events, are likely underrepresented given that the data relied on news reporting.
- Data for the last two months of 2019 were conservative projections.


These data track the number of annual protests rather than the number of people participating in each protest. They are useful for assessing the frequency of protest but not the size of protest movements.


Recent protests intensified in the aftermath of the economic and financial crisis of 2008 when fiscal stimuli ended and austerity gained ground, reaching a peak in 2012–2013 and rising again after 2016, increasingly displaying broad discontent on multiple issues (omnibus protests). In the sample analysed by Ortiz et al. (2022:32), more than 12 percent of the world’s protests (347 protests) denounced inequalities in income, wealth and influence on policy making, questioning democratic systems that were allowing rent-seeking by elites and corporations. Protests related to environmental and climate justice, based on the historical responsibilities for climate change and calling for urgent action to redress climate change and protect the environment, amounted to 13 percent of all protests (359). Protests and peaceful demonstrations are a democratic right and part of the political process, signaling a government’s citizens’ concerns and preferences beyond the ballot box. A responsive political system takes these claims into account, avoiding an escalation of protests that could lead to a threat to the political order: indeed, 42 percent of global protests resulted in some kind of demonstrable achievement, for example, constitutional reforms, withdrawal of unpopular policy proposals, resignation of politicians, granting of new rights or social benefits (see box 2.4). It is also important to note that protests and social mobilization are not necessarily an indicator of the relevance or priority of a policy issue, as some policy issues are deemed less attractive or suitable for claims making or social mobilization compared to others.

Protests have also influenced global debates beyond local contexts, for example, in the case of the Occupy Wall Street (2011) movement denouncing inequality and the privileges of the financial sector; the UK Uncut (2011) movement, which also emerged during the 2008 financial crisis, denouncing austerity cuts and unfair tax practices of multinational corporations, ushering in the global tax justice agenda; and the #MeToo and #NiUnaMenos movements protesting against sexual abuse and gender-based violence/feminicide, which have strengthened the agenda on gender justice in different countries around the world and motivated women’s groups to claim their rights. Fridays for Future, Black Lives Matter and Extinction Rebellion have also reached high global visibility while forging transnational alliances.

Box 2.4 Renegotiating social contracts in the aftermath of the Estallido Social (social outburst) in Chile

Protests in Santiago, Chile in October 2019 were triggered by a hike in metro fares but quickly turned into a rally against inequality and high costs of privatized education, health and social security systems. They united around 1.2 million people, including many middle-class citizens, in what was the largest protest march since the country’s return to democracy in 1989. Increasing living costs and constraints on social mobility were associated with the neoliberal economic regime that was imposed in the early 1980s under the Pinochet dictatorship and which produced disproportionate benefits for wealthy economic and political elites, with few fundamental modifications since the democratic transition. While the country had seen mass protests before, in particular those led by the student movement demanding free education services in 2012 and a march of one million in 2016 calling for a reform of the country’s privatized pension system, the 2019/2020 protests reached a new scale, prompting the government to declare a state of emergency in the capital city and resulting in violent clashes with security forces. The protests in Chile not only gained broad media attention across the world but also achieved concrete government responses addressing their claims, the most important one being direct election of a constitutional convention tasked with drafting a new Magna Carta, replacing the much-criticized constitution dating from the Pinochet era. However, Chilean citizens who were asked to vote on the draft text–which proposed various radical changes such as more rights for Indigenous Peoples, women and nature–in September 2022 rejected the proposal with a large majority. Clearly, the road to building a new eco-social contract is not without obstacles.

* Pribble 2017; ** DW 2019.
5.2 What drives protest?

While peaceful protests and demonstrations are an expression of fundamental civil rights and part of a functioning democracy, several analysts see certain features of recent protests as symptoms of a deeper malaise or structural crisis affecting both consolidated democracies in the West as well as younger democracies in different parts of the world. Much of the growing discontent and disenchantment in democratic capitalist regimes has been related to the multiple crises analysed in this chapter, from economic downturns to environmental and care crises, coming together in challenges associated with neoliberal globalization and its adverse impacts on equality, social mobility and economic security. The 2008 financial crisis and subsequent Great Recession have been particularly damaging for the democratic image, as austerity erodes the social legitimacy of the market economy as it seems to respond to the interests of a small, powerful minority instead of safeguarding popular sovereignty. As section 2.3 has shown, the economic fallout from the triple F crisis—fuel and food price hikes in 2007–2008 and the financial breakdown in 2008–2009—was compounded by austerity measures governments took in the years afterward which created more economic grievances. People took to the streets to protest against a political system that ignored their economic grievances. People took to the streets to protest against a political system that ignored their demands for social protection and safe jobs.

According to Mounk (2018), many liberal democracies have become more undemocratic, a tendency he observed already before the restriction of rights under pandemic rules. While protecting individual rights, liberal democracies are less and less living up to the ideal of letting the people rule. This is not only because most democratic countries restrict the opportunities for direct democracy such as referendums, but more importantly, because significant parts of the political elites have increasingly insulated themselves from popular views, pursuing their own interests to the detriment of low-income groups or the public good (see chapter 3). Against this backdrop, mass protests are a clear sign that political parties and ruling elites are failing to channel conflict or respond to citizens’ demands.

The reasons are manifold: while traditional economic elites continue to dominate political institutions in many countries of the global South, legislators and political leaders in consolidated Western democracies have fewer and fewer ties to local communities and are less and less similar to those they profess to represent, and they lack a deep commitment to a structuring ideology. As a result, voters increasingly fail to recognize themselves in the political realm, nor do they see their preferences reflected in political decision making, a perception that has been confirmed by research evidence for countries in the global North and the global South (see chapter 3). Arguably these broad claims are not applicable to all countries in the same way and the state of democracy is likely to differ from country to country while also changing over time. However, citizens’ views on the performance and quality of political leaders and institutions as well as empirical evidence on elite capture and bias in policy processes need to be taken seriously, either because they indicate real challenges that need to be addressed or because they lead to alienation or radicalization of citizens, which can result in political extremism.

In Latin America, the region with the highest share of democratic countries in the developing world, people nonetheless perceive their societies as highly unequal and unfair. In 2020, 77 percent believed that their countries were governed in the interests of powerful groups and not for the benefit of all, a figure that reached 91 percent in Costa Rica and Chile and 95 percent in Paraguay (see figure 2.8). This perceived and real concentration of power and bias of representation is not only undermining democracy and the legitimacy of politics but also affecting innovation and growth (chapter 3).

5.3 A crisis of trust

While modern liberal societies are built on a complex web of trust relations, underpinned by knowledge systems, institutions and codes of conduct, preoccupations about decreasing trust and associated social and economic costs emerged in the 1990s and 2000s. Interestingly, trust has recently been identified as a positive determinant of resilience during the Covid-19 pandemic, reflecting a stronger social contract. Trust, defined as “a person’s belief that another person or institution will act consistently with their expectations of positive behaviour,” is considered a key ingredient for prosperous societies, social capital, well-being and efficient economies. While trust, measured mainly through opinion surveys, tends to be higher in high-income countries compared with
lower-income countries, there has been a clear decline in institutional trust in developed countries over the last decades. In the United States, trust in the national government has declined by two-thirds, from 73 percent in 1958 to 24 percent in 2021. Western Europe has also seen a steady decline in public trust since the 1970s. Trust in government and parliament has also declined in Africa and Latin America in the second decade of the 2000s.

The reasons for declining trust are mainly attributed to economic insecurity and poor or corrupt governance, but also to rising inequality. Additionally, in a context of new technologies greatly facilitating the dissemination of fake news, post-truth information and alternative realities, as well as the increase in whistleblowing, fraud and other leaks, the leap of faith implied in trust is becoming more challenging. Distrust, meanwhile, is easily fueled by ever increasing evidence revealing corruption scandals and misconduct by political and economic elites. At the same time, trust in information sources themselves is at record lows, and a majority of people (61 percent) in a sample of 27 countries surveyed by the Edelman Trust Barometer believe that the media are not doing well in being objective and non-partisan, reaching levels as high as 80 percent in Japan, a result that is likely to be influenced by the increasing elite capture of media (see Spotlight by Anya Schiffrin).

Finally, epidemics seem to have a negative impact on trust among younger people, in particular if the government response is considered insufficient or ineffective.

As a result, a growing number of citizens perceive key public figures or the entire system as untrustworthy and dishonest, a development that is easily exploited by populist parties and leaders, as explored in section 5.5.
5.4 Disempowering the state

The dominance of large companies, both national and multinational (figure 2.9), a result of monopoly power, market concentration, technological change and power asymmetries along GVCs (see chapters 1 and 3), to name a few drivers, contrasts with low state capacity and disempowered democracies. The global firm has been identified as the key institution of the post-democratic world, detached from loyalty to any particular human community while oftentimes exerting more influence on national policy making (using their structural and instrumental power; see chapter 3) than ordinary citizens. Profiting from the rules and incentives provided by financialized hyperglobalization and shareholder capitalism, big companies are increasingly controlling their environment and shaping regulations. This influence at times reaches levels of corporate capture, defined as undue influence on decision makers and public institutions to the detriment of human rights and the public good. In contrast, smaller firms are operating in highly competitive contexts with low to zero markups and little policy influence (chapter 3). Another feature of contemporary democracies is the fact that national political actors including parliaments, governments and tribunals are losing power and policy space vis-à-vis global markets and technocratic institutions such as bureaucracies, independent monetary or financial agencies such as central banks or autonomous revenue agencies, and international actors such as international aid agencies, a tendency that flourished during the early heydays of market liberalism and has been accompanied by a new policy paradigm of technocratic policy making and public sector management. In the global South, this has resulted in the phenomenon of “choiceless democracies”, governments that are disempowered through a mix of donor policy conditionality and market pressures, with adverse consequences for state legitimacy and democratic deepening. Indeed, the predominance of economic policies that hamper democracies from addressing issues of equity and poverty constitute a key structural constraint in consolidating democratic regimes in developing countries.

However, economic pressures that have surged in the period of neoliberal globalization are not only constraining democracies and sparking contestation in the global South. Increasing social mobilization against globalization and the power of creditors during the Great Recession post-2008 in the European periphery, affecting Greece, Ireland, Italy, Portugal and Spain, is a compelling example. According to Rodrik (2011), financialized globalization does indeed represent a key paradox for democratic decision making and the social contract in industrialized countries, as it constraints policy space that is vital to ensure legitimacy in democracies.

5.5 Illiberal democracies and the rise of populism

While new information and communication technologies and modalities such as the Internet and social media, instruments that are regularly used as political weapons and divisive forces by political extremists, are contributing to the growing polarization and radicalization of citizens, they are not deemed root causes of political crisis but instruments that can have both positive and negative impacts on participation, democratization or political polarization. Nevertheless, business models employed by many of the developers of

Figure 2.9 Revenues of top 50 firms (as percent of GDP) in Latin America, selected countries, 2019

these technologies such as algorithms that target
and influence users in consumption behaviours
and opinion formation should be scrutinized and
governments must adopt rights-based and user-
centred Internet policies to ensure consumer
protection and uphold communication and
information ethics.¹⁷²

What is even more worrying is the reality of formally
democratic regimes being hollowed out by elected
leaders who undermine core liberal institutions
of checks and balances, separation of power, rule
of law and protection of individual rights, and
independent media, resulting in regimes that have
been termed “illiberal democracies”.¹⁷³ According
to Mounk (2018), the unique mix of individual
rights and popular rule that has characterized liberal
democracy in North America and Western Europe is
coming apart. What emerges is democracy without
rights or rights without democracy. In the first case,
this process is accompanied by a fragmentation
of the traditional party system with the ascent of
radical parties at the political margins, in particular
far-right, self-proclaimed anti-establishment parties.

The recent crisis of democracy, involving democratic
erosion and backsliding,¹⁷⁴ is associated with a
proliferation of populist regimes, parties, leaders,
movements and media outlets. It is one of the
political crisis symptoms indicating a broken
social contract, affecting both consolidated rich
democracies and younger or hybrid democracies.
Populists question both the impartiality and the
objectivity of political or bureaucratic actors, as well
as the separation of powers. Again, as in the case of
increasing protest and declining trust, inequalities,
economic grievances and insecurity in the age of
austerity and neoliberal globalization are cited as
drivers of alienation, disillusionment and the rise
of the extreme Right.¹⁷⁵ But in addition to these
long-term structural drivers mingling unfavourably
with psycho-emotional and cultural factors that
are displayed by some of the groups spearheading
“angry citizen” (Wutbürger) or otherwise xenophobic,
misogynistic and ethno-nationalist movements,¹⁷⁶
it is the increasing revelation of public lies,
corruption scandals, violation of rules and personal
enrichment in public office that are eroding trust
and credibility.¹⁷⁷

While definitions of populism remain varied
and contested, it can be defined as a set of ideas
that divides society into “the pure people” versus
“the corrupt elite” while claiming that politics
should respect popular sovereignty at any cost.¹⁷⁸
Programmatically undefined, populism can be
combined with a range of “host ideologies” such
as nationalism, neoliberalism or socialism.¹⁷⁹
Based on minimal understandings of democracy,
popular sovereignty and majority rule, populists
tend to undermine liberal democratic principles
such as minority rights, rule of law and separation
of powers, turning populist regimes into illiberal
democracies.¹⁸⁰

Populism has further been linked with increasing
political polarization. Populists have benefited from
the convergence between centre-right and centre-
left parties in their support of neoliberal policies,
globalization or regional integration, and cultural
diversity.¹⁸¹ Finally, populism goes beyond the
rise of populist parties or governments, impacting
mainstream political parties, politicians and the
public.

6. The Covid-19 Pandemic: Revealer and Amplifier

The Covid-19 pandemic has come to shape every
aspect of our world and daily lives since the virus
was first detected in late 2019. The pandemic shock
that by April 2022 had resulted in over 500 million
confirmed cases and more than 6.2 million officially
reported deaths—¹⁸²—with non-official death estimates
more than twice as high, ranging from 14.6 million
to 24.8 million deaths—¹⁸³—is revealing of how the
different crises we have analysed in this chapter
interact with health crises such as Covid-19 while
also making their impacts much worse. And while
Covid-19 has revealed the unequal structures in our
societies, it has also acted as an amplifier of existing
inequalities and pushed the less powerful and more
vulnerable further behind.

The pandemic spread quickly across the globe,
putting health systems, state capacity and people’s
resilience under severe strain. Most governments
took immediate action to contain the spread of the
virus, to save lives and to prevent a breakdown of
national health systems. At the same time, economic
and social support measures were rolled out to
cushion the worst impacts of lockdown measures,
travel restrictions and disruptions of GVCs on economies and livelihoods. Nevertheless, the economic crisis triggered by COVID-19 has plunged the global economy into recession and pushed millions of people into poverty (see chapters 1 and 3).

The social and economic impacts of the health crisis acted through various channels: directly through impacts on health systems, and indirectly through supply and demand effects in response to containment measures such as lockdowns, transport restrictions, temporary closures of businesses and so forth. While effects on health systems appeared mainly in the form of a lack of capacity to absorb the increase in patients and to offer appropriate care and treatment, in particular for patients requiring intensive care, it resulted also in an overburdening of frontline health personnel and unequal access to health facilities for persons without health insurance, those of low income, or those living in remote and underserviced areas. Indirect impacts on the economy led to disruptions of production, lower private investment, bankruptcies, deterioration in productive capacity and human capital, higher unemployment, underemployment, reductions in salaries and incomes, and skyrocketing debt.

Both direct health impacts and socioeconomic effects of government measures have revealed and amplified existing inequalities between rich and poor people and between social groups. This is in line with experiences from previous epidemics/pandemics: for example, the 2021 Flagship report from Pathfinders for Peaceful, Just and Inclusive Societies finds that all six major global epidemics/pandemics that have taken place since the beginning of the twenty-first century (SARS in 2003, H1N1 in 2009, MERS in 2012, Ebola in 2014, Zika in 2016 and Covid-19 currently) have led to a spike in income inequality.

Regarding pre-crisis inequalities as a driver of health crises, we can hypothesize that the more unequal a country before the crisis (including inequality with regard to access to social protection and social services), the less resilient and prepared, and the less capable it is to address crisis successfully. According to Winnie Byanyima, pandemics are closely related to intersecting inequalities, which in turn are reproduced by social norms and policies (see Spotlight by Winnie Byanyima).

The inequalities which drive pandemics are perpetuated by social norms and prejudices, by national policies and resource allocation, and by global policies and finance.

– Winnie Byanyima
Executive Director, UNAIDS

Globally, North–South divides can lead to slower public health responses, for example, in terms of rollout of vaccinations (see Spotlights by Jayati Ghosh and Sakiko Fukuda-Parr), and more severe economic impacts in poorer countries. At the national level, economic and social inequalities result in higher destruction of jobs and employment opportunities because jobs are less protected by public policies (see figure 2.10), while educational attainment and health status can be adversely affected due to insufficient health and education services and loss of fiscal revenues. Deficits and debt burdens can become unsustainable due to less favourable pre-crisis conditions and lack of fiscal buffers, all leading to setbacks in social development, for example, for poverty, youth employment or gender equality.

6.1 Covid-19 and social inequalities

For example, Covid-19 has had particularly devastating impacts on vulnerable and marginalized groups, revealing the compounded disadvantages many persons experience (see Spotlight by Naila Kabeer; chapter 3). Women—and, in the United States, especially women of colour—have been more likely to lose their jobs during the Covid-19 crisis, stalling or even abandoning their careers and financial security: Oxfam (2022) finds that women lost USD 800 billion in earnings in 2020, with 13 million fewer women in work now than there were in 2019.
In the United Kingdom, 22 percent of people from ethnically diverse communities lost their jobs, well above the average of 9 percent. The gap between men and women who live in poverty has widened. Projections commissioned by UN Women and the United Nations Development Programme (UNDP) suggest that by 2021, for every 100 men aged 25 to 34 living in extreme poverty (living on USD 1.90 a day or less), there would be 118 women, a gap that is expected to increase to 121 women per 100 men by 2030. Job losses have been more pronounced in lower-middle income countries compared to high-income countries, while employment recovery has been larger in high-income countries compared to middle and low-income countries (figure 2.10).

While Covid-19 has revealed the unequal structures in our societies, it has also acted as an amplifier of existing inequalities and pushed the less powerful and more vulnerable further behind.
Covid-19 has also amplified gender-based violence. In many contexts, virus-related measures, aimed at keeping people protected, have increased women’s and children’s vulnerability to violence in the home, with growing numbers of reports of intensified gender-based violence and sexual exploitation and abuse. Rates of child marriage and teenage pregnancy increased. Increased instances of violence against LGBTIQ+ persons during confinement have also been recorded (see chapter 3).

The pandemic has also intensified challenges migrants and refugees face in accessing social, economic and political rights in host countries: migrant workers, particularly those on strictly temporary contracts and the undocumented, have been disproportionately affected by the virus and the ensuing economic fallout, in particular through an increase in Covid-19-related job losses (for example, for domestic workers), dangerous working conditions for those still in work, an increase in non- or underpayment of wages, the difficulty in organizing repatriations and the impact of Covid-19 on remittances. Women migrants have been especially hard hit due to their high presence in frontline services, domestic and care work, and the lack of access to social protection for female migrants in precarious and irregular working situations. The adverse impacts of the pandemic on migrants shows how existing intersecting inequalities, both drivers and consequences of migration, have been exacerbated during the crisis.

The impacts of the Covid-19 pandemic have not been distributed equally across space. Disadvantaged neighbourhoods have experienced more severe impacts of the disease, whether directly in terms of cases, or indirectly in terms of effects on livelihoods and quality of life. From the United States to Brazil to South Africa, data show that low-income neighbourhoods have suffered consistently higher infection and mortality rates than their affluent counterparts in the same cities. These unequal impacts have been shaped by spatial inequality. Residential segregation is largely correlated to a number of economic and environmental factors that affect the health of residents over the lifespan, including access to health services, cost-prohibitive medical care, exposure to pollutants and toxins, lack of access to green space, prevalence of food deserts and infrastructural deficiencies. Further, housing itself plays a crucial role in vulnerability to Covid-19. Residential segregation is reflected in unequal patterns of home ownership (which has significant implications for housing security in situations of lost income due to Covid-19), as well as steep disparities in access to and quality of housing. This presents challenges related to overcrowding (with many living in multifamily or multigenerational homes), lack of proximity to services such as health care, poor infrastructure around sanitation and hygiene, and, for the houseless, the inability to follow stay-at-home orders or practise social distancing. Ultimately, social distancing has been much less feasible in low-income neighbourhoods. Further, disadvantaged neighbourhoods tend to have much higher concentrations of essential and frontline workers, who overwhelming come from low-income and minority communities, are unable to work from home and often have little access to sick leave.

The spatial impacts of Covid-19 have also manifested in increased horizontal inequalities, as residential segregation largely plays out along racial and ethnic lines. Data show a much higher rate of infection and death among communities of colour, a result of a combination of the factors laid out above as well as long-term exclusions and disparities arising from structural racism.

At the same time, those living in higher-income neighbourhoods have been able to better avoid many of the negative consequences of the pandemic or at least to minimize their risk. In addition to having better access to health services and more housing and income security, higher-income groups are more likely to work in sectors where working from home has been possible. They have largely benefited from home environments more conducive to confinement, including ample room for all family members; uninterrupted services such as running water, electricity and Internet; private outdoor space; access to home delivery networks for food and supplies; and close proximity to parks and green spaces for outdoor social distancing. This has had implications not only for health and comfort, but also for the ability to continue working and learning.

6.2 The economic impact of Covid-19

Economic and social crisis impacts are closely related as economic crises affect employment, household incomes and consumption, as well as access to social services. Government finances and public service delivery are likely to suffer, with knock-on effects on
government credibility and legitimacy. Regarding employment, the impacts of the current pandemic have been worse than those during the financial crisis of 2008–2009. According to the ILO (2021), 114 million jobs were lost and working hour losses in 2020 were approximately four times higher than in 2008–2009, with largest losses occurring in lower-middle income countries (figure 2.10; chapter 3).

Average global growth in the decade following the financial crisis 2009 was already the slowest since 1945, and now it will take years to recover from the Covid-19 shock, in particular given new economic challenges emerging in the wake of the Ukraine–Russia war, such as increasing defence budgets, interruptions of supply chains and price shocks. The economic impact of Covid-19 in terms of income loss and GDP decline has been much worse than that in 2008, in particular in South Asia and Africa (see figure 2.11). The pandemic led to a 3.3 percent decrease in global GDP in 2020, followed by an uneven recovery of 5.8 percent in 2021, with stronger GDP growth for China (8.1 percent) and the United States (5.7 percent) but output remaining below pre-crisis levels for much of Europe and most of the global South. Key reasons for the uneven recovery are economic structures and sector dependencies (slower recovery for tourism and commodity-dependent economies compared with manufacturing-dependent economies), the lack of fiscal space to stimulate demand in developing countries as well as the global disparity in vaccination coverage between countries (see Spotlight by Jayati Ghosh). As of 1 September 2022, 67.7 percent of the world population has received at least one dose of a Covid-19 vaccine; 12.58 billion doses have been administered globally, and 4.74 million are now administered each day. However, only 20.9 percent of people in low-income countries have received at least one dose, compared with 79.4 percent (April 2022) in high-income countries.

Figure 2.11 GDP growth during Global Financial Crisis (2009) and Covid-19 (2020)

<table>
<thead>
<tr>
<th>Region</th>
<th>Covid-19 Growth</th>
<th>Global Financial Crisis Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>-3.3%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>High-income countries</td>
<td>-4.5%</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Low- and middle-income countries</td>
<td>-1.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>South Asia</td>
<td>-5.2%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>-6.5%</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-2.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>-3.4%</td>
<td>2.6%</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>1.3%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>-5.7%</td>
<td>-1.2%</td>
</tr>
</tbody>
</table>

Notes: Latin America and Caribbean, Sub-Saharan Africa, Middle East & North Africa, East Asia & Pacific, and Europe & Central Asia exclude high-income countries.
The pandemic has also had a negative impact on external private financing to developing countries, which is estimated to increase the SDG financing gap by 70 percent or USD 1.7 trillion.\textsuperscript{203}

It therefore comes as no surprise that debt sustainability has also deteriorated: external debt stocks of developing countries reached USD 11.3 trillion in 2020, 4.6 percent above 2019 levels and 2.5 times higher than in 2009; this not only increases the future risk of sovereign debt crisis but has also increased debt service as a percentage of export revenues, which accounts for an average of 15.8 percent for all developing countries in 2020.\textsuperscript{206}

Overall public debt burdens (internal and external) have reached unprecedented levels of 364 percent of government revenues in sub-Saharan Africa and 300 percent in Latin America and the Caribbean.\textsuperscript{207} About 60 percent of LDCs and low-income countries feature a high risk of debt distress, a number that has doubled since 2015.\textsuperscript{208} Given high debt servicing costs and the inability to issue external debt in domestic currency, this will impact policy space and imply balance of payments constraints.

Have government responses to the crisis acted as a leveler on economic and social impacts? How effectively have political strategies been able to cater both for lives and for livelihoods? On a macroeconomic level, fiscal stimulus measures such as temporary wage support, income replacement schemes, unemployment benefits, direct cash transfers to households and expansion of health expenditures were highly unequal between developed and developing countries (as the latter are more vulnerable to public debt increases and balance of payment and currency crises). These measures also differed sharply from announcements, with actual additional government spending and transfers between 6 and 9 percent of GDP lower than the announced stimulus in some of the most advanced countries (Australia, Canada, Germany, Japan and the United Kingdom). Finally, measures were concentrated on net transfers to the private sector with the side effect of increasing savings (for example, savings in the United States increased from USD 1.2 to 2.9 trillion in 2020), fueling financial speculation and inflating equity prices and thus further increasing wealth inequalities (see chapter 3).\textsuperscript{209}

Finally, the Covid-19 pandemic has once more exposed the varied interlinkages between crisis, poverty and inequality, and the environment. Indeed, the outbreak of Covid-19 is directly linked to biodiversity loss, which drives the rise of zoonotic diseases.\textsuperscript{210} Previous crises have shown that potential short-term improvements in equality and environmental impact tend to give way to further deterioration at later stages. This calls for more conscious design of crisis measures regarding their ecological and social dimensions. However, these lessons have not been incorporated sufficiently in the current crisis response, with two-thirds of Covid-19 support measures launched by governments not being designed in an environmentally sensitive way.\textsuperscript{211} While global fossil CO\textsubscript{2} emissions fell by 5.4 percent in 2020 due to Covid-19, they are projected to rapidly rebound in 2021 to near pre-Covid-19 levels.\textsuperscript{212} Recent data on EU countries reveal that in the fourth quarter of 2021, greenhouse gas emissions reached their highest level since the end of 2019, an 8 percent increase compared to quarter 4 in 2020.\textsuperscript{213} Further, as mentioned previously, companies have used the pandemic to lobby for delays and reversals of environmental protection laws.\textsuperscript{214} a pattern that could repeat itself in the context of the current energy crisis triggered by the Ukraine–Russia war.

\begin{quote}
We were never going to be in this pandemic together. The world is too unequal. A more accurate description of its impact is provided by the UN Secretary General: the Covid-19 pandemic acted like an x-ray, “revealing fractures in the fragile skeleton of the societies we have built.”.

–Naila Kabeer
Professor,
London School of Economics
\end{quote}
However, periods of crisis such as the Covid-19 pandemic could usher in more long-term structural changes, with governments empowered with emergency mandates. Lessons from past crises can help in the design of policies for the post-Covid-19 recovery which are both inclusive and green, building greater crisis resilience and supporting the sustainability transition.\textsuperscript{215}

7. Conclusions

Largely as a result of policy choices by governments that have promoted neoliberal hyperglobalization, reinforcing existing historical inequalities related to colonialism and imperialism, inequalities have risen over the last decades, reaching levels that are increasingly deemed problematic. Inequality has been a driver, amplifier and consequence of multiple crises—economic, environmental, social and political—creating a vicious circle of instability, crisis and growing disparities, and rendering our world highly vulnerable to shocks. Such crises have historically led to further entrenchment of elite power, as the wealthy inevitably find ways to reap benefits while largely avoiding the adverse consequences of crisis. Further, crises are associated with deepening social fractures, the rolling back of rights and progressive policies, decreased legitimacy of the state, the breakdown of the social contract and backlash against marginalized groups. The analysis of four different types of crises, their root causes and consequences—covering economic and financial, climate and environmental, care, and political crises over the last decades—shows that crises are firmly built into our current economic model. They are interdependent and driven by existing inequalities, reinforcing vertical and horizontal inequalities as a consequence. Crises require integrated and substantive policy responses and reforms that move beyond short-term crisis management and address their root causes, among which inequalities feature prominently. Understanding how we arrived at past and ongoing crises is essential in order to design alternative policy approaches that are more inclusive, equitable and sustainable and rebalance dominant power structures. While the climate crisis is deemed by many the defining challenge of our century, the Covid-19 crisis is the great revealer of the inherent problems of the globalized economy and the unequal outcomes it has produced. It has led to millions of deaths, a disease burden of physical and mental health, job insecurity, economic hardship and increased levels of domestic violence. In terms of a silver lining, it has led to unprecedented responses regarding fiscal stimulus and public health and a broad debate about building “forward” better, opening a window of opportunity for policy change beyond reinstating flawed models of the past.
### Figure 2.12 Crises and inequality

<table>
<thead>
<tr>
<th>Crises</th>
<th>Description</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic crisis</strong></td>
<td>The economic and financial crisis of 2008–9 led to a 1.8% decrease in global output, 9.9% decrease in global trade, and 9.0% decrease in investment.</td>
<td>114 countries contracted spending by 2.4% of GDP in 2010–11. The Covid-19 crisis led to a 3.4% decrease in global output in 2020.</td>
</tr>
<tr>
<td><strong>Environmental and climate crisis</strong></td>
<td>Human-induced climate change has already led to approximately 1.1°C of global warming. The world’s richest 1% emit more than twice as much CO₂ as the poorest 50% of the population.</td>
<td>There has been a 68% drop in wildlife population since 1970. Over the past 50 years, the occurrence of weather-, climate-, and water-related disasters has increased five-fold. 91% of recorded deaths from weather-, climate-, and water-related disasters have occurred in developing countries.</td>
</tr>
<tr>
<td><strong>The crisis of care</strong></td>
<td>In 2015, 2.1 billion people in the world were in need of care, and that number is expected to reach 2.3 billion by 2030.</td>
<td>Care pay penalty* for female paid care workers amounts to 29% in France compared to 43.7% in Mexico. The effective coverage of persons with severe disabilities receiving benefits in 2015 was just 9% in Asia and the Pacific compared to above 90% in Europe.</td>
</tr>
<tr>
<td><strong>Political crisis</strong></td>
<td>Civic space is severely limited in 87% of countries.</td>
<td>Mass protests increased annually by an average of 11.5% from 2009 to 2019 across all regions of the world. In 2020, 77% of survey respondents in Latin America expressed belief that their countries are governed in the interests of powerful groups and for not the benefit of all. When rich voters (5th income quintile) and poor voters (1st income quintile) disagree on an issue, poor voters are on average 31% less aligned with their representatives than the rich.</td>
</tr>
<tr>
<td><strong>The Covid-19 pandemic</strong></td>
<td>During the pandemic, there were 6.2 million officially reported deaths. Non-official death estimates were more than twice as high as of April 2022.</td>
<td>In 2020, the Covid-19 crisis pushed up to 124 million more people into extreme poverty. The 10 richest men in the world doubled their wealth during the pandemic. Compared with the last quarter of 2019, in the second quarter of 2020 the number of domestic workers in the workforce decreased by 5–20% in most European countries, by about 50% in Latin America and the Caribbean, and by 70% in Peru.</td>
</tr>
</tbody>
</table>

*The care pay penalty is a gap in hourly wages that cannot be attributed to differences in skills, experience or credentials.*
Endnotes

3. UN 2021a.
17. UNRISD 2016.
18. UNRISD 2016.

35. See, for example, Rajan (2010).
36. See, for example, Bordo and Meissner (2012).
38. See, for example, Stockhammer (2015).
42. Arestis et al. 2013:9; Dymski et al. 2013; Heintz and Balakrishnan 2012.
44. Fukuda-Parr et al. 2013.
45. There are different opinions about the necessity for large-scale bailouts in times of banking crisis. Bordo and Eichengreen (1999), for example, mention the huge costs that a breakdown of the financial system would imply for the real economy, with knock-on effects on public revenues and social spending; UN 2009.
46. ILO 2009b.
See Cardenas and Robles-Rivera (2020) for an example of Panama.

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For a discussion on how to rebuild trust (between people and between people and institutions) through a comprehensive strategy involving rational, affective and social dimensions in policy responses as well as proposing a cultural change, see Güemes (2020).


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To fight pandemics, fight inequalities

Winnie Byanyima
Executive Director, UNAIDS; Under-Secretary-General of the United Nations
@Winnie_Byanyima

The strategy agreed by world leaders in 2021 to tackle HIV and AIDS commits us, as the United Nations and as countries, to fighting intersecting inequalities. When asked why, our answer is a simple one: it’s the only realistic approach to beating pandemics.

The damage wrought by Covid-19, HIV and other pandemics is not the result of the viruses alone, but of how they make space in, and expand, the fissures of our unequal society. Such inequality is a key part of why our world was so vulnerable to Covid and why collectively we failed to respond effectively to a global health emergency. A viral outbreak does not have to become a global pandemic and an economic, social and political crisis. It didn’t need to come to this.

Our collective preparedness and resilience to pandemic threats depends on strong health and social protection systems, but we allowed inequality to hollow those out. Even before the Covid emergency, two-thirds of African countries were charging user fees for health care at all levels, refusing life-saving care to those who could not pay.1 Around the world, 10,000 people were dying every day because they could not access health care.2 Worse yet, research shows that the International Monetary Fund’s (IMF) severe approach to austerity, which even the IMF itself had acknowledged was excessive in driving fiscal consolidation, “did not significantly change” since the 2008 financial crisis.3

During pandemics, health inequalities are hugely amplified. Inequalities compound the impacts of pandemics, and vice versa, rendering them even more difficult to overcome. Indeed, extreme inequality itself acts as a kind of pandemic—it hurts us all, it widens inexorably unless it is stopped and it can only be beaten if we take it on together worldwide.

The inequalities that drive pandemics are perpetuated by social norms and prejudices, by national policies and resource allocation, and by global policies and finance. And key to determining all those are inequalities of voice and power.

For example, six in seven adolescent HIV cases in sub-Saharan Africa are girls. These numbers are rooted in inequalities of power. When governments enable girls to finish school, they halve their risk of acquiring HIV. When they ensure access to a complementary package of empowerment and rights alongside schooling, they further reduce that risk.4

When groups of people are criminalized or socially ostracized, denied jobs or a seat at the table, their risk of acquiring pandemic diseases dramatically increases; for example, in countries where same-sex relations are criminalized, gay men are more than twice as likely to have HIV than they are in countries with no criminalization.5 Fear of punishment, but also fear of mistreatment and of social stigma, discourage affected people from using life-saving services and risk a perpetual pandemic.

Keeping monopolies in the hands of a few pharmaceutical companies drives inequality of access to life-saving health technology. Twelve million lives were lost because monopolies kept antiretrovirals at prices unaffordable for developing countries.6 Mass use of antiretrovirals to prevent AIDS came only when low-income countries defied pressure and contracted generic supplies. But even today, new life-saving HIV medicines such as the long-acting antiretrovirals that are available in the global North are not being provided to people in developing countries, and a few companies still monopolize production. And now we have seen with Covid-19 that despite over USD 100 million in taxpayers’ money being given to private companies to deliver a vaccine, they immediately privatized the profits from the public investment, because the
The world is determined to overcome pandemics that undermine health, stability and economic progress. But unless we address inequalities, the underlying drivers of pandemics, we will be set up to fail. The amazing scientists, doctors and nurses who work to end pandemics cannot succeed unless world leaders take the necessary steps to end the inequalities that create barriers to access.

rules of a rigged economic model allow them to do so. We have seen nine new billionaires created as a result of the excessive profits that pharma companies have generated from their monopolies on the Covid vaccine, while every target to reach people in developing countries has been missed. Only by opening patents and know-how, enabling vastly upscaled simultaneous production, can we get all eight billion people vaccinated in time before new strains endanger everyone. And only by recognizing that life-saving technology is a public good can we organize to be ready for the pandemic threats to come.7

The evidence is clear. Inequalities kill.

The world is determined to overcome pandemics that undermine health, stability and economic progress. But unless we address inequalities, the underlying drivers of pandemics, we will be set up to fail. The amazing scientists, doctors and nurses who work to end pandemics cannot succeed unless world leaders take the necessary steps to end the inequalities that create barriers to access.

Covid-19 is undefeated because the world has not changed the rules to recognize vaccines and health technologies as global public goods. Instead, a few companies were allowed to maintain grossly insufficient and unfairly allocated monopoly production, and countries attempted to end Covid nationally rather than globally.

AIDS is still a pandemic because, to date, the inequalities that drive it have not been sufficiently addressed. If they are not tackled, it will cost an additional 7.7 million lives over the next 10 years and remain with us for the next century. If, in contrast, we take the bold measures needed to address the underlying inequalities that drive AIDS, we can end it as a public health crisis by 2030.12

The good news is, we know what works. Inequality-busting approaches have been proven to work even in the most challenging contexts; now they need to be rapidly applied at scale everywhere.

The policies we need are clear:

• We need to end inequalities in access to essential services by delivering on guaranteed health and education for everyone, through public systems that integrate community-provided services and that respect and protect all the workers on whom services depend, rewarding them with fair pay and conditions.8

• We need to end marginalization and all forms of discrimination, which includes repealing outdated—often colonial—laws that are harmful and punitive. Respecting every person’s human rights and dignity is essential to effective pandemic response and preparedness.9

• We need to end inequalities in access to health technologies by supporting the best science and getting it to everyone. This requires both investment in globally distributed production10 and reform of our failing rules on intellectual property to ensure that access to life-saving science is no longer dependent on the passport you hold.11

The lessons learned by the AIDS movement guide us on how to end AIDS, overcome the Covid-19 crisis and be ready to beat the pandemic threats of the future.
Fighting inequalities is a hard path because it requires our leaders to break with social and economic orthodoxies—but it is the only path that can succeed. The most unrealistic thing we could do now is to imagine we can overcome our crises through minor adjustments or tinkering.

The choice that leaders face on inequalities is between bold action and half-measures. The data is clear: it is the more cautious of these choices that is the unaffordable one.

In this crisis, the only pragmatic approach is the radical one. To fight pandemics, fight inequalities.

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Climate philanthropy and the 1 percent

Edouard Morena
Head of Department, Lecturer in French Studies and International Politics, University of London Institute in Paris
@Edouard_Morena

Philanthropy has been intertwined with the international climate debate for at least half a century. In the 1970s and 1980s, a relatively small group of US-based, liberal foundations—most notably, Rockefeller, Ford, Alton Jones and Rockefeller Brothers-funded scientific research on climatic change and helped to establish the global processes and multilateral institutions that continue to underpin the international climate regime: the Intergovernmental Panel on Climate Change (IPCC) and the United Nations Framework Convention on Climate Change (UNFCCC). Guided by the belief that, given the right multilateral institutions, along with adequate resources and information, a global and mutually beneficial approach to the climate crisis could be reached, they supported the formation of a global civil society space on climate. This was done through funding to NGOs and think tanks (for example, World Resources Institute, Beijer Institute, Climate Action Network), support for research and awareness raising and convening international symposiums. NGOs in particular were viewed as an important instrument through which to get governments to act on climate change and commit to a global solution. As one Rockefeller Brothers Fund programme officer explained in 1989, “given the glacial pace at which governments around the world appear to be moving toward coordinated action to address the problem,” the Fund felt that there was “an important behind-the-scenes role to be played by thoughtful and well-placed non-governmental organizations that are free from the political considerations that are constraining government initiatives.”

The late 1990s and early 2000s saw an important shift in the philanthropic landscape: the arrival of a new brand of climate philanthropists and foundations. This shift occurred in a context of reluctance of successive US federal government administrations to commit to ambitious emissions reduction targets, the spread of conservative- and fossil fuel industry-backed climate scepticism, and growing reservations about the UNFCCC’s ability to deliver an ambitious and legally binding agreement in the post-Kyoto context. But the ascent of these new climate philanthropists and foundations also reflected a broader set of “material, ideational, and institutional changes” since the 1970s and 1980s. Neoliberal globalization, the rise of tech and finance, deregulation and tax cuts for the wealthy, among others, gave rise to a new group of high-net-worth individuals and spurred their active involvement in world politics through philanthropy.

While retaining core liberal principles and values, they have promoted a distinctive understanding of how to achieve a low-carbon transition, and how philanthropy can best contribute to the overall effort. These so-called philanthrocapitalists or venture philanthropists adopt a more explicitly hands-on and entrepreneurial approach to their philanthropy than their predecessors. Through their foundations, they frequently summon their (supposedly) unique “business acumen, ambition, and ‘strategic’ mindset” and deliberately blur the divide between selflessness and self-interest to justify their incursion into the international climate debate. As Linsey McGoey (2015:20) writes, “not only is it no longer necessary to ‘disguise’ or minimize self-interest, self-interest is championed as the best rationale for helping others. It is seen not as coexisting in tension with altruism, but as a prerequisite for altruism.”

The adoption of a “strategic” and “focused” mindset among the climate philanthropy set is further justified by the limited available philanthropic resources compared with the scale of the problem. Since climate philanthropy represents less than 0.1 percent of total climate finance and 2 percent of philanthropic giving, strategic leverage, it is argued, is necessary in order to have a meaningful impact.
At the individual foundation level, this mindset translates into closer oversight of grant recipients. Sector-wide, it is seen in the launch of specialized “pass-through” foundations (to channel philanthropic dollars more effectively), and the creation of informal and formal platforms for the coordination and alignment of philanthropic efforts.

A notable example is the ClimateWorks foundation, launched in 2008, to coordinate global climate philanthropy efforts and strategically channel philanthropic dollars to carefully selected projects and organizations in sectors (for example, energy, transport, construction) and regions (for example, Europe, the United States, China, India) that foreground market- and technology-based solutions.

The International Policies and Politics Initiative (IPPI) is another noteworthy example. It was launched in 2013 to “highlight opportunities for philanthropic collaboration, joint strategy development, resource pooling, and grant-making alignments in the arena of international politics and politics of climate change” and to create the conditions for a “successful” outcome at the Paris Climate Conference (2015). Through support to the negotiation process and efforts to shape the narrative around COP21, IPPI played an important role in creating the conditions for the Paris Agreement.5

Through their promotion of market-based solutions, “non-disruptive disruptions”—technologies that deliver “solutions” without addressing the root causes of the problem,6 the knowledge economy and the figure of the “activist entrepreneur,” these foundations push a new green spirit of capitalism that not only places market-based solutions and innovation at the heart of the low-carbon transition, but also provides twenty-first-century plutocrats a social licence to operate. In other words, contemporary climate philanthropy legitimizes successful-entrepreneurs-turned-philanthropists by upholding the idea that they are ideally positioned to address the climate crisis. Through a process of “celebritization,” climate philanthropy is as much about saving the climate as it is about legitimizing a global superclass whose accumulated wealth has reached record highs in recent years and whose carbon footprints, according to Oxfam and the Stockholm Environment Institute, are twice those of the poorest 50 percent of the world population.8

This points to mainstream climate philanthropy’s profoundly ideological character. Behind certain climate philanthropists’ claims that they are simply following the science and adopting a common-sense, data-driven and bipartisan approach to addressing the climate problem lies a deeply political and ideological endeavour to shape the low-carbon transition in their image, and in a way that legitimizes extreme wealth and the super-rich.

Like their illustrious twentieth-century predecessors, a priority for today’s climate philanthropists is to “save capitalism from itself”9 and “maintain an economic and political order, international in scope, which benefits the ruling-class interests of philanthropists.”10 In the age of the Anthropocene and Jeff Bezos, however, this involves constructing and promoting a new mobilizing discourse—“a seemingly radical, anti-systemic critique of capitalism” that simultaneously provides “moral legitimacy and affective force for proposals to...”
irrevocably transform capitalism into a more environmentally virtuous economy; still capitalism, just a better, greener version.”

This new green spirit of capitalism acknowledges capitalism’s environmental shortcomings while simultaneously reaffirming its supremacy and the centrality of those who benefit most directly from it.

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The Covid-19 conundrum: Lives, livelihoods and intersecting inequalities

Naila Kabeer
Professor of Gender and Development, London School of Economics
@N_Kabeer

In the early days of the pandemic, when it seemed we were facing a virus that did not recognize national boundaries or respect differences of class, gender, race and other significant identities, there were a number of statements made to the effect of “we are all in this together.” One way to demonstrate the fallacy of this statement is to examine the impacts of what the Financial Times called the Covid-19 conundrum: the difficult trade-off policy makers had to make between the health of their citizens and the health of their economies. Should they take restrictive measures to contain the virus but undermine growth or should they minimize restrictive measures and accept the health risks? And who should the restrictive measures apply to?

Restrictive measures were indeed imposed in the form of the lockdown of economies. These measures introduced a new conceptual distinction in the labour market lexicon between the “essential work” considered necessary to allow people to continue critical aspects of their daily lives and “non-essential work,” all other activities that would have to be suspended. Unsurprisingly, there was a major contraction in the global economy as a result. However, the trade-off between lives and livelihoods played out very differently for different groups of workers depending on where they were located in the pyramidal structures of labour markets (from formal employment at the top, to informal and subsistence work in the middle—jobs that are not protected or regulated by the state—and unpaid care work at the bottom) across the world. The impact was harshest for workers at the bottom of the pyramid, those whose class disadvantage was exacerbated by their marginalized social identities, with gender being the most pervasive of these identities.

The trade-off took its greatest toll on the lives of essential workers because they were disproportionately drawn from these marginalized groups and concentrated in the lower-paid ranks of the economy. In the United Kingdom, for instance, the risks of infection and death were higher among essential workers, particularly health workers, than any other category, but highest among those from Black and minority ethnic groups. In Canada, Covid-19 cases were concentrated in areas that had higher-than-average proportions of low-paid essential workers, recent immigrants and “visible” minorities.

A comprehensive search of studies dealing with essential workers and occupational risk found that across the world, essential workers had higher levels of infection and death, not only because of their greater exposure to risk but also because as women, migrants, racial minorities or other marginalized groups, they suffered a higher risk of “moral injury,” that is, health consequences arising from the failure of employers to provide protective equipment and other safety measures. For example, India’s five million sanitation workers (such as waste pickers, hospital cleaners and crematorium and sewage workers), mainly drawn from its lowest castes, played a frontline role in the health and hygiene of the nation, but few had health or life insurance. As late as May 2020, around 65 percent of these workers still had not received safety instructions or training.

The impacts of lockdowns were varied among the much larger and more heterogeneous group of workers classified as non-essential. It is unlikely that the trade-off between lives and livelihoods had much relevance for non-essential workers at the very top of the global labour market pyramid who had enough
The trade-off between lives and livelihoods played out very differently for different groups of workers depending on where they were located in the pyramidal structures of labour markets across the world.

wealth to ride out the pandemic without risking their lives. Indeed, the world’s billionaires saw their wealth increase by a staggering USD 3.9 trillion between March and December 2020.\(^8\)

While non-essential workers privileged to have formal contracts could continue to draw their salaries by working from home, many others had to suspend their livelihoods. Among non-essential workers in the informal economy, the more fortunate benefited from some form of social assistance, though not always adequate amounts of it.

However, for non-essential workers in the informal economy without access to social protection, the trade-off was irrelevant: their livelihoods were their lives. These were domestic servants, street traders, sex workers, migrant workers and others for whom work was the only way to "bring home a plate of food." The loss of demand for their labour meant a loss of their ability to take care of themselves and their families.\(^9\)

International Labour Organization (ILO) data provide us with a broad-brush account of the impacts of this trade-off across the world. They show that women were generally hit harder by job losses than men. In absolute terms, men lost 60 million jobs in 2020 while women lost 54 million, but in relative terms, this translated into a 3 percent decline for men and a 4.2 percent decline for women.\(^10\)

Within countries, the pattern of job loss mirrored prevailing patterns of inequality: in the United States,\(^11\) South Africa,\(^12\) the United Kingdom\(^13\) and Brazil,\(^14\) it was racial and ethnic minorities, most often in informal jobs and lower wage-earning bands, that reported the largest job losses. Within these groups, job losses were generally greater for women than for men.\(^15\)

Loss of income and earnings saw one of the largest spikes in global hunger in decades. Food banks and other forms of food relief made some difference but not for everyone.

In India, almost 80 percent of low-income households were able to access food rations through the Public Distribution System, but they still had to reduce their food intake because the rations were insufficient. Brazil and Colombia adopted emergency financial aid for informal workers, including day labourers, but the registration process was mainly online and difficult to access by workers with low levels of literacy and limited access to technology; the amounts that were delivered remained well below the basic needs of a family. In South Africa, the Covid-19 grants provided by the government did little to lift households out of extreme poverty but did reduce incidences of hunger.\(^16\)

There remains one final but important point to make. Covid-19 revealed the significance of a group of essential workers who had been largely invisible and unacknowledged in the essential/non-essential distinction drawn up by policy makers because they were not formally considered part of the labour market: the overwhelmingly female workforce who worked full or part time in unpaid care work within the home. This workforce expanded during the pandemic as many women who had been engaged in paid work now joined their ranks. Their work burdens also increased as more family members were now at home, locked out of work and school.

This increase in women’s care work burdens had repercussions for both them and their families. Oxfam research in five countries documents the emotional costs of coping with the pandemic, revealing higher levels of stress reported by women.\(^17\) South African data show that women generally, but particularly those with children, were more likely to report that their households ran out of money for food during the pandemic.\(^18\) A study of informal
workers in 12 cities across six countries also found that women with increased care responsibilities during the pandemic were more likely to report that an adult or child had gone hungry in recent times than those who had not experienced an increase.

So, to return to the opening statement, we were never going to be in this pandemic together. The world is too unequal. A more accurate description of its impact is provided by the UN Secretary-General: the Covid-19 pandemic acted like an x-ray, "revealing fractures in the fragile skeleton of the societies we have built." 19

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PART II
When poverty intersects with inequalities associated with gender, race, ethnicity, caste, age, sexual orientation, migrant or refugee status, location or other markers of group identity, it creates particularly oppressive and protracted forms of disadvantage that impede people from developing their capabilities and contributing fully to society. Addressing these inequalities is not only a question of social justice, but also a key condition for achieving more sustainable development outcomes. Inequality has adverse impacts on growth, macroeconomic stability, poverty reduction, health, nutrition and educational indicators, social protection and employment, gender equality, human rights and democratic governance. At the top of the income and wealth pyramid, economic, social, environmental and political privileges accumulate, building the foundation of elite power that often opposes transformative change toward greater social, climate and economic justice. The Covid-19 pandemic has amplified pre-existing inequalities, but also helped to expose the extreme state of fracture of our world, pushing forward a consensus on the need to change the system that led us into the crisis.
1. Inequality Unpacked

Getting to grips with the multifaceted nature of inequalities as both drivers and consequences of crisis and unsustainable development, this chapter unpacks vertical and horizontal inequalities, their intersections and their linkages with power. While different types of inequalities can be separated out analytically, for example, those related to income and wealth versus those pertaining to social groups, they are interlinked and reinforce each other in practice. As was laid out in chapter 2, vertical and horizontal inequalities cause crises, amplify their adverse impacts and shape crisis responses.

The chapter will take stock of where we stand regarding different types of inequalities at individual, group and country levels and analyse adverse impacts of inequality on key development indicators such as growth, macroeconomic stability, poverty reduction, health, nutrition and educational indicators, violence, social protection and employment. It will illustrate how inequalities develop along financialized global value chains (GVCs) and in segmented labour markets, and how they intersect for specific individuals and groups, for example, when poverty, poor health or disability status, migrant/refugee status, age, race, ethnicity or caste, gender or sexual orientation, overlap and reinforce each other, creating particularly oppressive and protracted forms of disadvantage.

We will further demonstrate how economic, social, environmental and political privileges accumulate at the top of the income and wealth pyramid, building the foundation of elite power that often opposes transformative change toward greater social, climate and economic justice. Special attention will be paid to the impact of Covid-19 on these inequalities, as the pandemic has not only exposed and amplified pre-existing inequalities and fractures, but also pushed an emerging consensus in some quarters on the need to change the system that led us into the crisis (see chapter 2). In addition, while higher-income groups and countries can shield themselves more effectively against negative consequences of climate change, environmental crises and health pandemics than poor people or countries, they are increasingly realizing that they cannot fully detach themselves from crisis impacts and their social and political consequences. This realization that everyone depends on the global commons and that no one is safe until everyone is safe opens a window of opportunity to renegotiate our broken social contract and to create a new eco-social one geared toward greater social inclusion, equality and ecological sustainability (see chapters 4 and 5).

The chapter is divided into four parts:

The first part introduces the conceptual framework applied to understand and analyse inequalities. The framework is based on three perspectives: inequality as a relational concept with vertical and horizontal dimensions; inequality and power, adopting an intersectional approach and a gendered lens; and inequality as a multidimensional concept that plays out differently across time—that is, over the life course and between generations—and space. The second and third parts analyse current evidence on economic and social inequalities, how they affect the implementation of the Sustainable Development Goals (SDGs) and how they shape the uneven impacts of crises, such as the climate/environmental and Covid-19 crises, on different social groups. The fourth part unpacks the power dynamics underpinning these intersecting inequalities, based on economic dominance and related political inequalities.
High levels of economic inequality, often converted into steep power imbalances, undermine sustainable development and prevent transformative change. When intersecting with inequalities related to group identity such as gender or race, they can lead to protracted situations of marginalization and oppression.

Economic inequalities, which have spiraled upward during neoliberal globalization, lie at the heart of power asymmetries and elite domination. While an overall decrease in global inequality between countries has been driven by a small number of large emerging economies, gaps in terms of income and other development indicators have expanded for many developing countries.

Social inequalities between groups along lines such as gender, race, ethnicity or caste, age, disability, citizenship and other characteristics are based on and reproduce hierarchies by applying discriminatory rules and practices. These social inequalities often intersect with poverty and a lack of economic resources, negatively impacting people, the economy and equity. Marginalized groups fare less well with regard to social outcomes, with intersecting forms of inequality compounding vulnerability.

Political inequalities and power asymmetries drive and are driven by social and economic inequalities, as elites accumulate influence and power to preserve and perpetuate a system that benefits the few at the expense of the many. This is a more than challenging context for realizing progressive change and has particularly devastating impacts for vulnerable groups and the environment.
2. Understanding Inequality: Concepts and Approaches

2.1 Inequality as a relational concept: vertical and horizontal dimensions

Vertical inequalities such as differences in income and wealth among individuals or households rank people on a vertical scale, from low income to high income or wealth. Vertical inequalities for a country as a whole are typically represented by the Gini coefficient, measured on a scale from equal distribution of income among a population toward completely unequal distribution, where one person has all wealth and income while all others own nothing (the latter captured by a Gini coefficient of 1, a perfectly equal distribution by a Gini coefficient of 0). Several other measures of vertical inequality exist (see box 3.2 on measurement), although data are scarcer at the top of the income and wealth distribution. Horizontal inequality takes social groups as a measure of differentiation, for example, along lines of age, gender, sex, ethnicity, race, religion, disability or geographical location, establishing patterns of exclusion and segmentation. Vertical and horizontal inequality is associated with class, status, power and hierarchy, emphasizing its relational character.

The term economic inequality includes measures of vertical inequality and can be applied to individuals, groups and countries. In addition to horizontal inequality, social inequality is used either to refer to groups or to inequality in social outcomes, for example, health or educational indicators.

Inequality is reproduced in the interactions between people and through institutions and norms that regulate these interactions. Paired or binary categories such as Black/white, male/female, citizen/foreigner and others that attribute different value to each term are powerful creators of inequality. Categorical or horizontal inequality based on discrimination and inequitable treatment has cumulative effects. In the long run, it affects individual capacities and lasting structures of asymmetric resource distribution are created along category lines.

2.2 Intersecting inequality and power: deconstructing identity and hierarchy

The concept of intersectionality is attributed to Kimberlé Crenshaw, a feminist critical legal theorist who coined the term as an explicit rejection of the idea that gender, sexuality, class, race and ethnicity are separate categories of oppression. She argued instead that "the violence that many women experience is often shaped by other dimensions of their identities, such as race and class." Her approach resonates with a longer history of intersectional approaches and politics used by women in the global South, in particular working class and Indigenous grassroots women’s organizations, since the 1970s.

A central advantage of an intersectional analysis is that it allows the deconstruction of identities and the examination of the challenges of equality, diversity and inclusion within each social category and subcategory, not just between them. Its emancipatory focus is grounded in its feminist and anti-racist intentions and a focus on intersectional justice.

The power hierarchies that drive inequalities are highly gendered in nature. They are built on the sexual division of labour and cultural beliefs that bestow on men and masculine attributes and activities higher social status and privileges by identifying them with the public sphere and more economically and socially valued activities linked to paid work and politics, whereas women and feminine attributes and activities are granted relatively lower status and fewer privileges and are often associated with the private sphere of homes and families and the undervalued activities of care and reproduction of the human species (see Spotlight by Marta Lamas).

They also rely on predominant social understandings of gender as a static and binary category, in which people have distinct but unequal relations and roles to play based on their biological differences. These roles keep the cogs of production turning through social reproduction, the sexual and gendered division of labour, separation of public and private worlds, and the centrality of the (patriarchal) family. These hierarchies serve to subordinate women in general and exclude those who do not conform to heteronormativity and cisgenderism. This report employs an expansive definition of gender that does not focus solely on the plight of cisgender women and girls but views gender as a relational concept that is neither universal nor immutable but is the product of historical and context-specific
power dynamics. Using a gendered lens to examine inequalities provides a key insight into the way that power plays out in vertical and horizontal relations, sustained by cultural, social, economic and political norms and institutions. This opens the door for an analysis that is not only more inclusive, but that also challenges the very structures that create and perpetuate such inequalities, not only the impacts of those inequalities.

2.3 A multidimensional approach: Inequality across time and space

2.3.1 Inequalities between generations

Adopting an intergenerational perspective offers an opportunity to consider questions of intergenerational justice and universal human rights, for example, regarding climate change and its impacts on the life chances and capabilities (people’s freedom to choose what to be and do) of future generations. It is a key component of each society’s social contract. Intergenerational relations can be seen through the lens of an intergenerational contract, which can be defined as the set of norms, rules, conventions and practices which govern the relationships between different generations, at the level of families and the level of society (see Spotlight by James Heintz). From a normative point of view, institutional arrangements governing the relationships between different generations should increase the welfare of all age groups and lead to generational equity. For the United Nations, the issue of intergenerational solidarity and the needs of future generations is embedded in the concept of sustainable development and existing treaties, as well as declarations, resolutions, and intergovernmental decisions.

Relations between generations, including future generations, are affected by economic and social policies, demographic shifts, technological progress, as well as changes in social norms and behaviours, in particular related to family patterns and patriarchal gender norms (see chapter 1). Development policies have been concerned with the intergenerational transmission of poverty and disadvantage for several decades. Aid agencies have argued, for example, that the fashionable instrument of conditional cash transfers (CCTs), which link child allowances with behavioural conditions such as regular school attendance and health check-ups, improves equality of opportunity for children in disadvantaged households through investments in human capital (see section 4.2.6).

2.3.2 Inequalities across the life course

The life course approach is another lens that brings a time dimension into inequality studies and is closely linked not only to questions of intergenerational relations, but also to the division of labour between states, markets, families and communities regarding care provision and protection. Rowntree (1901) pointed out periods in life when economic pressures on families and individuals reach their peaks, generating the classical “cycle of poverty” in human lives. The life course approach is regularly applied in analyses of demographic change such as ageing and in social policy, which distinguishes policies for children, youth, working age populations and older persons. From a justice perspective, if the state provides different levels of support to different age groups at a given moment in time this does not a priori lead to generational inequities, assuming...
This realization that everyone depends on the global commons and that no one is safe until everyone is safe opens a window of opportunity to renegotiate our broken social contract and to create a new eco-social one geared toward greater social inclusion, equality and ecological sustainability.

that all persons require differentiated support over time. While the stages of childhood and old age are associated with a status of dependency, hence stronger roles for families, communities and the state, markets become more dominant during the working age phase. Inequality and disadvantage tend to accumulate over time and can leave groups such as women who have shouldered unpaid care tasks or engaged in informal work in vulnerable situations in old age, which is exacerbated if social protection systems are absent or insufficient. The priority afforded to different phases is expressed in institutional and policy frameworks, which are in turn shaped by cultural and social norms and the advancement of the demographic transition in a particular country (see chapter 1).

26 The life course approach was adopted in international social protection instruments such as International Labour Organization (ILO) Recommendation No. 202 on National Social Protection Floors.

2.3.3 Spatial inequalities

Next to the temporal inequality dimensions addressed through intergenerational and life course approaches, spatial dimensions are relevant when analysing inequalities and their impacts. They are part of horizontal inequalities which categorize populations according to their place of residence, for example, into urban and rural, slum dwellers or inhabitants of gated communities for the rich, or are manifested as regional inequalities within a country, sometimes intersecting with ethnicity, race or religion. Many environmental inequalities have a particular spatial or territorial dimension, as there is inequality in the exposure to harmful pollution, destruction of natural resources and the impacts of climate change. The way these inequalities affect people is often of an intersectional nature, with groups suffering from multiple discriminations and disadvantages clustering in adverse geographical or urban locations.

Despite increasing connectedness and exchange in the age of globalization, “place remains fundamental to the problems of membership in society”, defining how people are integrated into social contracts, with impacts on life chances, voice, access to resources, employment and public services. Place of birth and citizenship are also fundamentally important factors configurating and determining inequalities that shape people’s life chances and opportunities. The importance of location and place and its link with citizenship plays out strongly for mobile populations such as migrants or refugees, who tend to become exposed to new vulnerabilities and risks during their migration journey and in their place of destination as they leave behind citizenship rights, networks and place-bound knowledge and skills (see chapter 1).

Further, spatial inequality has profound implications for social mobility. Accumulated privilege—a combination of gender, race and income—allows rich elites and their offspring to occupy privileged spaces in urban environments and labour markets, amplifying their influence and power (see chapter 1). Intergenerational transfer of privilege is key to this story, as it enables advantaged groups to isolate themselves in areas of privilege where they accumulate and hoard resources and opportunities. At the same time, disadvantaged groups remain relegated to areas of deprivation.

The conceptual framework is illustrated in figure 3.1.
3. Economic Inequalities: How an Economy for the 1% Threatens Sustainable Development

“We are the 99%” is the powerful slogan coined by the Occupy Wall Street movement in the United States that describes our age of inequality and the discontent it has created. Economic inequalities, differences in income and wealth between individuals, groups, regions and countries, have, with some notable exceptions (see below), spiraled upward in the age of neoliberal hyperglobalization, making our economies and societies more fragmented, unstable and unsustainable, and unfair. Starting in the late 1990s, social movements and protesters openly criticized an economic and political system that was increasingly perceived as disproportionately benefiting powerful and rich elites to the detriment of most people and our planetary resources (figure 3.2; see chapter 2). This movement on the streets was accompanied by a radical shift in the concerns of the academic community, with a growing number of research publications providing compelling evidence on the detrimental impacts of inequality on growth, poverty reduction, well-being and health, democracy and participation, as well as environmental sustainability.33

The combination of scientific evidence and collective mobilization had policy impact: in 2015, after controversial debates and for the first time in history, governments agreed to integrate the reduction of economic inequality within and between countries into the 2030 Agenda for Sustainable Development.34 That said, indicators designated for measuring progress on SDG 10 focused on shared prosperity rather than extreme inequality, reflecting continuity with the poverty agenda that had dominated donor strategies over the last decades (see Spotlight by Fukuda-Parr; see chapter 1).

The focus on inequality and the goal to reduce it, currently supported by a diverse group of actors including trade unions, activists, social movements, international financial institutions and business representatives,35 signals a sea change after decades of neglect of the issue in development theory and practice.36 This neglect can be explained by a variety of factors, from decreasing inequality levels in the
post-war period to market euphoria and ideological shifts after the neoliberal turn in the 1980s, to the generalized assumption that high-income earners and entrepreneurs are more productive than the average citizen while also benefiting the economy by channeling their savings and profits into investments that spur growth, to the conviction that policy makers should focus on poverty reduction, not inequality, as the most important development challenge (see box 3.1). The more recent realization that inequality prevents poverty reduction (see section 3.1) has refocused attention on inequality and facilitated its inclusion into the SDGs.

Research evidence points to a variety of drivers of economic inequality, some of which are associated with global trends and the neoliberal policies that have shaped them, as discussed in chapter 1: technological change and international competition through increased globalization favour those with higher-level skills;\textsuperscript{39} cultural factors such as the practice of marriage between people of similar backgrounds;\textsuperscript{40} decreasing union power;\textsuperscript{41} rent-seeking behaviour by business elites;\textsuperscript{42} regressive taxation policies (especially the reduction of taxes on the rich, as lower top marginal income tax rates are strongly associated with rising top incomes)\textsuperscript{43} as well as tax evasion; lack of formal jobs and social protection;\textsuperscript{44} and access to remittances for households with members who have migrated abroad vis-à-vis households without migrants.\textsuperscript{45}

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**Figure 3.2 Protests for economic justice/against austerity, 2006–2020 (by country income groups)**

![Figure 3.2 Protests for economic justice/against austerity, 2006–2020 (by country income groups)](source: Ortiz et al. 2022. Reproduced under Creative Commons license 4.0: http://creativecommons.org/licenses/by/4.0/).

The choice of these measurement tools is supposedly technical, but behind a seemingly technical choice lies a political agenda. The choice of the shared prosperity measure excludes from the narrative the problems of extreme inequality and the power of the wealthy.

– Sakiko Fukuda-Parr

Professor,
The New School
In addition to identifying individual drivers of inequality, this chapter recognizes the systemic nature of inequality in our current development model: economic inequalities to the extent that we observe today are related to historical legacies and injustices and have further thrived in the age of financialization and hyperglobalization (see chapters 1 and 2). They are related to asymmetries in global trade, investment and financial regimes and a policy and regulatory environment that fosters the concentration of rents as well as tax avoidance and evasion by leading multinational corporations (MNCs) while value is extracted at the lower end of GVCs, imposing huge costs on workers, women, local communities and ecosystems. The flip side of greater capital concentration and business power is the increasing livelihood insecurity of smallholders and micro-enterprises and a growing precarious and mobile workforce made up of migrant, informal and gig economy workers, lacking social protection and secure incomes while being exposed to high risks in times of crisis or shocks.\(^{46}\)

### 3.1 Why we should care about economic inequality

Beyond the intrinsic value of egalitarian and just societies, which increases trust of citizens in the political system and the social contract (see chapters 1 and 2), economists and development actors have been particularly interested in the effects of economic inequality on economic growth and poverty reduction.\(^{47}\) While classical/neoclassical theory established a positive association between inequality and growth (box 3.1; see chapter 5 for a critique of the growth paradigm), heterodox economists have identified adverse impacts of high inequalities for growth, especially if these are associated with high levels of extreme poverty. Rising inequality is also deemed problematic if combined with stagnating or falling incomes of the working class, as it hampers social mobility and labour market prospects and creates social discontent.\(^{48}\) The negative inequality–growth link develops through various channels such as economic and financial crises (see chapter 2), insufficient domestic demand when groups with high propensity to consume earn less and adverse implications of a poorly educated workforce for productivity. In addition, high levels of inequality might lead to a range of social and political ills which in and of themselves are undesirable, while at the same time undermining economic development: social conflict, high insecurity and criminality, low

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**Box 3.1 Why economists have neglected inequality**

During the early period of post-war development, economic inequality was not considered of high relevance as inequalities in wealth and income were decreasing,\(^a\) a rising tide of economic growth seemed to be lifting all boats and the prevailing social contract in industrial countries was set on more equalized capital–labour relations (see chapters 2 and 4). The key development question was how to combine growth and full employment. In the global South, where initial inequalities were much higher as a result of historical injustices such as colonialism and slavery, it was assumed that these countries had not yet reached the stage of equalizing redistribution. This assumption was based on the influential Kuznets curve,\(^b\) which establishes that inequalities first increase and then decrease during the industrialization process, following an inverse U-shape.

The second reason for considering inequality as a minor concern was the assumption that in market economies, a certain level of inequality was inevitable due to differences in effort and ability (see chapter 1)\(^c\) while also being a positive driver of economic growth. As Mkandawire (2017) explains, according to classical economic theory, most economists hold that rising profits lead to higher savings, investments and growth, whereas workers are assumed to consume most of their wages. The relationship between profits and growth, the assumption of productive reinvestment of profits (corporate savings) as well as the channeling of savings of high-income earners into investments through the financial system, has been used as a justification for tolerating economic inequality of functional (capital versus labour share in output) and personal income. While this argument was taken up by development economist Arthur Lewis (1954), he also noted that distribution of the economic surplus could lead to higher rents instead of profits, while capital export and conspicuous consumption instead of domestic productive investment would undermine the savings effect.

In contrast to Kuznets’s assumption, inequality started to rise again during the era of neoliberal globalization.\(^d\) During this period, the key development question was how to combine growth and price stability. Growth was supposed to automatically trickle down to the poor, whereas large-scale redistribution through state policies was considered detrimental for growth. This free-market ideology and its adverse development impacts met with mounting criticism,\(^e\) triggered the social turn in the 1990s and 2000s\(^f\) and eventually propelled inequality back onto academic, development and public agendas after the global economic and financial crisis in 2008.\(^g\)

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\(^{a}\) Piketty 2014 2019; \(^{b}\) Kuznets 1955; \(^{c}\) Mankiw 2013; \(^{d}\) Atkinson 1997; Piketty 2013; \(^{e}\) Stiglitz 2002; UNRISD 1995; \(^{f}\) UNRISD 2016a; \(^{g}\) Peterson 2017; Wike 2014.
levels of trust (chapter 2), undue political influence of the rich and rent-seeking behaviour. Evidence further shows that high income inequality leads to greater political instability, which worsens investment conditions.

Development economists are also increasingly drawing attention to the negative relationship between inequality and poverty reduction. In conventional economic theory, inequality would not be considered an impediment to poverty reduction if inequality were to increase growth sufficiently, as growth was supposed to trickle down to the poor (box 3.1). However, this approach ignored the negative impact of inequality on the stability of the economic and financial system. Chapter 2 has demonstrated that rising inequalities were at the heart of the financial crisis in 2008/2009, which increased poverty and undermined the well-being of millions of people across the world. Testing the trickle-down assumption, Lakner et al. (2020) have compared the relative efficacy of either increasing growth or reducing inequality on reducing extreme poverty. When holding within-country inequality unchanged and letting GDP per capita grow according to World Bank forecasts and historically observed growth rates, their simulations suggest that the number of extreme poor (living on less than USD 1.90/day) will remain above 600 million in 2030, resulting in a global extreme poverty rate of 7.4 percent. If the Gini index in each country decreases by 1 percent per year, the global poverty rate could be reduced to around 6.3 percent in 2030, equivalent to 89 million fewer people living in extreme poverty. Reducing each country’s Gini index by 1 percent per year has a larger impact on global poverty than increasing each country’s annual growth 1 percent above forecasts. Given the current context of rising inequalities and food and energy price hikes, a recent simulation finds that a 2 percent average annual increase in income inequality could increase the global poverty headcount by around 200 million people by 2030.

In addition to the positive effect of reducing economic inequality for poverty reduction, we can also assume that it would have a positive effect on fiscal capacity and state revenues, which, if progressively spent, could further reduce poverty and increase well-being in a virtuous cycle. Highly unequal lower-middle-income countries tend to have lower tax takes (which limits fiscal space for redistribution and investment in equalizing opportunities) for several reasons: a larger part of the population earns low incomes or works in the informal economy, with less ability to pay taxes; those who are in the highest income brackets have greater possibilities to avoid or evade taxes and to influence tax legislation; and governments often have limited administrative capacity for tax collection and enforcement, in particular hard-to-collect taxes such as income tax.

Finally, economic inequality has detrimental impacts for climate change and the natural environment, while environmental degradation is also a driver of horizontal inequality, as marginalized groups such as poor households or those with racialized and minority ethnic backgrounds are more exposed to natural hazards and pollution (see chapter 2 as well as section 4 on social inequalities in this chapter).

3.2 Economic inequalities: Where do we stand?

3.2.1 Income inequality

From a historical perspective, the income and wealth gaps between the rich countries of the global North and the developing countries of the global South have been growing for half a millennium, since around 1500, and began accelerating about two centuries ago in the context of industrialization and imperialism. Colonialism greatly increased inequality: colonies had Gini coefficients nearly 13 percent higher than those of non-colonies. In Latin America, inequality increased from an estimated 22.5 percent in 1491 to over 60 percent in 1929. Chancel and Piketty (2021:9) find that within-country inequality dropped during the period...
Colonialism greatly increased inequality.

1910–1980 (while between-country inequality kept increasing) but rose during the period 1980–2020 (while between-country inequality started to decline; figure 3.3). This is largely the result of the different policy models applied during these periods, driven by specific crisis events and conjunctures and an ideological turn (figure 3.2), leading to a shift from state-led development and a highly regulated international economy in the post-war period to market-led approaches and Washington consensus policies from the 1980s onwards (chapter 2). In economic terms, it reflects the “central contradiction of capitalism,” identified by Piketty, fuelled by regressive fiscal policies and ongoing capital-labour substitution: “The principal destabilizing force has to do with the fact that the private rate of return on capital, r, can be significantly higher for long periods of time than the rate of growth of income and output, g. The inequality r > g implies that wealth accumulated in the past grows more rapidly than output and wages.”

In this process, the top 1 percent of income earners captured 22 percent of total world growth between 1980 and 2020, versus 11 percent for the bottom 50 percent.

### 3.2.2 Wealth inequality

Wealth distribution is even more unequal compared with income distribution, with the greatest concentration at the top, accelerating in recent years as suggested by a recent annual series of Oxfam reports to the World Economic Forum. Even before the pandemic, in 2018, 26 people owned the same amount of wealth as the 3.8 billion people who make up the poorer half of humanity, down from 43 people in 2017. A third of the world’s billionaires’ wealth was inherited, while another 43 percent can be attributed to cronyism, involving mainly political connections. The super-rich and big corporations have accelerated wealth concentration by evading taxes, minimizing costs and influencing relevant policies and regulations. During the Covid-19 pandemic, a new billionaire was created every 30 hours.
Within OECD countries, wealth distribution is very concentrated, much more so than income distribution. Wealth dispersion is especially high in the United States and Sweden, which shows that the most wealth-unequal countries are not necessarily the most income unequal. Wealth inequality came down from the beginning of the twentieth century up to the 1970s but has since been on the rise. Major explanations for this development include soaring financial markets in the aftermath of financial market deregulation in the 1970s, lighter taxation of top incomes and wealth which has favoured the accumulation of wealth, and the rising importance of inheritances and gifts. A similar picture can be found in Germany, which has one of the highest concentrations of wealth in the top decile of households among OECD countries.

Figure 3.4 Global wealth distribution

Data source: Credit Suisse 2022.

A third of the world’s billionaires’ wealth was inherited, while another 43 percent can be attributed to cronyism.
featuring a net asset Gini coefficient of 0.79. The bottom 50 percent of the population holds only 1 percent of the net assets while the wealthiest 10 percent of German households own approximately 65 percent of net assets, compared with 44 percent in 1970.\(^6\)

Despite the Covid-19 crisis, in 2020 total global wealth grew by 7.4 percent and wealth per adult rose by 6 percent to reach another record high of USD 79,952 (up from USD 31,378 in 2000) and USD 87,489 in 2021, mainly related to rising share and housing prices, and with most gains concentrated in the global North and Asia, in particular in the United States, now home to 39 percent of all millionaires in the world. Global wealth concentration continued in 2021, with total global wealth increasing by an estimated 9.8 percent, and the richest 1 percent further increasing their share from 44 percent in 2020 to 46 percent in 2021.\(^6\) Fiscal rescue packages and low interest rates have stabilized the economies, but at a high cost: public debt relative to GDP has risen by 20 percentage points or more in many countries around the world. In essence, there has been a huge transfer from the public sector to the household sector, which is one of the reasons why household wealth has been so resilient (figure 3.4).\(^6\)

The increase in wealth concentration at the top is mirrored by a clear tendency since the 1970s of increasing private wealth as a share in national income compared to public wealth (see figure 3.5). When private wealth-to-income ratios increase, it means that the relative weight of those who own capital is overtaking the weight of those who only live off their incomes.\(^6\)
Unequal asset distribution such as land inequality is another important element in this picture with direct livelihood impacts, as 2.5 billion people in the world are estimated to work in smallholder agriculture. According to the International Land Coalition,67 smallholders and family farmers, Indigenous peoples, rural women, youth and landless people have to get by with smaller parcels of land or are forced off the land altogether, while land is concentrated in the hands of corporate agribusinesses or remote investors offering few employment opportunities. With historical roots in feudalism, colonialism and imperialism, land inequality has increased since the 1980s in the context of neoliberal globalization, where policies promoted large-scale industrial farming for export and increased corporate and financial investment in food and agriculture. According to the study, the largest 1 percent of farms operate more than 70 percent of the world’s farmland, while more than 80 percent of smallholders own less than 2 hectares of land and tend to be excluded from global food chains.68

3.2.3 Inequality between countries

At the global level, we observe convergence between countries, driven by the rapid growth of large economies such as China and India, and by higher per capita growth rates compared with OECD countries of various countries in the global South up to 2014.69 Historically, the most important periods of global convergence were the rise of Latin America to middle-income levels since the late nineteenth and early twentieth centuries and through the inter-war period and the catching up of East Asian economies since the 1960s.70 Altogether, this has produced an increase in developing countries’ share of world output, manufacturing and trade, although these gains were concentrated in a few countries.71 The share of exports from least developed countries (LDCs), for example, in global merchandise trade remained constant in 2019 at 1 percent. Over the last decade that share has stagnated, after significant improvements from 2000 to 2010, largely due to the boom in global commodity prices.72

The income convergence between developed and developing nations has lowered overall global inequality since the late 1980s despite rising within-country inequality.73 While this is a considerable achievement, the narrative of convergence between global North and global South needs to be treated with caution. The world’s poor population continues to be concentrated in the global South, whereas most rich people live in the global North. Despite a decline in relative inequality between countries, absolute disparities between countries have increased: the gap between the average per capita income of high- and low-income countries increased from USD 27,600 in 1990 to over USD 42,800 in 2018.74

There is a compelling critique of the global convergence narrative: disparities between developed and developing countries are still huge and have increased over time, whereas much of the convergence narrative is based on specific indicators and methods, the China and East Asia effect and a focus on basic human development indicators.75 We get a different picture if we look, for example, at per capita income in Africa as percent of per capita income in HICs over time; table 3.1, shows that this ratio declined from 8.5 percent in 1962 to 3.3 percent in 2021. Significant disparities are also visible when we compare social protection coverage (see section 4.2.6).76

Despite a decline in relative inequality between countries, absolute disparities between countries have increased.
These findings are supported by other evidence finding that absolute inequality between persons, as measured by the absolute Gini coefficient, which is based on absolute changes in income, has increased significantly since the mid-1970s (see box 3.2 on the difference between relative and absolute Gini coefficient). The study emphasizes, however, that much of the rise in absolute inequality is a result of high growth rates, which have lifted around one billion people out of extreme poverty in one generation.

3.2.4 Post-market distribution

Tax and transfer systems play an important role for distributional outcomes. It is important to compare both market or primary distribution and post-market or secondary distribution (disposable income) to better understand the causal drivers of economic inequality, which can be located either in the workings or “fundamentals” of the economic system or in the policy/power domain, although policy has also an impact on how markets work. Regarding market inequality, evidence shows that globalization and financialization triggered a new process of “unequalization” across the OECD (as well as in Eastern Europe, Russia, China and India), bringing them closer to patterns observed in more unequal middle-income countries. Indeed, while market distributions are often similar between developed and developing countries, the latter are less successful in reducing inequalities through tax and transfer systems, with income and direct taxes having a higher distributional impact compared to

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<th>Latin America and Caribbean</th>
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<td>7.2</td>
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Source: Calculations of report team based on World Bank 2022.
Notes: Methodology based on Peterson 2017
Box 3.2 Measuring economic inequality

Income disparities among individuals can be divided into income, wealth and pay/wage inequality. Income inequality is the extent to which income is distributed unevenly across people or across households. Income encompasses labour earnings (such as wages, salaries and bonuses), capital income derived from dividends, interest on savings accounts, rent from real estate, as well as welfare benefits, public pensions and other government transfers. There are further distinctions between individual versus family income, pre-tax versus after-tax (disposable) income and labour earnings versus capital income. While income refers to the flow of money over a given period, an individual’s wealth represents the stock of assets a person holds, including financial assets such as bonds and stocks, property and savings.

Consumption inequality tends to be lower than income inequality as individuals can smooth temporary shocks to income through savings and borrowing and richer people tend to save a higher proportion of income than poor people. Consumption inequalities are a better measure to reflect differences across individuals in the accumulation of assets, access to credit or social protection.

The choice between income or consumption measures is often determined by data availability. Advanced economies tend to collect high-quality income data, especially those drawn from administrative tax records. Consumption data are particularly relevant for developing countries, where it is difficult to obtain reliable estimates of income because a large part of the population is self-employed, producing for their own consumption (especially in agriculture) or being paid in kind. For this reason, World Bank Development Indicators on inequality for LDCs are typically estimated based on household consumption expenditures.

The Gini coefficient is the most commonly used summary measure of economic inequality, taking values between 0 (which refers to “perfect equality”) and the maximum value of 1 (when one person earns all the income). The lower the Gini value, the more equal a society is. This measure is not perfect, however, as economies with similar Gini coefficients can have very different income distributions.

A commonly used percentile ratio, also called the “interdecile ratio,” is the 90–10 ratio, which shows the income level of individuals at the top of the income distribution (top 10 percent) relative to the income level of those at the bottom of the distribution (bottom 10 percent). Another commonly used share ratio is 90–40, called the Palma ratio. It represents a ratio of the income of the richest 10 percent of the distribution to those in the bottom 40 percent. Societies with a Palma ratio of 1 or below 1 tend to be viewed as relatively equal, meaning that the top 10 percent does not receive a larger share of national income than the bottom 40 percent.

In addition to income distribution measured at the personal or household level, functional income distribution or factor shares measure distribution of income to factors of production: rent for land, wages for labour and profits for capital. Attention has shifted away from functional to personal income distribution, with implications for political economy and social policy. These shares reflect the relative power of different groups and are therefore evoked in debates on social justice and fairness, though neoclassical theory states that factor returns are based on marginal productivity. Both types of distribution are closely linked: a greater labour share in national income is, for example, associated with lower Gini coefficients of personal income distribution across a range of developed and developing countries. Factor shares link income to productive activity, and this is relevant to understand not just the distribution of income but also the way in which we evaluate the fairness of the distribution. There are good reasons why people refer to wages, salaries and self-employment income as “earned income,” and to profits and rent as “unearned income.”

Measuring economic inequality relies on data quality. Household surveys have the disadvantage that high-income earners often fail to respond to surveys or may not be willing to reveal their financial situation; at the same time, poor people might not be reached by surveys at all. Information from tax collection tends to report higher earnings among the wealthy compared with household surveys, yielding more information on the situation of top earners rather than low earners. However, underreporting of income to tax authorities, non-requirement to declare income for those who earn too little to pay taxes and activities in the shadow economy, often paid in cash and not reported, are undermining data quality.

Finally, it is important to distinguish between relative and absolute measures of inequality. Colenbrander and Norton (2016) explain the difference through an example: they assume that the daily income of a poor person receiving USD 1 grows by 50 percent while the income of a rich person receiving USD 100 grows by only 1 percent. The daily income of the poor person will rise to USD 1.50, while the income of the rich person will rise to USD 101. The income of the poor person has proportionately grown much faster, increasing their share of total national income. Yet the absolute income gap has widened from USD 99 to USD 99.50. This explains why periods of high growth can contribute to significant poverty reduction while increasing absolute inequality.

SDG 10 is focused on shared prosperity rather than extreme inequality, which can be interpreted as a political choice. It only measures relative inequality—which means that even if countries achieve the quantifiable target, absolute inequality could continue to soar. However, the income of the poor will have to increase by substantially more than the average prescribed by SDG 10 if countries are to reduce absolute inequality of income. Another limitation of SDG 10 is that it uses average income as a reference point. The global conversation around inequality has been focused not on the difference between the bottom 40 percent and the average but on the consequences of extreme wealth and poverty. In Germany, for example, the income of the average person in the bottom 40 percent would have to increase at 4.4 times the rate of their counterpart, the top 10 percent, and in France, it would have to be 5.3 times the rate, just to maintain the difference, not reducing absolute inequality.

Sources: Colenbrander and Norton 2016; Keeley 2015; Trapeznikova 2019
transfers (figures 3.6, 3.7). Considerable variation exists in the group of middle-income countries (from highly unequal in South Africa or Brazil to fairly equal in former socialist countries), suggesting that policy matters. This difference also shows that some developed countries such as Sweden and Germany make considerable fiscal efforts to lower their high market Gini coefficient: in order to get to a disposable income Gini of about 30, Germany needs a relative reduction of its market Gini of 44 percent, while South Korea needs a decrease of just 9 percent to achieve the same result. Where market inequalities are high and fiscal policies less effective, as in many countries in the global South, disposable income Gini coefficients are high (see figures 3.6, 3.7).

Figure 3.6 Inequality before and after fiscal policy

Given the high importance of social spending and domestic resource mobilization policies for equality outcomes, it becomes clear that widespread spending cuts, so-called austerity policies, regularly implemented as stabilization measures in times of economic and financial crises, have highly detrimental impacts on economic and social inequalities as they undermine efforts by the state to counteract them (see chapters 1 and 5).

3.3 Inequalities along global value chains

One of the clearest examples of how the current structure of the global economy drives economic inequalities and how these are linked to social, environmental and political inequalities is that of global value chains, locating the different stages of the production process across different countries (see chapter 1). This geographical and spatial fragmentation of the production process associated with global supply chains, strongly promoted by neoliberal policy makers, has now emerged as a major carbon polluter and societal threat. GVCs produce vertical and horizontal inequalities and also benefit from inequalities, serving powerful economic and political interests. The dynamics of a global economy dominated by GVCs contribute to the patterns of inequality described above, despite a
rhetoric that emphasizes the positive opportunities of connecting surplus labour or small producers in the global South with the opportunities of the global economy.\textsuperscript{85} Value chains cross borders and are an entry point to analyse global interdependencies in social inequalities, for example, the unequal distribution of value and gains across locations and time, where local populations bear the environmental and social costs of resource extraction, which often creates protest and resistance.\textsuperscript{86} The creation of GVCs is a form of disembedding whereby production is divorced from the regulatory regimes of consumer countries,\textsuperscript{87} reconfiguring local contexts.\textsuperscript{88}

MNCs often play key roles in GVCs, building their dominant market position on the invention and application of new technologies and frequently occupying dominant positions in national economies. In 2020, the top 50 companies in the world accounted for 28 percent of global GDP (adding USD 4.5 trillion of stock market capitalization in 2020), a sharp increase from 1990, when their share was less than 5 percent of global GDP.\textsuperscript{89} While lead firms in GVCs mobilize vast political power to create those conditions and ensure that they are maintained,\textsuperscript{90} developing countries have incentives to keep costs low, in terms of both so-called red tape costs for producers and wages, to attract foreign direct investment and increase exports.\textsuperscript{91} For many states, these outcomes emerge from the significant asymmetries of political and bargaining power that exist between their governments and transnational (and some local) firms. For others, coercive pressures may be less pronounced, but the competitive dynamics of the global economy and the demands of economic development push in the same direction, as countries seek to signal investor-friendly policies.\textsuperscript{92} In practice, power dynamics can be even more complex, as an analysis of the garment sector in Bangladesh shows.\textsuperscript{93} Different stakeholders in this particular GVC display different views on the responsibility and decision space of lead firms, supplier firms, worker organizations and national governments to increase workers’ safety and labour standards, reflecting the need to better enforce global regulations and to support broad-based actor coalitions.\textsuperscript{94}

GVCs are pervasive in low-technology manufacturing, such as textiles and apparel, as well as in more advanced industries such as automobiles, electronics and machines.\textsuperscript{95} Their hierarchical division of labour

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**Figure 3.8 Domestic material consumption per capita, 2000 to 2019 (metric tonnes per capita)**

[Graph showing domestic material consumption per capita for different regions from 2000 to 2019.]

Source: UN DESA 2021.
generates high competition at the lower value-added stages of production, where low wages and profit margins prevail for workers and suppliers operating out of export processing zones located in the global South. At the top of the hierarchy, economic rents are high and competition is centred on the ability to monitor and control intangible assets related to innovation, finance and marketing.96

Developing countries’ role in GVCs also has disadvantages in environmental terms:97 current GVCs dominated by developed-country MNCs often lock in developing countries’ part of the GVC to more carbon-intensive (energy-intensive) but lower value-added commodity extraction and production (mining and agriculture), partly driven by the offshoring of carbon-intensive and greenhouse gas-emitting industries to developing countries, a process that started in the early 1980s.98 The rising domestic material consumption per capita in developing countries (see figure 3.8) is mainly due to industrialization connected to GVCs, with developed regions outsourcing material-intensive production and so reducing their own material consumption.

The increasing economic and political dominance of large global corporations and the associated adverse economic, social, environmental and political impacts have increased concerns over the failure of governments to address market concentration and to better regulate markets, level the playing field between countries and different types of companies, protect the state from capture by business interests, institutionalize corporate social and environmental responsibility as a legal obligation, and change the way corporate performance is measured and valued, which in its current form is not providing the incentives required to change business behaviour in line with the envisaged sustainability transition. While evidence-based proposals exist to reform the global business model, which we discuss in greater detail in chapter 5, these proposals still need to gain traction in a context where neoliberal hyperglobalization and financialization continue unabated.

Inequalities along GVCs have increased through financialization,99 “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies.”100 Financialization, a process that has accelerated during neoliberal globalization (see chapters 1 and 2) transforms valuation processes of social, cultural or environmental activities and assets, separating a resource from its material value and separating the user from the resource.101 Financialization subordinates the needs of the real economy to the motives and expectations of global financial markets and investors.

Through financialized GVCs, some countries provide commodities and struggle to earn profits from this activity, while others, which are specialized in service provision and trade and move these commodities from sites of extraction or cultivation to sites of production or consumption, rake in huge profits in the process. While the consequences of financialization are manifold, one common thread is the increasing power of capital owners. This power translates into pressure for companies to perform in relation to indices; it changes the relation between “physical” and “speculative” trade; it shifts the power balance between workers and managers in collective bargaining agreements; and it further erodes the capacity of both Southern and Northern countries to effectively regulate their markets.102

Financialized GVCs have significant impacts on the environment and local communities where the sites of production are situated. They directly touch the lives of various actors throughout the chain, from consumers unable to afford or access needed commodities, to local producers whose livelihoods are compromised, to workers participating in the industry under lax labour regulations, to local communities facing impacts such as displacement, pollution and environmental degradation.103 GVCs have strong implications for gendered social development outcomes, in particular in the global South (see box 3.3).104 Further, such processes serve to accelerate the plundering of the commons (see Spotlight by Guy Standing), as farmlands, forests, mines and even oceans become privatized and extracted.105 This buying up has profound consequences, transforming local landscapes and the ways of life that depend on them and producing negative environmental impacts on said communities.

Added to this, global commodity trade is marked by a lack of supply chain transparency, regulations or accountability to local governments. In fact,
Box 3.3 Gender implications of transformations of the copper value chain in Zambia

Copper is deeply woven into the social, economic and political fabric of Zambia. Over the last decades, Zambia has seen profound transformations of the sector driven by the privatization of the previously state-owned copper enterprise Zambia Consolidated Copper Mines (ZCCM) in 1997 and the increasing financialization of the copper value chain during the period of hyperglobalization. Economic dependency on the commodity is high: the country is the seventh largest copper producing nation in the world, mining accounts directly for 10 percent and indirectly for up to 50 percent of its GDP, while the copper trade constituted 77 percent of its total exports in 2019, making it the country most dependent on copper exports in the world. Fiscal revenues from mining have increased from very low levels after privatization of the mining sector, contributing around 28 percent of government revenue in 2019. The sector contributed 2.4 percent of total employment in 2019, down from 15 percent in 1990 when the mining sector was still owned by the government.

Although Zambia reached middle-income status in 2011 after years of commodity-driven income growth, it simultaneously experienced worsening social outcomes, from poverty to rising inequalities. Between 2002 and 2010, the Gini coefficient increased from 0.42 to 0.56, the consumption share of the poorest 10 percent fell from 6.1 percent to 3.8 percent, while the share of the richest decile increased from 33.7 percent to 45.2 percent. These tendencies have not changed greatly over the past decade, with poverty rates remaining at a level of 60.1 percent of the population in 2020 (USD 1.9 PPP in 2011). Thus, economic growth driven by increases in copper prices did not translate into improved conditions for the majority of the population. Instead, it intensified the erosion of standards of living and safety nets. These effects were especially visible in the case of the copper mining sector, affected by profound restructuring through privatization and financialization. The shift toward greater profit orientation of privatized companies acted to the detriment of workers’ welfare, while private companies did not provide the same investments into social services and infrastructure compared to ZCCM. In combination with an international context characterized by rapid technological progress and rising price volatility, these changes resulted in increasing job losses and employment insecurity and precarity (moving from permanent contracts toward subcontracted, temporal and precarious jobs), rising indebtedness of mine workers, erosion of social protection and continued exposure to negative environmental impacts.

An UNRISD study conducted as part of the international project Valueworks: Effects of Financialization along the Copper Value Chain analysed the gendered implications of the transformations of the copper value chain in Zambia’s Copperbelt. It finds that historically, women have been excluded from most direct mining activities, seen as an ultra-masculine domain, due to societal norms, restricting them to household responsibilities such as domestic and care work and informal activities. However, economic restructuring of mining operations engendered, in some instances, gradual changes in gender stereotypes and the household division of labour. Economic insecurity and the loss of jobs of the traditional male income-earner has allowed women to venture outside the home in search for income, which can result in greater economic empowerment of women. Despite these recent gains in women’s workforce participation, societal perceptions of gender roles, especially in mining communities, still shape their job opportunities, such as women unable to access high paying jobs in mining and being mostly considered for clerical and administrative jobs corresponding to stereotypes of female employment. Overall, employment conditions have worsened for both women and men of the Zambian Copperbelt while the Covid-19 pandemic has resulted in further hardships and rising inequalities, as well as the renationalization of the Mopani copper and cobalt mines previously owned by the Swiss multinational Glencore, opening new opportunities but also risks in a volatile international environment.

corporations have a disproportionate amount of influence over governments in producing countries, as labour and environmental protections come down in the hopes of attracting more investment. This also has profound impacts on local lifeworlds, relating to employment and protections, access to resources for subsistence and income earning, availability and affordability of needed commodities, and cleanliness and safety of one’s living environment, impoverishing communities and deepening inequalities (see box 3.3).

Globalization of value chains is furthermore associated with various inequalities in agricultural and food systems in rural and semi-rural areas. First, GVCs shift production patterns away from local needs to the needs of global markets. As a result, local consumers lose access to important resources, and community needs go unmet, either because the new commodity prices reflect global market prices and are financially out of reach of local communities, or because their production has been replaced with one chosen for its value and demand on the global market rather than local ones. Further, while the underlying logic supporting globalization includes its role in linking local farmers to GVCs, many of the opportunities are seized by big corporations in partnership with large-scale farmers owning large tracts of land and having significant control over resources. Food is being seen as a strategic asset; this is resulting in new waves of land, ocean and resource grabs. Although there are many economic forces at play in the global food market, many of its components are controlled by a relatively small number of actors alongside whom smallholder farmers have little institutional, legal or financial support.

Furthermore, global trade encourages corporate farming for export, promotes monoculture and can lead to import dependence for basic food resources. Many countries in Africa that have intensively commercialized agriculture have seen their dependence on food imports increase as farmers switch to export-oriented cash crops. While this is not unusual in a globalized world and only four countries are actually net importers (Angola, the Democratic Republic of the Congo, Nigeria and Somalia) the 2008 world food price spike again highlighted the importance of locally grown food, as did the outbreak of Covid-19 and the current Russia–Ukraine war, which led and could lead to significant interruptions in food supply chains.

GVCs integrated into agricultural and food systems are also accentuating inequalities through their negative impact on local environments. Corporate farming is resource intensive, often with excessive chemical content and overextraction of local biological resources. The cost associated with this resource degradation and contamination is borne by small farmers who depend entirely upon resources available in nature. Since women predominate among small farmers, gender inequality in farming is also exacerbated. Furthermore, consumption patterns and dietary preferences are considerably influenced by market advertising driven by corporatist agendas. Nearly all developed countries and a growing number of developing countries prefer land- and water-intensive food, with very high environmental costs. This in turn is leading to environmental degradation, climate change, social inequality and poverty. Here again, inequality is reproduced because the cost of environmental degradation is borne most by those who are directly dependent upon surrounding environmental resources.

Finally, GVCs could also increase between-country inequalities, as they emerge from and reproduce unequal roles in the global division of labour. While some large developing countries, such as China and India, have strong positions in certain GVCs, most developing countries are integrated in GVCs with low value-added production activities with small profit margins. This serves to further
entrench economic power imbalances that are inherent to global production networks and create disparities between regions and countries. It also drives both internal and international migration and urbanization, as opportunities for livelihoods dwindle in rural areas, and plays a significant role in global patterns of labour migration from South to North.


4.1 Why we should care about social inequality

Indigenous peoples are three times more likely to live in extreme poverty compared with non-Indigenous groups. Even before the Covid-19 pandemic upended opportunities for many, young people were three times more likely to be unemployed than older workers and twice as likely to live in extreme poverty. Only 28 percent of persons with severe disabilities receive disability cash benefits. Black women in the United States are three to four times more likely to die from complications from pregnancy than white women (see box 3.5).

Social or horizontal inequalities, defined as disadvantages related to group status as illustrated above, compound economic inequality, resulting in entrenched structures of stratification which constrain people’s life choices and well-being, undermining social cohesion, democracy and economic development. Social inequalities in combination with poverty and other economic deprivations tend to manifest as social exclusions which are hardwired but not immutable.

Social inequalities are also reflected in differences in capabilities, for example, inequalities in employment, health, education, housing, nutrition, security, power, assets and so forth. They reflect social hierarchies or social positions which determine access to goods, status and power. When based on discriminatory rules and practices, they not only violate human rights but also have a negative effect on the economy, depriving people of their opportunities to participate in economic activities on equal terms. Real or perceived discrimination and grievances related to markers of identity such as gender, sexuality, race, ethnicity or religion, to name a few, can fuel discontent and even result in violent attacks and conflict, threatening the social fabric and unraveling social contracts. They also lead to power asymmetries that influence political systems and decision making (see section 5 on political inequalities).

4.2 Social inequalities: Where do we stand?

How have horizontal inequalities evolved over recent decades, and what is the current situation? In this section we present data on how different social groups are affected by income and multidimensional poverty and analyse disaggregated social outcomes for nutrition and hunger, exposure to violence, education and health services, access to social protection and employment.

4.2.1 Poverty and social inequalities

In recent decades, the world has made substantial advances toward eradicating extreme poverty, advancing human well-being and building capabilities; but extreme deprivations persist, especially for extreme poverty is concentrated among disadvantaged groups, and the limitations to their opportunities and capabilities are often linked to deeply rooted structures of social and political inequality, as well as discriminatory laws and social norms.
disadvantaged social groups, and progress varies significantly between world regions. In 2020, the Covid-19 pandemic disrupted implementation of many of the SDGs, while the Russia-Ukraine war has upended a fragile global economic recovery, threatening to reverse years of progress on poverty, health care and education.\textsuperscript{122}

Women, children, youth, older people, persons living with disabilities, migrants, Indigenous peoples and LGBTIQ+ persons, among other groups, often experience lower levels of well-being within a population, especially when their condition is intersecting with poverty.\textsuperscript{123} Social inequality based on group identity exacerbates poverty and limits access to fundamental rights. Lack of access to water and sanitation, higher risk of disease contagion, food insecurity and land deprivation are some of the factors that have amplified inequality during the Covid-19 crisis.\textsuperscript{124} Indigenous peoples suffer lack of access to appropriate public health systems, were not properly considered in the formulation of confinement measures and had limited access to preventive information, such as updates about the disease in culturally and language-pertinent formats.\textsuperscript{125}

Extreme poverty is concentrated among disadvantaged groups, and the limitations to their opportunities and capabilities are often linked to deeply rooted structures of social and political inequality, as well as discriminatory laws and social norms.\textsuperscript{126} In many countries, children are proportionately more affected by poverty than the general population because poorer households tend to have larger families, including in high-income countries where around one in seven children are deprived.\textsuperscript{127} An estimated 80 percent of persons with disabilities live in poverty. Refugees and migrants also face numerous barriers to secure their livelihoods and social rights.\textsuperscript{128}

On the positive side, the number of people living below the monetary thresholds of USD 1.90 per person per day has been declining for years (driven to a large extent by China and India), marking progress toward SDG 1.\textsuperscript{129} However, headcount figures remain high, and almost half of the world population lived below USD 5.5 per person per day in 2017.\textsuperscript{130} Even before the Covid-19 pandemic, the pace of global poverty reduction was decelerating and was not on track to realize the global target of ending poverty by 2030.\textsuperscript{131}

Multidimensional poverty including poor health (measured, for example, in terms of child mortality or nutrition indicators) and education (measured in years of schooling and enrolment), as well as inadequate living standards (related to access to water, sanitation, electricity, cooking fuel and other assets) reinforce each other and constrain people’s freedoms and capabilities.\textsuperscript{132} In 2018, 1.3 billion people in 105 countries lived in households with multidimensional poverty characteristics or overlapping deprivations. As a result of the Covid-19 crisis, the Human Development Index, a combined measure of education, health and living standards, is on course to decline for two consecutive years since the measurement began in 1990 (figure 3.9).\textsuperscript{133}

Already before the pandemic hit, research on human development detected divergence in enhanced capabilities between countries, for example, life expectancy at older ages or share of adults with tertiary education, compared to convergence in basic capabilities such as primary education.\textsuperscript{134}

The pandemic has disproportionately affected vulnerable groups and further exacerbated existing disparities.\textsuperscript{135} The gap between the numbers of men and women who live in poverty has widened\textsuperscript{136} and an estimated 100 million children fell into poverty during the pandemic.\textsuperscript{137} Around five million children are estimated to have been orphaned because of the death of a parent or caregiver due to Covid-19.\textsuperscript{138}
Box 3.4 Protecting and supporting vulnerable groups through the Covid-19 crisis

An UNRISD survey on “Protecting and Supporting Vulnerable Groups Through the Covid-19 Crisis” conducted in April–July 2020 with academics and practitioners from 82 countries worldwide highlighted the need for policy responses that are sensitive to the specific characteristics, locations and needs of vulnerable groups, especially the working poor, as well as older persons. In low- and lower-middle-income countries, lockdowns and physical distancing were perceived as less effective if not accompanied by social and economic support policies such as food distribution. The importance of establishing employment programmes for vulnerable people such as migrant workers, daily wage labourers and youth was highlighted in Belgium, Costa Rica, India, Mexico, Palestine, South Africa and the United States. Inclusive social protection programmes for people living with disabilities and older persons were emphasized in Indonesia, Myanmar, Nigeria and the United Kingdom. Beyond governments, non-state actors including faith-based groups, trade unions, the private sector and other non-governmental organizations have provided essential support and services in some countries, especially for vulnerable groups. This has included the provision of food and protective equipment, public information campaigns, transporting older persons to clinics, mental health services and support for women and children.

Source: Ladd and Bortolotti 2020.

4.2.2 Hunger and nutrition

Social inequalities are also highly visible when looking into food security, hunger and nutrition indicators: our current food and nutrition systems are marked by inequality and injustice, and hunger and malnutrition are unacceptably high with marked differences between countries, within countries and by population characteristics. Even in advanced countries there are pronounced racial, ethnic and socioeconomic inequities in undernutrition and overnutrition, as well as in micronutrient deficiency. The outbreak of Covid-19 and its aftermath have further compounded the food and nutrition challenge. Recent World Food Programme (WFP) projections indicate that, because of the economic effects of and supply chain disruptions associated with Covid-19, the number of food-insecure people may have doubled in 2020, to 265 million people. Estimates of both hunger and severe food insecurity were revised upward in 2020, with the Covid-19 pandemic adding between 83 and 132 million people to the total number of undernourished in the world. Around 370 million children missed out on school meals due to school closures in spring 2020 in countries both rich and poor. In 2020, the WFP estimated that due to the pandemic, by the end of the year the number of people experiencing extreme hunger would increase by 82 percent compared with 2019, with hunger increasing in existing “hot spots” but also popping up in new ones. Concerns about hunger and food insecurity are further increasing in the more recent context of blocked grain exports from Ukraine and Russia as well as price hikes and supply chain disruptions related to various goods, including energy and fertilizers, in the context of the war.

Children are in fact among the hardest hit because their potential for growth is compromised and the impacts will be lifelong, diminishing opportunities across the life course. Increasing numbers of children are becoming malnourished due to the deteriorating quality of their diets, interruptions in nutrition and other essential services, and the socioeconomic shocks created by the pandemic in low- and middle-income countries. The pandemic is leading to multiple forms of nutrition failure for children, including stunting, wasting and micronutrient deficiency.

4.2.3 Violence

Social inequalities are also visible with regard to violence. There are a number of factors that can heighten one’s risk to violence, including poverty and economic distress, cultural norms, conflict and displacement, weak safety net services, age, and racial, ethnic and gender inequality. Globally, 35 percent of women have experienced physical and/or sexual intimate partner violence, or sexual violence by a non-partner. Every year, more than 1.7 billion children around the globe experience emotional, physical or sexual violence in homes, communities, schools, workplaces, detention centres, institutions and online. Exposure to violence and lack of physical safety is clearly related to intersecting forms of inequality and the lack of power victims of violence are experiencing, a situation that requires...
integrated approaches to strengthen the agency of affected groups, access to support and protection services, as well as preventative action and awareness raising.\textsuperscript{152}

Sexual and gender-based violence is ubiquitous and touches people of all genders in all corners of the world. One in three women and girls experience sexual assault or intimate partner violence in their lifetime.\textsuperscript{153} Boys in many countries in the world are dropping out of school because of harsh disciplinary measures, corporal punishment and bullying.\textsuperscript{154} However, overlapping vulnerabilities render certain groups at greater risk, such as living in a low-income/marginalized neighbourhood,\textsuperscript{155} having a low level of education and living in situations of conflict.\textsuperscript{156}

Employment in certain kinds of work that are overwhelmingly made up of women entails higher vulnerability. Domestic workers are more vulnerable to violence in the workplace for a number of reasons, including the private nature of their work (which means abuse usually goes unseen), the difficulty of network building, and, in the case of migrant domestic workers, reluctance to go to authorities because of language barriers or fear of being deported.\textsuperscript{157}

Sex work is another site in which gendered vulnerability intersects with labour insecurity to lead to violence. A systematic review of violence against sex workers globally concluded that between 45 and 75 percent of sex workers have experienced workplace violence. The report identified various factors that led to increased risk of violence against sex workers, including migrant status, debt, residential instability, homelessness, lack of education and inability to organize.\textsuperscript{158}

In certain settings, LGBTIQ+ people are particularly vulnerable to gender-based and sexual violence. As the Office of the United Nations High Commissioner for Human Rights (UN OHCHR) (2011) report presented to the 19th session of the Human Rights Council lays out, attacks on people because of their sexual orientation or gender identity “constitute a form of gender-based violence, driven by a desire to punish those seen as defying gender norms.” Official data on homophobic and transphobic violence are scarce due to the fact that few countries have in place systems to record and report hate crimes, and even where they do exist there are many barriers to proper reporting, for example, stigma that causes people not to come forward, or fear of or lack of trust in the police.\textsuperscript{159} However, the data that do exist present a grim picture. Between 2008 and 2021, over 4,000 murders of trans persons in 80 countries were documented by the Trans Murder Monitoring project, with 24 percent being sex workers.\textsuperscript{160} In the United States, LGBT\textsuperscript{161} people (16+) are nearly four times more likely to experience violent victimization compared with non-LGBT people.\textsuperscript{162} Survey results from Europe show similarly high levels: in the five years before the survey, 58 percent experienced harassment and 11 percent were physically or sexually assaulted because they were LGBTI. Of those who experienced acts of violence, only 21 percent reported them to any organization.\textsuperscript{163} State-sanctioned violence against LGBTIQ+ persons is also growing, with laws prohibiting or discriminating against same-sex relationships popping up in places such as Ghana, Hungary and Poland, to name a few, leading to increased violence.

Race is also a highly relevant factor determining vulnerability to violence. Racial violence, with historical legacies deeply rooted in colonialism and slavery, seems to be on the rise in recent
years. In the US, racially motivated hate crimes increased by 25 percent between 2019 and 2020. In Brazil, between 2001 and 2011, homicide rates of white Brazilians decreased by 52 percent (see Spotlight by Jailson de Souza e Silva).

One of the most chronic forms of racial violence is the disproportionately high rates of killings of persons of colour by police. In the United States, police violence is the leading cause of death for young men, and Black, Indigenous and people of colour are statistically more likely than their white counterparts to be killed by police, topping out at 2.5 times as likely in the case of Black men. In 2018, 75 percent of victims of police violence in Brazil were Black or mixed race, while they only represented 55 percent of the population. In Brazil, police killings are on the rise, increasing by almost 20 percent in the year 2018. Numerous studies in both countries reveal significant racial bias in police forces and discount the idea racial disparities in police killings are fully attributable to the overrepresentation of persons of color in impoverished communities.

In the last decade, with the almost ubiquitous use of smartphones, acts of racial violence have become more and visible, sparking public outrage. Citizen recordings of police officers killing (often unarmed and detained) Black men, including Eric Garner, Alton Sterling and George Floyd, among many others, fueled the Black Lives Matter movement, triggering a series of protests across the nation and the world. In Brazil, the 2018 assassination of Marielle Franco, a Black queer activist and local city councilor in Rio de Janeiro who campaigned against police brutality, racism and neglect of poor communities, sparked national protests, international condemnation, as well as larger debate in the country about legacies of police brutality directed largely at poor Afro-Brazilians. These movements have also led to backlash that in turn has triggered more racial violence, for example in the form of white nationalist counter-movements and targeted attacks on Black establishments, including a church in Charleston, South Carolina in 2015 and a supermarket in Buffalo, New York in 2022.

Racial violence also takes shape on a global scale, for example with regular violent attacks on migrants, refugees and ethnic/racial minorities driven by xenophobia and racism in several European countries, but also in countries such as South Africa, and the recent rise of anti-Asian violence in the wake of the Covid-19 pandemic. Since the pandemic began, reports of anti-Asian violence have increased across the world, including attacks, beatings, threats and racist abuse. UN Secretary-General Antonio Guterres called on governments to “act now to strengthen the immunity of our societies against the virus of hate” following what he described as “a tsunami of hate and xenophobia, scapegoating and scare-mongering.”

4.2.4 Education

Access to quality education in early childhood, as well as primary, secondary and higher education, are essential to build capabilities for all. Disparities in access to education have negative implications for inequality because they have an important role to play in perpetuating inequality over the life course and intergenerationally. Years of schooling are strongly correlated with future earnings and therefore play a crucial role in social mobility. In fact, one of the strongest predictors of educational attainment is parental education level, with particularly strong correlation in low-income countries. One study found the chances of upward social mobility in education are on average twice as high in high- and upper-middle-income countries than in low-income countries. The 2030 Agenda for Sustainable Development aims (inter alia) "to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all," including equal access to affordable technical, vocational and higher education (SDG 4, target 4.3). In addition, target 8.6 demands a substantial reduction in the proportion of youth not in employment, education or training by 2020.

Intersecting vertical and horizontal inequalities determine to a significant degree who can access higher education and which institutions, and on what terms.
Before the pandemic interrupted regular school services some achievements were made (although quality of education services remained a challenge), with the proportion of children and youth not in primary or secondary school declining from 26 percent in 2000 to 19 percent in 2010 and 17 percent in 2018 (figure 3.10). And while girls have made big strides in overcoming gender inequalities in education, new gender disparities are arising, as girls have outperformed boys over the last decade at the primary and secondary level (figure 3.10), prompting new research on why boys have been increasingly disengaging with education. In the past year, school closures to stop the spread of Covid-19 have affected the vast majority of the world’s student population. In 2020, more than 190 countries implemented nationwide school closures and about 90 percent of all children and youth (1.6 billion) were out of school and university for at least part of the year with learners hit worst in countries that lack the electricity, Internet and computers necessary to switch to remote learning. In India and Uganda, schools remained shut for around two years, representing a significant loss to the development of children, especially those from underprivileged families that do not have access to the Internet. Educational prospects could be further undermined by a projected increase in child labour: the impacts of Covid-19 threaten to push an additional 8.9 million children into child labour by the end of 2022, as families send children out to work in response to job and income losses. The digital divide is widening education equality gaps. Before the pandemic crisis, almost one-third of the world’s young people were already digitally excluded. Although distance learning solutions have been provided in four out of five countries with school closures, at least 500 million children and youth in vulnerable and disadvantaged communities remain excluded from these options.

Intersectionality plays an important role for educational outcomes: there are significant gaps in education quality and access between countries and along gender, class and regional lines. Fifty-three percent of children who do not attend primary school are girls. In many countries in Latin America and sub-Saharan Africa, more than half of students who complete primary school fail to attain basic numeracy and literacy skills. In sub-Saharan Africa, only 55 percent of primary school teachers are trained. The increased privatization of education in some contexts contributes to a massive disparity in quality of education between the poor and the wealthy, increasing pressure on already struggling education systems. As mentioned above, despite significant progress in basic capabilities in education in pre-pandemic times, advanced capabilities have been harder to expand. They are especially relevant when applying an inequality lens that goes beyond poverty and investigates questions of social mobility and elite power. Higher education (HE), historically a privilege of elites, is now recognized as a key to social mobility and greater equality across gender and race, empowering disadvantaged groups and increasing their labour market opportunities. A quality public higher education system as part of a comprehensive national education system is also crucial for structural change, nation building, social cohesion and state capacity. Training civil servants and highly skilled professionals working in public services, such as teachers and medical staff, are strategic objectives in this regard that had been sidelined during the
periods of structural adjustment and neoliberal reform. During that time public universities were most affected through spending cuts, at the same time as enrolment numbers increased, resulting in falling standards of education and poor working conditions for staff.\textsuperscript{192}

In the past several decades efforts to expand HE have swept the world, and globally more than one-third of secondary school leavers are now absorbed into some form of HE, up from one-fifth in 2000.\textsuperscript{193} But these increases are not evenly distributed across countries. The average gross enrolment ratio is just 9 percent in low-income countries (see figure 3.11), and many global South countries lack not only financial resources to improve this figure but also qualified staff, with many of their best academics leaving for institutions in the global North.\textsuperscript{194}

In addition to these disparities between countries, inequalities abound within countries as well, even where enrolment has risen markedly. In many cases, expansion in systems of HE not only reinforce old inequalities but also create new ones. The increased participation in tertiary education has not necessarily been accompanied by sufficient formal employment opportunities for new labour market entrants, a situation that has worsened during the current Covid-19 pandemic.\textsuperscript{195} Further, the demand for HE in many places in the global South has exceeded the capacity of public educational institutions, which experienced budget cuts during structural adjustment and subsequent fiscal crises (chapter 2). Growing demand has largely been satisfied by private providers, with impacts on affordability and accessibility.\textsuperscript{196} Indeed, data indicate a sharp divide in the developing world in terms of access, with rich students overwhelmingly outnumbering poor students.

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**Figure 3.11 Evolution of gross enrolment ratio in tertiary education by world regions, 1970–2014**

![Graph showing the evolution of gross enrolment ratio in tertiary education by world regions, 1970–2014.](image)

- **North America**: 47.37% (1970), 72.61% (1990), 84.03% (2014)
- **Europe and Central Asia**: 33.27% (1970), 35.07% (1990), 62.07% (2014)
- **Latin America and Caribbean**: 5.96% (1970), 16.20% (1990), 43.30% (2014)
- **Middle East and North Africa**: 5.65% (1970), 12.71% (1990), 36.47% (2014)
- **South Asia**: 4.28% (1970), 5.42% (1990), 36.42% (2014)
- **East Asia and Pacific**: 1.43% (1970), 5.21% (1990), 20.84% (2014)
- **Sub-Saharan Africa**: 1.40% (1970), 3.20% (1990), 8.59% (2014)

students in terms of attendance rates, and those students from disadvantaged social groups much more likely to attend non-selective universities.197

Recent UNRISD research explored these questions in selected countries in Latin America and sub-Saharan Africa. It found that while availability of HE opportunities for school leavers and adult learners has increased over the past decades, countries in the global South are still lagging behind compared with the global North. The expansion of private or fee-paying HE as the main mechanism to expand availability of opportunities reflects both fiscal constraints and international trends toward commercialization of public services. This has highly detrimental impacts on access and equity in contexts where inequalities are high and most student cohorts are from low-income families. In contexts where pressures for cost recovery and meritocracy compete with equity concerns, accessibility has been improved through policies such as subsidized student loans and living support schemes, expansion of subsidized programmes in public universities, quota systems favouring racial minorities in competitive entry exams, expansion of tertiary education infrastructure outside of urban centres and distance education.

Low-income or poverty status continues to be the greatest obstacle to access, with some minority ethnic groups and women from better-off families having managed to access fee-paying HE. However, racial and ethnic minorities, low-income students, students from public secondary schools or with parents of low educational attainment, and those living in remote areas are still facing obstacles to access and completion, whereas female students are often overrepresented in less prestigious and lower-return study programmes and institutions, as well as in private fee-paying universities (with public no-cost universities in many countries being the most competitive and highest quality) and non-degree programmes. Women also tend to be enrolled in degree courses with lower earning potential. This, combined with inequalities in access to social capital including family networks, labour market segregation, care responsibilities and other disadvantages as described above, lead to lower returns for women compared with men (see figures 3.12 and 3.13). This points to shortcomings in terms of horizontality, uneven prestige and quality across the HE system, and potential for social mobility in HE in the global South. Intersecting vertical and horizontal inequalities determine to a significant

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**Figure 3.12 Labour market returns to education by gender, Chile, 2017**

![Graph showing mean monthly earnings from work (PPP), USD by age and gender for Chilean graduates.]


Notes: The lines track mean earnings by age across different levels of educational achievement and for subgroups defined by gender, ethnic background, parental education and across educational tracks. In 2017, female labour market entrants at the age of 25–29 years earned an average earning of around USD 1,900 PPP with university education compared to around USD 2,200 PPP for male university graduates.

**VET:** Vocational education and training

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**Figure 3.13 Labour market returns to education by gender, Peru, 2017**

![Graph showing mean monthly earnings from work (PPP), USD by age and gender for Peruvian graduates.]


Notes: The lines track mean earnings by age across different levels of educational achievement and for subgroups defined by gender, ethnic background, parental education and across educational tracks. In 2017, female labour market entrants at the age of 25–29 years earned an average earning of around USD 1,200 PPP with university education compared to around USD 1,500 PPP for male university graduates.

**VET:** Vocational education and training
degree who can access HE and which institutions, and on what terms. This in turn shapes the outcomes of HE for future income earning capacity, labour market success and social status, and it prevents societies from harnessing the full potential of all their members and making the right to education a reality.

4.2.5 Health

Physical and mental health are crucial to human well-being. At the same time, inequalities are highly detrimental for health outcomes. Significant advances in many areas of health were being made prior to 2019, though these still fell short of meeting many of the SDG 3 targets. Major progress has been made in maternal and child health (figures 3.14 and 3.15). By 2018, 121 countries had already met the SDG target on under-five mortality. However, the pandemic is reversing gains in this area and others which were already under stress. It is estimated that disruptions to routine health services and constrained access to nutritious diets may have caused hundreds of thousands of additional under-five deaths and tens of thousands of additional maternal deaths in 2020. The impacts of the pandemic on the psycho-emotional lives of young people are also severe, particularly in low- and middle-income countries, compounding existing disadvantages rooted in poverty, conservative gender norms, disability and refugee status. Empirical evidence from Ethiopia, Côte d’Ivoire and Lebanon, for example, shows increases in anxiety and stress, time poverty due to more household chores for girls, exploitative labour conditions for boys, increased exposure to violence and higher risk of child marriage in some places.

Despite some progress toward universal health coverage, the pandemic has exposed inadequate health and sanitation systems globally. Most countries, especially poor countries, have insufficient health facilities, medical supplies and health care workers for the surge in demand. The number of people covered by essential health services—the services prioritized by health systems to prevent or treat diseases—in 2017 was estimated to be between 2.5 billion and 3.7 billion—about one-third to one-half of the global population. Access to water and sanitation (SDG 6) remains a major health issue: 2.2

Figure 3.14 Maternal mortality ratio, 2000–2017 (deaths per 100,000 live births)

<table>
<thead>
<tr>
<th>Australia and New Zealand</th>
<th>Eastern and South-Eastern Asia</th>
<th>Europe and Northern America</th>
<th>Latin America and the Caribbean</th>
<th>Northern Africa and Western Asia</th>
<th>Sub-Saharan Africa</th>
<th>World</th>
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Source: UN DESA 2021.
billion people remain without safe drinking water. Access to quality health care differs widely between the global North and South. For example, with regard to mental health care, a 2017 study found that in high-income countries the proportion of people with depressive disorders being adequately treated was around one in five, while in low- and middle-income countries it was only one in 27. Poverty also highly curtails access to health care, particularly for those without health insurance such as undocumented migrants, as well as self-employed and informal workers, resulting in significant disparities in health outcomes across socioeconomic groups.

Overlapping inequalities compound to create steep disparities in health across groups, with vulnerable groups facing greater health consequences, often receiving poorer quality care or having little or no access to health care. For example, race and ethnicity have a strong bearing on health outcomes. The Covid-19 pandemic revealed steep disparities, with people of colour dying from the virus at much higher rates. But beyond Covid-19, these inequalities exist and have existed for a wide range of medical conditions, with persons of colour experiencing higher rates of illness and death than their white counterparts. In the United States, African American women are 40 percent more likely to die of breast cancer than white women.207 In Australia, the life expectancy of Indigenous people is eight years less than that of non-Indigenous people.208 In the United Kingdom, Black and minority ethnic groups are more likely to be detained under the Mental Health Act than their white counterparts, spend longer in detention, be subject to punitive forms of care and die in detention.209 There are a number of factors responsible for this, which are rooted in systemic racism, and intersect with poverty, space and gender (see box 3.5). They include implicit and explicit bias of medical providers which can lead to providing poorer quality care,210 insufficient funding for medical facilities and lack of providers in low-income and minority neighbourhoods, hesitancy to seek care due to lack of trust in the medical system as a result of historical legacies of exploitation and
harm, lower rates of health insurance among racial and ethnic minorities (often due to precarious employment), and other factors intersecting with socioeconomic status.

Further, globally there are many gendered forces that impede equal access to health, which are often concealed by the fact that women have a higher life expectancy than men worldwide. These include cultural factors that restrict women’s bodily autonomy; male bias in the development of vaccines, drugs and diagnostics; disparities in sexual education between boys and girls; and stigmas that marginalize people whose gender identity does not conform to their biological sex at birth as well as people who engage in same-sex sexual relationships. These are compounded by and reflect various overlapping forms of inequality (see box 3.5). Exploring the nexus between health outcomes and socioeconomic structures through a gendered lens is necessary for developing a holistic and intersectional understanding of health inequalities.

Gender bias in medical research, diagnosis and treatment is well documented. Men are more likely than women to receive more advanced diagnostic and therapeutic interventions. Further, there has long been a problem of gender blindness in clinical studies, either with not enough women included, or where no sex-based analysis is conducted on the findings, meaning that “a great deal of contemporary knowledge about diseases and risk factors is constructed without considering the relevance of either sex or gender.” Moreover, gender stereotypes and preconceptions often have a significant impact on diagnosis and treatment, especially when it comes to mental health and sexual and reproductive health. Transgender and gender non-conforming (TGN) individuals in particular face barriers in access to tailored health care, as well as gender-affirming treatments/surgeries, because of stigma, legal barriers, insufficient resourcing and capacity, and lack of research.

However, understanding the impact of gender disparities on health outcomes requires looking beyond the health system itself and taking a life course approach to understand the long-term effects on chronic disease risk of physical and social exposures throughout a person’s life, specifically the way that “social influences become literally embodied into physio-anatomic characteristics that influence health and become expressed in societal disparities in health.” In the case of gender, this can include, for example, gender divisions of labour that create time poverty and result in unequal access to education, or cultural factors/norms that determine opportunities and constraints for different groups of women to acquire or adhere to health advice. The same applies to LGBTQ+ persons who are often discriminated against by health workers, reducing the likelihood they will seek out care in the future and leading them to turn to non-professionals or to treat themselves. On top of this, other forms of inequality exacerbate and compound these, whether they be environmental, from lack of access, or from stress arising from poverty, experiences of discrimination or other forces. Various studies have analysed the internal stressors that lead to poor mental health outcomes, a concept known as minority stress, which refers to chronically high levels of stress experienced by stigmatized groups. In the case of TGN individuals as well as LGB persons, this can take the form of identity concealment, internalized stigma and expectations of rejection, with well-documented negative mental health outcomes arising as a result, as well as increased likelihood of suicide. Ultimately, the factors leading to gender disparities in health outcomes stem from a combination of direct discrimination in the medical field and long-term and overlapping structural inequalities that are both gendered in nature and intersect with other forms of inequality, for example, race and class (see box 3.5). Health disparities are also spatial in nature, as where one lives also has an impact on access or lack thereof to health services and on health and safety outcomes. In terms of resources and services, there exist crucial disparities around access to and quality of health care, with facilities in impoverished neighbourhoods and rural areas being of lower quality, underfunded and overcrowded, and in rural areas patients may have to travel long distances to receive care. Further, industrial sites are more often located in proximity of marginalized neighbourhoods, creating environmental health risks to residents, for example, in Jackson, Mississippi, where crumbling infrastructure combined with poorly regulated industry, made worse by a deteriorating tax base thanks to tax cuts for the rich, has left residents in poor, mostly Black neighbourhoods exposed to harmful pollutants from industry in both the air and the water. This is also the case for mining communities who suffer adverse impacts from poor environmental practices of mining companies, such
as contamination of the water supply.\textsuperscript{224} Further, there is a strong correlation between urban tree cover and income,\textsuperscript{225} as well as other factors such as race,\textsuperscript{226} which has impacts on air quality, heat and mental health.

\textbf{Box 3.5 The crisis of maternal mortality among Black women in the United States}

In the United States, Black women are three to four times more likely to die from complications from pregnancy than white women.\textsuperscript{a} This disparity well reflects the intersections of gender and racial discrimination and the importance of viewing overlapping inequalities as more than the sum of their parts. The disproportionately high rate of maternal death among Black women is a result of multiple health and social factors that stem from various compounding forms of institutional and individual-level racism and discrimination which entrench poverty and prevent social mobility. Maternal mortality among Black women can be attributed to particularly high levels of comorbidity among the population, which is compounded by poor quality hospitals and insufficient access to care. These factors can be attributed to historical forms of discrimination that have created socioeconomic disparities that lead to negative health impacts. For example, Black women are more likely to live in residential segregation resulting from racist practices that have led to community divestment, which, combined with other forms of discrimination, such as in employment and education, have resulted in Black women earning USD 5,500 less per year, experiencing higher rates of unemployment and being 10 percent more likely to live in poverty and 20 percent less likely to own a home than women on average. Further, such factors also determine one’s ability to access quality care in terms of cost, location, information and time. Black women are more likely to be heads of households and therefore have fewer resources to support more dependents, skewing the distribution of the care burden even further toward Black women. Medical bias also plays a distinct role, with Black women highly underrepresented in biomedical research and health care workers taking the concerns of Black women less seriously. On top of all this, stress associated with “the distinct social experiences of Black womanhood in US” compounds health impacts further.\textsuperscript{b} Ultimately the social conditions that create the environment for the health disparities Black women face are highly gendered and racialized, in ways that build on and compound each other, and cannot be understood as separate.\textsuperscript{c}

\textsuperscript{a} Centers for Disease Control and Prevention 2020; \textsuperscript{b} Chinn et al. 2021:215; \textsuperscript{c} Chinn et al. 2021.

\subsection*{4.2.6 Social protection coverage and the rise of cash transfers}

Inequality in social protection coverage has important implications for poverty and capabilities of individuals and households, but it also has wider development implications, as social protection is a key instrument for economic development, redistribution, protection and reproduction.\textsuperscript{227} Coverage with social protection benefits for income maintenance across the life course from childhood to old age and in times of sickness, accidents, unemployment or co-variate shocks only applies to less than a third of workers and their families: 69.4 percent of the global working age population has no or only partial access to comprehensive social protection systems (table 3.2).\textsuperscript{228}

Many vulnerable groups do not benefit from any form of social protection. In 2020, less than 20 percent of older persons received a pension and only 33.5 percent of persons with severe disabilities received disability cash benefits, 26.4 percent of children worldwide had access to social protection (ranging from 12.6 percent in Africa to 18 percent in Asia, and 70 percent in Latin America) and only 45 percent of women giving birth were covered by maternity benefits.\textsuperscript{229}

Differences regarding access to social protection also play out regionally, with the lowest coverage rates found in low-income countries and LDCs, whereas some MICs, in particular in Latin America, have achieved universal coverage regarding some benefits, for example, old age pensions (see chapters 2 and 4 and table 3.2).

According to recent ILO data (table 3.2),\textsuperscript{230} countries in Europe and Central Asia display almost universal coverage rates for pensions (96.7 percent), while only a quarter of the population in the Arab region and Africa are entitled to receive a pension. When it comes to unemployment insurance, coverage is even lower, ranging from 51.3 percent in Europe and Central Asia to only 5.3 percent in Africa.

The example of Latin America is illustrative of the correlation between contributory social security coverage and income inequality: for the first income quintile, no country in the region reaches 40 percent coverage and the vast majority stays below 20 percent coverage due to the association of low incomes with
informality. On the contrary, the highest income quintile displays coverage rates above 40 percent in the entire region, reaching 80 percent coverage or higher in eight countries. Higher coverage rates of social security benefits are also found in companies with 20 or more workers in all countries, with a majority of companies exceeding 80 percent coverage. In comparison, companies with five workers or less have coverage rates below 20 percent.\textsuperscript{211}

One particular social protection instrument, cash transfers targeted at poor and vulnerable groups and usually funded out of general budget revenues and aid, has seen a spectacular increase in a growing number of countries during neoliberal globalization.\textsuperscript{232} Such programmes can be used to extend social protection to sectors of the population traditionally excluded from statutory contributory social insurance because of either their informal employment status or low incomes. As part of targeting within a broader universal system consisting of contributory and tax-financed benefits, they can be a powerful means to realize the right to social protection and to prevent poverty.\textsuperscript{233} However, the benefits and shortcomings of poverty targeting through means-testing or proxy-means-testing remain controversial, and many of their negative impacts increase inequality and fragmentation.\textsuperscript{234} Concerns about targeted CCTs have been raised in particular with regard to high administrative costs, stigmatization risk, inclusion and exclusion errors and creation of dualist systems.\textsuperscript{235} A particular risk associated with targeting benefits based on means testing is the delinking of access to social protection from rights of citizenship/residency, which can enhance the discretionary power of authorities, especially at the local level. Assigning benefits may thus create incentives for undesirable behaviour such as corruption or bias,\textsuperscript{236} while also increasing the risk of ad-hoc cuts in times of budget constraints. Further barriers to take-up of social protection rights including cash transfers are lack of awareness of available benefits, complex, often humiliating processes that discourage individuals from applying, gaps in social registries and difficulties for undocumented migrants or informal workers to meet application conditions such as identity documents or formal work registration. As the Special Rapporteur on extreme poverty and human rights, Olivier De Schutter, remarks: “Where non-take-up results from

<table>
<thead>
<tr>
<th>Vulnerable persons covered by social assistance</th>
<th>Europe and Central Asia</th>
<th>Asia and the Pacific</th>
<th>Arab States</th>
<th>Americas</th>
<th>Africa</th>
<th>World</th>
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<tr>
<td></td>
<td>64.4</td>
<td>25.3</td>
<td>32.2</td>
<td>36.7</td>
<td>9.3</td>
<td>28.9</td>
</tr>
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</table>

| Older persons                                | 96.7                   | 73.5                | 24.0       | 88.1     | 27.1  | 77.5  |
| Unemployed                                    | 51.3                   | 14.0                | 8.7        | 16.4     | 5.3   | 18.6  |

| Workers in case of work injury                | 75.5                   | 24.8                | 63.5       | 57.4     | 18.4  | 35.4  |

| Persons with severe disabilities              | 86.0                   | 21.6                | 7.2        | 71.8     | 9.3   | 33.5  |

| Mothers with newborns                         | 83.6                   | 45.9                | 12.2       | 51.9     | 14.9  | 44.9  |

| Children                                      | 82.3                   | 18.0                | 15.4       | 57.4     | 12.6  | 26.4  |

| Population covered by at least one social protection benefit | 83.9 | 44.1 | 40.0 | 64.3 | 17.4 | 46.9 |

Notes: Global and regional aggregates are weighted by relevant population groups. Estimates are not strictly comparable to 2016 regional estimates owing to methodological enhancements, extended data availability and country revisions. To be interpreted with caution: estimates based on reported data coverage below 40% of the population.
the attitude of social services or from administrative negligence, it may cause frustration, a loss of trust between rights holders and public institutions and the breakdown of the social contract between rights holders and their governments.237

Despite these shortcomings, CCTs and other targeted social assistance programmes have been the social protection instrument of choice of many governments and donors since they were first introduced in Latin America in the 1990s, and have only recently been endorsed in a World Bank publication.238 Initiated as small-scale pilots led by international organizations, and often targeted at particular groups (such as AIDS-affected populations), an increasing number of countries have adopted national programmes.239 Globally, 28.9 percent of vulnerable persons received a social assistance cash transfer in 2020,240 with coverage ranging from 9.3 percent in Africa, to 25.3 percent in Asia and Pacific, 36 percent in Latin America and 75.1 percent in Europe. Some middle-income countries have achieved universal coverage of cash transfer programmes and increased access to social services within comprehensive systems as part of a transformative approach (see chapters 2 and 4).241 Argentina, Brazil and Chile have reached near universal coverage of children and elderly persons with cash transfers.242

In sub-Saharan Africa, cash transfer programmes are largely unconditional—in part due to supply-side constraints on health and education services and limited administrative capacity to ensure conditions can be implemented. For example, Kenya’s cash transfer programme for orphans and children (CT-OVC), which covered around 350,000 households by the end of 2017,243 shows the challenges regarding programme implementation. Informal institutions such as chiefs, assistant chiefs and community elders play an important role in the delivery of the programme, in particular regarding targeting, enrolment, delivery, monitoring, awareness and information, data collection, and grievance and redress mechanisms. While the involvement of traditional authorities, which is not stipulated in formal programme regulations, fills in administrative gaps and reduces transaction costs, they also act as gatekeepers, at times abusing their position for personal benefits and undermining programme objectives.244

Erroneous assumptions about the causes of poverty and the behavioural choices of individuals and families frequently influence behaviours of street-level bureaucrats implementing programmes. Bolsa Familia, the renowned conditional cash transfer programme in Brazil, transfers cash exclusively to mothers based on the assumption that they are more likely than fathers to use the money to meet their children’s needs (for example, for food, hygiene and school supplies). While for many poor women the cash transfer is their first and only independent source of revenue, it also reinforces expectations that mothers act as main caregivers, reproducing traditional gender stereotypes and the associated burden of care. This has impacts on the life chances of women by reducing their opportunities in the formal job market, owing both to time restrictions and to their own and others’ perceptions about their roles, while it opens the door to practices of stigmatization and moral regulation, a practice that has also been observed in the Mexican CCT Progresa/Oportunidades.245 Eliminating conditionalities could be one way to decrease the discretionary power of bureaucrats and strengthen the rights-based nature of the transfers, with positive impacts on equality and equity. Establishing a link with quality social services is, however, important, and can be achieved through public provision of free health and education which improves capabilities and well-being and reduces out-of-pocket payments for households. Take-up of social rights can further be promoted through outreach and information strategies, automation of benefits and participation of beneficiaries in design, implementation and monitoring of social protection schemes.246 Finally, categorical cash transfers, for example universal child benefits and social pensions, contribute to income security and cover parts of life course related investments of families.

4.2.7 Labour markets

Employment is the most important income source for the majority of people in the world, either through their own participation in labour markets or as members of households sustained by employment earnings, hence the important role employment plays for poverty reduction, well-being and social equality. Labour markets and employment outcomes are situated at the interface of the economic and the social; they are strongly influenced by macroeconomic conditions.
as well as public policies, which requires a broad set of interventions to address insufficient labour demand, to increase labour mobility and to improve the equality of employment. In addition, there are increasing demands for greening jobs in a context of the global climate crisis and growing environmental concerns, while awareness is rising of the fact that workers should not bear a disproportionate burden from the ecological transition and that transitions need to be just (see chapter 5).

The creation of decent jobs is not an automatic outcome of growth. It requires both implementation of labour standards and inclusive employment policies promoted by strong labour unions and social dialogue mechanisms. It further needs a pattern of growth and structural change that generates productive employment, improves earnings and contributes to the welfare of the population. Full employment and freely chosen productive employment for sustainable livelihoods was also a key demand of the Copenhagen Social Summit (UN 1995), though this has largely been ignored in development approaches since the 1990s (chapter 2). During the period of neoliberal hyperglobalization, labour market inequalities increased, for example, because of higher skill requirements associated with new technologies and the dismantling of labour market institutions (see chapter 1). These inequalities are characterized by persistent and rising informalization, precarious forms of employment and rising income and wage disparities. This does not come as a surprise, given that employment-centred development paths are incompatible with neoliberal development strategies, as they require substantive public investments in infrastructure, industrial and agricultural policies and comprehensive social policies.

Patterns of structural change in a globalized world, however, do not follow the traditional patterns experienced by today’s high-income industrialized countries, except in some countries in East Asia: most workers leaving agriculture are not absorbed by manufacturing but go into low-productivity activities in the informal economy with jobs that are poorly remunerated and lack social protection, which explains the low coverage rates of social insurance in sub-Saharan Africa, the Middle East and North Africa, and parts of Asia.

Recent labour market data provide an alarming picture of significant inequality and precarity in the world of work:

In low- and middle-income countries, 1.4 billion own-account and contributing family workers, who are typically employed informally, work in vulnerable conditions and earn a much lower income than people earning a formal wage or salary. Around two billion workers worldwide are informally employed, accounting for 61 percent of the global workforce. In 2019, more than 630 million workers worldwide did not earn enough to step out of extreme or moderate poverty (defined as them earning less than USD 3.20 per day in purchasing power parity terms). While the rate of working poverty has been declining at the global level, very limited progress has been achieved in low-income countries.

Contemporary labour markets also continue to be characterized by gender inequality (figure 3.16). In 2019, the female labour force participation rate was just 47 percent, 27 percentage points below the male rate (at 74 percent). Apart from access to employment, there are also persistent gender disparities in relation to job quality. This is true even in regions where women have made significant inroads in the labour market. In Latin America and the Caribbean, for example, the average level of educational attainment of women now surpasses that of men, yet women in the region still earn 17 percent less per hour worked than men.

Gendered barriers to participation in the labour market also affect those who fall outside socially imposed roles and expectations, such as LGBTIQ+ people, especially those who belong to disadvantaged classes or race or ethnic groups (see, for example, ILO 2015). This can also take the form of outright employment discrimination, with an EU survey revealing that one in four LGBT persons hide their identity at work. Survey data show higher rates of unemployment among these populations, as well as greater experience of discrimination. A study comparing the percentage of trans people in paid employment with the percentage of those in paid employment in the general population in Australia, Ireland, the United Kingdom and the United States found “outrageously high” transgender unemployment rates. The vast majority of UN member states do not have protections against discrimination in the workplace, which ranges from discrimination in hiring practices and pay to harassment at work.

Racial and ethnic discrimination in the labour market is also widely prominent. In Brazil, while persons of colour make up just over half the workforce, they
Young people and rural populations are also doing less well in the labour market (figure 3.16), a pattern that has worsened during the Covid-19 pandemic (figure 3.17). When Covid-19 hit, impacts on employment were more than twice as severe for young adults. Since the financial crisis in 2008, we have observed an evolving youth employment crisis as part of the increasing fragility of global labour markets, characterized by wage deflation, informality, uncertainty in access to decent jobs and short-term contracts, including for young overqualified workers. While several policies targeted at youth have been implemented post-2008 and in the context of the Covid-19 response, increasing the supply of quality jobs through investments in strategic (green) sectors and infrastructure, as well as improving the education–work nexus, will be crucial to overcome structural barriers for youth to strive in the workplace.

The labour income share—as opposed to the share of national income going to the holders of capital—declined at the global level from 54 percent in 2004 to 51 percent in 2017. The decline has been most pronounced in Europe and Central Asia and in the Americas. In high-income countries, the decreasing labour income of the self-employed, compared with that of employees, is a key driver of the aggregate

account for 64.2 percent of unemployment and 66.1 of underemployment in the country. The relative disadvantage of people of colour in the labour market stands even when compared by education level. Further, in 2018, the average monthly income of white Brazilians was 73.9 percent higher than that earned by Black and mixed-race Brazilians. In the United States, the median Black worker earned 24.4 percent less than the median white worker in 2019. And when controlling for racial differences in education, experience and geographical wage disparities, that gap only shrunk by 10 percent, leaving an “unexplained gap” of 14.9 percent. Finally, in Peru and Chile, despite increased access to higher education, graduates from by disadvantaged groups earn less than their counterparts with the same degrees.

Source: ILO 2020c, 2021c.
Notes: Youth NEET refers to youth not in education, employment or training. Total rate of underutilization and time-related underutilization uses ILO 2020c. All other indicators use ILO 2021c.
During the pandemic, the trade-off between lives and livelihoods played out very differently for different groups of workers depending on where they were located in the pyramidal structures of labour markets ... across the world. The impact was harshest for workers at the bottom of the pyramid, those whose class disadvantage was exacerbated by their marginalized social identities, with gender being the most pervasive of these identities.

– Naila Kabeer
Professor, London School of Economics

The lowest 20 percent of income earners (around 650 million workers) earns less than 1 percent of global labour income. While labour income inequality at the global level has declined over the past 15 years—as a result of economic convergence driven by countries such as India and China, which have enjoyed a rise in average labour income—inequality within countries has stagnated over the same period.

While the Covid-19 crisis has exposed and exacerbated many social and economic inequalities, it has also led to some reflection on societal values, including the revalorization of essential workers (including care workers), and the importance of universal health services and social protection (see box 3.4; see Spotlight by Naila Kabeer). Many needed transformations to overcome social inequalities and advance human well-being are possible through a more equitable distribution of resources, effective anti-discrimination legislation, inclusive labour market reforms, and a shift toward the universal provision of public goods and services, policies we discuss in more detail in chapter 5.

5. Political Inequalities

Political inequalities are an underlying cause of political outcomes that reproduce socioeconomic inequalities and are unfavourable to egalitarian policy change. They are both a product of inequalities in the economic and social realms and also act to perpetuate and even expand such inequalities. Indeed, evidence exists that policy making is systematically biased toward interests of affluent citizens and groups, as shown for a variety of countries. As elites maintain a prominent foothold in political processes, whether directly or indirectly, they often serve to preserve and perpetuate a system that benefits the few at the expense of the many, halting the possibilities for equitable redistribution. Elites use their structural (disinvestment) and instrumental (lobbying) power to influence politics, policies and resource distribution, whereas marginalized groups struggle to access finance and information and to organize and voice their interests in the political system. Even outside of intentional efforts to influence political outcomes, the perspectives and interests of elites, as a result of their networks and access, are more visible and therefore more often taken up.
Evidence exists that policy making is systematically biased toward interests of affluent citizens and groups. As elites maintain a prominent foothold in political processes, whether directly or indirectly, they often serve to preserve and perpetuate a system that benefits the few at the expense of the many.

While certain achievements have been made over past decades regarding participation and consolidation of electoral democracies, as well as commitments to human rights and the rule of law, recent trends are worrying for several reasons. First, state legitimacy and credibility are increasingly questioned and trust of citizens in political leaders is eroding (see chapter 2), while corruption continues unchecked. Second, the unraveling of previous social contracts as a result of neoliberal policies has increased the power of actors benefiting from unfettered capitalism and weakened systems which aimed to re-embed markets into social (and ecological) norms. Finally, crisis periods—including the recent Covid-19 pandemic—are sometimes used by governments to curtail citizenship and social rights by ruling by decree and circumventing democratic procedures, scapegoating and stigmatizing vulnerable groups such as migrants, introducing austerity measures while bailing out big businesses or banks, or instrumentalizing the crisis for their own benefits in various ways.

This section will explore the drivers of political inequality, how they reinforce other forms of inequality and who benefits and to what end. Several topics are therefore worth exploring, looking at both the top and bottom of the pyramid: the political influence of elites on policies and legislation through various strategies, including business networks and lobbying, media control and outright state capture, as well as strategies to consolidate wealth and power; elite perceptions regarding inequalities and their willingness to address them; and the implications of elite influence on politics for both vulnerable groups and the environment, as short-term economic objectives often stand in direct opposition to social and environmental goals.

5.1 Understanding political inequality: Elites and instruments of power

In his seminal book on political equality, Robert Dahl (2006:4) prefaced his analysis with one simple statement: “Among adults no persons are so definitely better qualified than others to govern that they should be entrusted with complete and final authority over the government of the state.” Yet globally there exist steep disparities in access to decision making, with both vertical and horizontal inequalities reproduced in power relations.

In this way, power disparities both reflect and reproduce inequality, as unequal influence over decision making leads to unequal outcomes of those decisions.

Political equality requires more than representation of all groups in elected office; it necessitates participation by the citizenry in the political system and the institutions that enable it. Political inequality can manifest at various levels and sites.

To better understand how political inequalities come about and why reversing them is so difficult, it is necessary to look at elites. Elites constitute a unique social group defined by their disproportionate control over resources—be they economic, political, social, cultural—and their ability to translate those resources into power, influence and other forms of capital.

There are significant data to suggest that political systems bend toward the preferences of elites. They are found to be overwhelmingly more satisfied with the system than average citizens, participate more and have more representation in politics. While there is much research on this topic in Western countries, recent studies show it is a problem the
Figure 3.18 Affluence bias around the world

Source: Lupu and Warner 2022. Used with permission of authors.
Notes: Each cell is shaded according to the size of the affluence effect. Darker red indicates greater bias in favour of the affluent, while darker violet indicates bias in favour of the less affluent.
world over (see figure 3.18). There is often a direct relationship between elite preferences and policy outcomes, whereas the preferences of the lower and middle classes have little impact on policy outcomes (see figure 3.19). However, it is important to note that vertical inequalities in politics remain very difficult to measure, largely because elites are an elusive group on which to collect data.

This significant overrepresentation of elite preferences in policymaking is a result of their political influence. But how exactly do elites translate their economic resources into political power? There are two mechanisms through which this occurs: the first is through structural power, which involves economic elites’ ability to influence policy through their bargaining power, built on their power to disinvest and transfer their capital abroad and their speculative activities, and the second is through instrumental power, which relies on relationships with policy makers, media access, expertise and other forms of influence, using tactics such as lobbying, political financing, media capture, revolving doors and other forms of direct engagement in the political arena (see Spotlight by Anya Schiffrin).

There are two key ways in which businesses wield instrumental power: business–politics connections and business cohesion. The first occurs through movements of businesspersons into politics—which can lead to conflicts of interest, cronyism and corruption—lobbying and contributions to political campaigns. Contributions to campaigns can lead to dependency of political parties on elites and indebted politicians to their funders, influencing their policy choices. Even philanthropy has a role to play, as elite investment in charitable causes grant them a considerable say in how specific social problems are addressed, helping “elites retain their advantaged positions by legitimizing the system producing the inequalities they benefit from in the first place.” The Covid-19 global vaccination effort is a prime example, in which a handful of privately funded organizations were granted unprecedented influence and decision-making power over the global vaccination effort, influence used to oppose lifting intellectual property protections and democratizing vaccine access (see Spotlights by Jayati Ghosh and Winnie Byanyima).

The other key source of influential power is business cohesion. In stable democracies, elites tend to agree on the rules of the game. Culture and common understandings of the world are also considered key resources of elites, who are often linked much more closely to each other across linguistic, cultural and geographic divides than to citizens of their own nations and possess a certain “class consciousness.” This cohesion, according to Winters (2011), is facilitated by an inherent alignment of interests that naturally arises from the shared desire to protect their wealth. The most consequential result of these processes is state capture, when state functions are adjusted to serve particularistic interests.

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Figure 3.19 Impact of preferences of 90th percentile on policy compared with 10th and 50th percentiles

![Graph showing the impact of preferences of 90th percentile on policy compared with 10th and 50th percentiles.](image)

The forms of power described above are deeply intertwined with and reliant on inequality. High levels of elite political influence make it easier to repress civil society. Therefore, “politically powerful business groups create obstacles to the emergence and development of redistributive political projects that can threaten their privileged position.”

An important place to start when telling this story is with global value chains (see section 3.3), in which leading corporations use their power to push forward and maintain permissive regulatory and political environments, especially around labour and environmental standards. Multinational corporations “mobilize vast political power to create those conditions and ensure that they are maintained.” In an effort to attract foreign investment, producing countries limit labour and environmental standards to make themselves a competitive option. GVCs have reshaped global and regional patterns of specialization and politics of redistribution, creating new political, social and economic power asymmetries. A multi-study project on the copper value chain linking Switzerland, Zambia and China explores the impacts of these asymmetries on Zambia. It has notably shifted the policy landscape, with main actors having significant influence on national regulatory frameworks: “Mining is embedded into a wider landscape of services—transport, trade, financing, insurance etc.—in which decisions are taken that crucially affect the capacity of countries like Zambia to formulate and enforce policies.” The research project reveals the repercussions this has had on Zambian communities along the copper value chain, including unemployment, pollution, lack of labour protections, displacement, loss of livelihoods, unequal distribution of benefits, civil unrest, social stratification and conflict (see box 3.3).

A comparative study on Argentina and Chile explores the way in which taxation, social and labour market policies have been shaped by state–business relations and capital–labour relations. The study finds that the implementation and maintenance of such policies by the state over time is a contested process that has to constantly mediate between business pressures for pro-business policies and the larger society’s demands for social justice. In the case of Chile, a higher degree of business cohesiveness allowed business-encompassing associations to effectively influence the policy-making process, thereby limiting the creation and extension of egalitarian fiscal and labour market policies. At the same time, the greater level of inter-business rivalries in Argentina has enabled the state to push through important social policies and more progressive taxation policies.
However, while business cohesion can be one explanation for disproportionate levels of elite political influence, one study found a somewhat different scenario taking place in Panama, a country with high levels of state capture despite strong governance institutions. The study reveals that a small but powerful fraction of the business elite, rather than the whole business sector, has been able to exert considerable direct control over the state administration, achieved largely through the coordinated funding of a businessman’s presidential campaign, and their success in influencing the appointment of closely related business people to strategic government posts.305

Businesses also wield significant power in times of crisis, as the state acts to protect them from shock. For example, during the 2008 financial crisis, responses centred around bailing out banks and creditors rather than minimizing the impact on vulnerable groups (see chapter 2). During the Covid-19 pandemic, corporations have played an outsized role in shaping policy responses.306 For example, a number of companies globally lobbied to maintain operations despite significant health risks to their employees307 and for immunity from Covid-19-related lawsuits.308 They successfully lobbied for financial benefits such as tax cuts and stimulus money309 and for weakening environmental regulation, in particular by delaying the passage of important legislation.310

5.3 Understanding elite preferences

If, by definition, elites concentrate power and resources, it follows that the design and implementation of redistributive policies is shaped by their preferences. Understanding such preferences, as well as the perceptions that influence them, is thus key for understanding how inequality is reproduced or can be transformed. Research from across the globe indicates that elites experience and engage with inequality in very different ways. In Brazil and South Africa, elites believe inequality to be a problem because of externalities such as violence, political patronage and loss of human capital, but ideas on how to address it vary across sectors of elites, in particular between business elites on the one hand (who largely favour economic growth over redistribution) and political and bureaucratic elites on the other (some of whom leaned toward redistribution).311 When asked about their goals for the country, business elites pointed to economic growth, whereas civil servants and politicians emphasized the eradication of poverty (see figure 3.20).

Figure 3.20 Most important national goals according to Brazilian and South African elites

<table>
<thead>
<tr>
<th>Brazil</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>Economic growth</td>
</tr>
<tr>
<td>Civil servants</td>
<td>Economic growth</td>
</tr>
<tr>
<td>Politicians</td>
<td>Economic growth</td>
</tr>
</tbody>
</table>

Source: Moraes Silva et al. 2022.
Opinions on how to address inequality often are determined by how elites perceive the actors involved. A study on elite perceptions in East and Southern Africa reveals that most members of the political elite distinguish between “deserving” and “undeserving” poor people, are averse to “dependency” on “handouts” and worry about the effects of government interventions (including social cash transfers) on productivity and morality. The study also analyses popular attitudes on poverty, inequality and social protection, finding general support for existing social protection programmes, but also a clear perceived hierarchy of those deserving support. Given a certain alignment of norms and values of elites across most of Africa with popular norms and values, social protection policies aligning with both social norms and elite ideology are more likely to be successful.

On the other side of this, in Chile, elites’ distrust of state action leads to unwillingness to pay taxes which elites see primarily as a cost rather than an instrument to promote solidarity or social cooperation. Taxes are also perceived as too high, though the effective tax rates of high-income taxpayers are on par with those of lower classes. The former believe they pay more than what they receive in return.

It is equally important to understand how elites perceive themselves and their role in inequal societies. A study on Mexican elites reveals that the “wealth bubbles” within which elites exist lead to an experience of relative affluence: although elites acknowledge being privileged compared with a majority of the population, they simultaneously feel poorer compared with their exceptionally wealthy peers in their social space. Consequently, despite showing concern about inequality and its negative effects, elites underestimate their own position in the overall income distribution, recentring the distribution around their own incomes. The dissonance between elite perceptions and measured economic status has implications for the social construction and perpetuation of inequality, the study finds.

Given the widespread influence of elites on political decision making, understanding their preferences, and the perceptions that inform them, and how these might align or not with the majority population, is key. However, as the cases above illustrate, elites are in no way homogeneous, competing among themselves and their preferences shaped by a number of cultural, political and technical factors. As several country examples have shown, this can open opportunities to rein in elite power and implement market regulations and progressive social and taxation policies or to integrate particular elite groups into political alliances for transformative change. While understanding elites as embedded in their particular sociality helps explain how the accumulation of advantages assures persistently high inequality, it can also outline pathways to integrate them back into the social contract.

5.4 Intersecting inequalities and political power

Unequal influence over politics is particularly pronounced for vulnerable groups. Globally, elite power is overwhelmingly concentrated in the global North and held by (white) men, with often negative implications for the needs of women, gender-diverse people, minority racial and ethnic groups and developing countries. The nature of elite groups means that gaining access for outsiders is extremely difficult, and they therefore remain highly homogenous. Such circles have their own social rules, norms and processes that serve to keep out all but a very small select group. A study of the hedge fund industry provides an interesting snapshot of the way this is institutionalized into elite spaces. The study finds that the hedge fund industry operates through a patrimonial system relying on elite social ties and industry networks. In this gendered, racialized and class-based system, white men, using their access to resources, support and opportunities, act as gatekeepers of the industry. With limited or no access to such networks, women and people of colour lose out and fail to gain a meaningful say in the actions of an industry that plays a key role in the concentration of wealth, maintenance of status from generation to generation and the widening of inequalities.

On the other side of the coin, opportunities to engage in counterpower and push back against elite domination are often restricted for women, minorities and discriminated groups due to social norms that place them at the bottom of power hierarchies, as well as institutional barriers and limited access.
In the case of gender, historically, the expansion of political rights for women has been bifurcated, with basic capabilities such as voting rights achieved, but little improvement in advanced capabilities such as active participation in political decision making. Specifically, just 26 percent of parliamentarians globally are women, and they occupy an estimated 34 percent of managerial positions in the countries where data are available. These factors are due to structural barriers that limit women’s options to run for office in some countries, but also social and cultural ones as well. The UN General Assembly (2011) concurs and states that “women in every part of the world continue to be largely marginalized from the political sphere, often as a result of discriminatory laws, practices, attitudes and gender stereotypes, low levels of education, lack of access to health care, the disproportionate effect of poverty on women” and women’s lack confidence to enter politics, especially at the local level. The prevalence of money in politics disadvantages women, who have persistently lower incomes than men (for all the reasons explored above) and are often excluded from elite social and business networks that play a key role in raising funds for campaigning. Access to financial resources is even more limited for women facing other overlapping forms of inequality. Time poverty also has a significant role to play, with women engaging disproportionately in care responsibilities, leaving less time to engage in politics, whether running for office or participating in other ways. Capacity gaps mean women, in particular from minority or low-income groups, are less likely than men to have the education, contacts and resources needed to become effective leaders. For women in conflict zones, political participation can carry with it fear of intimidation and violence. In Guinea, for example, the Afrobarometer survey showed 64 percent of women are very concerned about political intimidation and violence. Further, gender hierarchies which place decision-making control in the hands of men, and traditional beliefs and cultural practices which silence women, present huge barriers to women’s participation. These same norms and beliefs also influence voter choices, as women are not seen as being well suited to leadership roles. Gendered hierarchies that prevent women from reaching positions of power in politics also extend to LGBTIQ+ persons. Findings from an UNRISD project on LGBTIQ+ inclusion indicate that most LGBTIQ+ respondents felt that in practice they cannot engage in political processes without the risk of discrimination, and that if they did, their position would not be taken into account as much as that of a cisgender heterosexual citizen. One way in which power imbalances are exacerbated for marginalized groups is through spatial inequality. The degradation of public space erodes practices of citizenship and solidarity with impacts on participation; situations of precarity (such as living in neighborhoods with scarce resources or high levels of violence) often prompt people to turn to support from private actors, leading to clientelism that undermines democracy; electoral reforms such as redistricting disenfranchise voters by minimizing the impact of their vote and in effect isolating them from political processes.

One of the most direct forms of political inequality involves the influence of elites in urban politics. One aspect of this relates to the growing interest of cities to attract elites as residents and investors, leading to a series of “accommodating strategies” on the part of cities to create an ideal environment for further wealth accumulation. In their analysis of London, Atkinson, Parker and Burrows (2017:118) write that it has become “a space increasingly made by, and in response to, the raw power of supremely monied individuals; individuals whose profound wealth is both courted and supported by a large cadre of cultural, financial and political intermediaries.” These processes are deeply bound up with global capital, as the presence of such elites strengthens a city’s proximity and centrality to global financial markets. Yet they also touch down locally, rebuilding cities to serve the owners of capital through policy, urban planning, architecture and transformation of service sectors, to the detriment of all but the rich. These structural forms of elite urban power are complemented by instrumental power. While such forms of elite urban capture are less studied, there are a number of cases that document it, for example, in participatory budgeting processes, including in Mexico City and India. A city-to-city partnership initiative between Brazilian and Mozambican cities reveals how locally rooted interventions meant to stem inequalities are often either directly co-opted by elite actors or are by design vulnerable to their interests. Taken together, these processes serve to close out possibilities for citizens to influence the
political system at the level closest to them, with profound consequences for inequality in all its forms.

5.5 Environmental consequences of elite capture

The influence of wealth in politics also has significant environmental impacts, as short-term economic interests often stand in direct opposition to reducing emissions and preserving natural resources. Wealthy individuals and companies are able to wield their resources and power to influence policy, for example, by blocking progressive policies such as taxation change (wealth taxes, luxury carbon taxes) and regulations that would limit emissions. In the past several decades, transnational businesses have been prominent voices in the conversation around climate change, and through membership-based associations such as the World Business Council for Sustainable Development and the We Mean Business coalition they have their interests directly represented in climate negotiations. At COPs, large numbers of fossil fuel industry lobbyists are usually present, with COP26 being no exception. Despite various initiatives in the business world involving certification, offsetting and corporate social responsibility (CSR), their actual impact on emissions remains unclear. Many have argued that while these initiatives might provide some small benefits, they only go as far as they are good for business—for example, addressing resource scarcity or improving public opinion, or by preventing harsher restrictions the state might impose on them—and that ultimately profit maximization is incompatible with addressing climate change. One such example is the trend of climate philanthropy, a way for the super-rich to “shape the low-carbon transition in their image” and in the process legitimize extreme wealth (see Spotlight by Edouard Morena).

Similarly, the trend of CSR, which is widely criticized as being insufficient to bring about transformative change because it is not attentive to the structural conditions that lead to unsustainable development (see chapter 5). Rather it creates a “never-ending business in transition” narrative, in which businesses are constantly seen as working toward sustainability but never actually arrive there.

A report by the think tank InfluenceMap (2017) found that of the 50 companies with the most influence on climate policy, 35 were actively working against climate policy, both through lobbying activities such as engaging with government officials, making contributions to electoral campaigns and establishing revolving doors, as well as more broadly working to influence public opinion, through advertising, public relations and sponsoring research. On the other side, private businesses tend to only enter the clean energy sector after most of the risky and capital-intensive investments have been made by the state, or coherent and systematic policy signals are in place.

As a result of these power asymmetries, vested interests influencing policy making and limiting regulation, as well as a lack of incentives through policies and regulations, international climate action is fraught with many roadblocks.
6. Conclusions

While mainstream development policy analysis has largely tended to focus on poverty rather than inequality, seeing poverty in isolation from broader distributional patterns and elite power, over the last decade this perspective has started to shift. Poverty has begun to be viewed in the context of extreme wealth inequality, the bottom of the pyramid as it were, with the 1 percent economy representing the top. This report argues that increasing economic inequality, in particular concentration of incomes and wealth at the top of the distribution within countries and globally, has repercussions for other types of inequalities (social, political and environmental) and for sustainable development outcomes including poverty reduction and climate impacts.

The chapter has shown that economic inequalities have followed different trends over the last decades, with within-country inequality rising (with some notable exceptions mainly in Latin America and sub-Saharan Africa) and between-country inequality decreasing. However, the data show that catching up was largely concentrated in Asia and driven by large economies such as China and India, whereas many countries have fallen further behind, in particular when using absolute measures of income inequality and poverty and more sophisticated measures of well-being and human development. We have also presented evidence on the positive impact of higher equality for poverty reduction. Finally, in contrast to previous beliefs, high economic inequality is increasingly seen as an obstacle to growth through a variety of channels, while being a key driver of our current environmental crisis (chapter 2).

While there is a growing consensus that the state should play an active role in reducing social and political inequalities, there is more controversy on the role of the state in reducing economic inequalities, as these are often seen as market outcomes reflecting legitimate differences in talent, effort and investment or as the result of good policies or good governance. However, it is also widely acknowledged that markets do not operate according to theory, as market power is highly unequal, and that state redistribution has made a major difference in social and economic outcomes in developed countries, and to a lesser degree in the global South. This chapter has demonstrated that a range of factors drive economic inequalities, many of which are associated with power asymmetries and social injustice, shaping income and wealth distribution nationally and globally.

The picture becomes more complex when adopting an intersectional lens. The data show that the most vulnerable and marginalized groups are those who face intersecting economic and social inequalities, for example, women and LGBTQ+ groups, particular racial or ethnic groups, elderly or young persons, persons living with disabilities, informal sector workers, rural populations and migrants. Their disadvantages are clearly reflected in lower social outcomes regarding income and nutrition, exposure to violence, education and health as well as social protection coverage and employment.

Finally, we have explored the political inequalities that underpin the rise of economic and social inequalities, and in particular their impacts on vulnerable groups and the environment. We have analysed the political influence of elites on policies and legislation through various strategies, including influencing the electoral process, establishing business networks, lobbying, controlling the media or outright state capture, as well as strategies to consolidate wealth and power. We have also presented evidence on elite perceptions regarding inequalities, which could be the basis for exploring their willingness to address them and how perceptions might be shifted.

To stop or reverse the increasing spiral of economic and social disparities and increase political equality, a combination of economic and social policies, and legal and political reform, is necessary as well as reforms of the international trade, investment and financial architecture. Convincing and incentivizing elites to be part of a new eco-social contract is important, as is the strengthening of countervailing powers and the voices of the majority population and of marginalized groups. Concrete policies and strategies, as well as actors and coalitions who can support egalitarian reforms, will be discussed in chapters 4 and 5.
Endnotes

12. Cisgender is a term used to describe a person whose gender identity corresponds to their sex assigned at birth, while cisgenderism is an ideology that delegitimizes gender identities that do not align with assigned gender, for example through pathologizing and misgendering.
18. UN 2003; UN Women 2019.
27. ILO 2012.

The 2010 UNRISD flagship report (chapter 3) analysed ethnic and regional inequalities and their links with structural change (for example dependence on mining or export-oriented agriculture in particular regions), colonial and post-colonial development strategies (for example concentration of investments, employment and wealth in certain regions) as well as ecological and climate characteristics. In Brazil, for example, there is overlap between geography, race and socioeconomic performance, with the majority of Black and mixed-race Brazilians living in the poor Northeastern region. In Mexico, all states with significant Indigenous populations have lower per capita GDP than the national average, except for regions benefiting from mining or tourism. Complex overlapping regional, ethnic and religious inequalities are also found in Côte d’Ivoire and Ghana, creating a pronounced north-south divide. See also Aylezuno and Aziabah (2021) on inequalities in higher education in Ghana; and Arellano-Yanguas and Mejía-Acosta (2020) on regional inequalities and the distribution of mining revenues in Latin America.

31. MacLeavy and Manley 2022; Sharkey 2013; van Ham et al. 2014.
32. MacLeavy and Manley 2022.
33. Ortiz et al. 2022; Pathfinders for Peaceful, Just and Inclusive Societies 2021; Wike 2014.
Freistein and Mahlert 2016; Koehler 2015.
Lakner et al. 2020; Ostry et al. 2018; Zattier 2020.
Atkinson 1997; Milanovic 2016.
Galbraith 2016.
Huber et al. 2019.
Stiglitz 2012.
See, for example, Huber et al. (2019).
Chen 2019.
De Haan and Rogaly 2002; Möllers and Meyer 2014.
Hujo and Carter 2019a; Meagher 2022; Standing 2014.
Goudie and Ladd 1999.
Keeley 2015.
See, for example, Huber et al. (2019).
Chen 2019.
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De Haan and Rogaly 2002; Möllers and Meyer 2014.
Hujo and Carter 2019a; Meagher 2022; Standing 2014.
Goudie and Ladd 1999.
Keeley 2015.
UNRISD 2016b; UN Women 2020.

See, for example, Gregorio and Lee (2002), Haveman and Smeeding (2006), Heckman et al. (2016) and Psacharopoulos and Patrinos (2004).

While girls are more likely than boys to never attend school, boys in many countries are at higher risk of failing to advance and complete their education. 132 million boys were out of school in 2020, driven by factors such as poverty, need to work, gendered norms and expectations, streaming of classes, gender segregation and gender-based violence. The gender parity index data for tertiary enrolment showed 88 men for every 100 women enrolled at the tertiary level in 2019 (UNESCO 2022).

Spending cuts in public university education in Africa were recommended by the World Bank based on the argument that the social return on higher education was low compared to primary, secondary and private higher education (Chachage 2007).

McCowan and Bertolin 2020.

McCowan and Bertolin 2020.

On policing and human rights see Bowling et al. (2005). On a joint statement of UN experts against a recent rise in policy brutality, see UN News (2021).

Frank et al. 2019.

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Frank et al. 2019.
Workers’ organizations are increasingly demanding fair remuneration. To determine what is fair and compare it with measures such as minimum wage, the concept of the living wage has been developed, defined as wage levels that allow a full-time worker, working normal hours, to provide for their family via a wage that covers basic food, housing, transportation, health, education and some other costs, as well as a small proportion for discretionary expenditure and savings (for further elaboration and data see Utting and O’Neill [2020]).
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The Covid-19 pandemic has underscored the dynamics of intergenerational distributive conflicts, which are often neglected in policy formulation. The largest costs of containing the virus, in the form of losses of market incomes and increased burdens of unpaid care, have been felt by the working-age population—those who spend a significant portion of their time earning income and caring for others in order to support dependants. These costs were incurred to protect public health and, at least in the early stages of the pandemic, specifically to protect the lives of the most vulnerable, including older segments of the population. Calls to open up economies were often countered by arguments that such a move would cost many older persons their lives, starkly illustrating the cross-generational distribution of costs and benefits.

The dynamics of intergenerational distribution are changing. Half the world’s population currently live in countries with below replacement fertility—a situation that will eventually translate into shrinking populations, especially if there are not significant changes with regard to immigration from countries that still have expanding populations. This, combined with rising life expectancy, has produced demographic shifts, with older persons comprising a growing share of the population in many economies. This group contributes less, on average, to the productive activities of the market economy but stakes a claim to an increasing share of market production and public services.

These demographic shifts can stress existing social policy arrangements, such as pensions and health care systems, when an expanding older generation stakes claims on the incomes of a dwindling working-age population. For instance, pension benefits financed out of current government revenues, such as pay-as-you-go systems, become difficult to sustain when taxes collected from those in their prime productive years must support a growing older population. These intergenerational tensions become more complex when we add children to the mix. Children have no opportunity to accumulate prior savings and have limited scope to negotiate binding agreements with regard to how they will be raised. Children also demand a share of market and non-market output greater than their productive contributions. Social contracts in which parents invest in children with the understanding that their children will support them later in life would mediate these distributive tensions. Yet such informal social contracts are often unenforceable and crack under the pressure of demographic, social and cultural shifts. Transfers from adult children to ageing parents represent one kinship-based benefit of raising children associated with traditional, patriarchal social contracts. As those social contracts weaken, the family-based benefits of having children fall, reinforcing downward pressures on fertility rates.

Intergenerational distributive conflict also pertains to generations yet to be born. The irreversible depletion of natural resources and ecosystem services, such as the capacity of the environment to assimilate greenhouse gases, will affect the economies of the future. Often, economists classify these environmental concerns as “externalities”—social costs that exist outside of market transactions. The standard policy prescription would be either to impose a tax on the harmful activity (such as fines for pollution) or to develop a new market to “internalize” the externality (for example, tradable carbon emissions permits). The existence of externalities demonstrates why purely market-based solutions to resolve these tensions cannot work. But that is not the full story. Markets cannot sufficiently mitigate these tensions because we cannot negotiate on fair terms with future generations—that is, people who do not yet exist. These distributive dynamics have serious implications for social and ecological sustainability.
Economic policy needs to shift from a narrow emphasis on market production and exchange—specifically the growth of gross domestic product—to a broader goal of social provisioning that redefines the economy to include both market and non-market production and processes. Such broader understandings of economic activity would explicitly acknowledge the profound interdependencies between countries and people, and, significantly, across generations.

Such a paradigm shift requires a new focus on sustainability—economic, social and environmental—that goes beyond government efforts to prop up markets when they fail. For instance, the precautionary principle could be applied when our current choices have potentially devastating consequences for the lives and choices of future generations. Instead of asking how today’s markets can be used to “fix” these problems by tweaking private incentives, this approach would prohibit these harmful actions until we learn more about their real long-term consequences.

The policy implications are far-reaching. At the most basic level, there is a need to assess the impact of demographic shifts and intergenerational distributive dynamics on existing social protection systems, the fiscal sustainability of government programmes, and systems of social reproduction, specifically those activities that involve raising and investing in future generations. Both traditional family-based systems and the collection of policies and institutions that constitute modern welfare states face potentially serious challenges as we enter unchartered demographic territory.

This suggests that the focus of economic policy needs to shift from a narrow emphasis on market production and exchange—specifically the growth of gross domestic product—to a broader goal of social provisioning that redefines the economy to include both market and non-market production and processes. Such broader understandings of economic activity would explicitly acknowledge the profound interdependencies between countries and people, and, significantly, across generations.

Endnotes

References
Brazil is one of the most unequal countries in the world. This inequality was produced in a historical process through the control of various forms of capital—economic, political, cultural, educational, military, technological and symbolic—by a specific social group: white, rich, heteronormative men. Inequality has been further exacerbated by patriarchal norms (machismo), institutional patrimonialism and structural/institutional racism.

In this Spotlight I look specifically at racism. Racism is not an anomaly in the Brazilian reality; it is not something dysfunctional, something to be overcome through institutional advances. It is the defining element of social, economic, cultural and educational relations established in Brazilian society. In the early days of Portuguese colonization in the 1500s, white men were granted privilege and access to wealth by the state, receiving land, titles of nobility and power over institutions. This process continued after independence in 1822 and well into the period of the Brazilian Republic. Today, the family, the state, market structures and even many civil society organizations operate based on the normalization of this white dominance.

The reproduction of inequality in Brazil depends on the premise of an alleged meritocracy: those who are in high social and economic positions have attained them because of their competence and talents. With this markedly ideological premise, Black Brazilians—who make up 55 percent of the country’s total population—have not had (and continue not to have) proportional representation in universities, the judiciary, diplomatic posts, management or similar positions of power. For example, among Brazil’s 500 largest companies, less than 5 percent of executives are Black; in the judiciary, only about 16 percent of judges are mixed race and less than 2 percent are Black. At the same time, almost 70 percent of Brazil’s 750,000+ prison population is Black.

Racist logic prevails in relation to migrant populations as well, where white migration—especially North American and European—has been historically seen as positive and valued by dominant groups as part of the logic of the whitening of local society. At the same time, Latin American and African migration is often viewed with contempt and distrust by dominant groups. In the case of Haitian migrants, who make up the largest group of Black migrants in Brazil, the discrimination is even more severe as it is worsened by the stigmatization of Haiti as a country marked by poverty, political instability and natural disasters.

Fortunately, in the last two decades, a significant portion of civil society and non-governmental organizations committed to broadening democratic and citizenship rights in Brazil have understood that, in order to overcome inequality in all its dimensions, the material and symbolic consequences of racism must be treated as defining elements of the political agenda. The institutional and power structures that fuel racism must be transformed.

Some steps toward achieving this have been made, beginning with the implementation of affirmative action policies in federal institutions in the early 2000s. Similarly, universities, the judiciary and electoral processes have begun to establish quotas for Black and Indigenous participation. This racial and ethnic diversity—the presence of empowered members of historically marginalized communities in the daily life of institutions—beyond addressing long-standing injustices, is also strategic in that it makes space for new practices and perspectives for overcoming structural racism. Still, affirmative
The material and symbolic consequences of racism must be treated as defining elements of the political agenda. The institutional and power structures that fuel racism must be transformed.

However, it is also true that the PT governments which held power from 2003 to 2016—the year when the constitutional coup to overthrow President Dilma Rousseff was orchestrated by the National Congress—were somewhat contradictory in their reform policies. On the one hand, they achieved great success in reducing poverty, bringing tens of millions of people into the labour market and expanding access to universities and technical schools, among other policies geared toward marginalized populations. They also opened space for civil society organizations to carry on their struggles for affirmative action. On the other hand, they were less successful in reforming the legislature and the judiciary and did not implement substantive reforms regarding tax policy, electoral rules or other political reforms that would increase opportunities for political participation beyond the quota system mentioned above. Accordingly, the rich remained privileged by state structures and, paradoxically, became richer and more powerful without any constraints imposed on them through public or private institutions.

The simultaneous control of the state and of corporate structures by economic and political elites made way for the constitutional coup in 2016. This was followed by a process of delegitimization of politics, driven largely by the media and key actors in the judicial system. In 2018, this brought about the election of an authoritarian, far-right president who openly defends Brazil’s brutal military dictatorship (1964–1985) and its use of torture. In this challenging context, it became evident that a democratic agenda capable of empowering poor and marginalized groups would only move forward because of citizen engagement. Since 2019, thousands of political education and mobilization collectives promoting social rights and democracy for all have been created. This activism has been a key instrument in disrupting the institutional practices that continue to drive inequality in Brazil.

Certainly, it will not be enough to simply defeat Bolsonaro in the 2022 presidential elections and remove the far-right political forces from office. It is necessary to build a new political project that confronts and subsequently dismantles the structures that reproduce inequality. This will be a challenge for generations to come, and the Instituto Maria e João Aleixo as well as a broad coalition of progressive civil society organizations and actors are completely embedded in it.
Bringing awareness to the phenomenon of Black migration in Brazil is a central component of this agenda. Brazilian racism makes no distinction between Black migrants and their Brazilian brothers: all are deprived of rights and treated unequally. In practice, however, Black migrants lack networks, information and resources to make their voices heard and claim their rights. Thus, encouraging the organization of migrants, strengthening their collective associations and seeking to construct a unified agenda and coalition that fights for their rights is essential. It is part of the global process of overcoming the still present effects of slavery, colonization and our subordinate integration in global markets.

This struggle belongs to all Brazilians, all migrants and all peoples around the world. For, in the name of human dignity, all people have the right to live in a world defined by justice, equality, solidarity and love. This last element, given the intolerance and hatred of fascist forces, has become an increasingly fundamental theme in the fight for our humanity. Love, in its various expressions, is a political issue: it should be granted the same importance as material themes and placed at the center of our agenda for social transformation. Without abandoning rationality, the defeat of barbarism requires new narratives, new gestures and new practices. May we learn to build these with love, intelligence, energy and a readiness to fight.

Endnotes

1 Bourdieu 1995 [1987].
2 Institutional patrimonialism refers to the state transfer of economic resources and means of power toward a privileged social group, for example through tax, credit and interest rate policies, investment in urban infrastructure, the allocation of services in affluent neighbourhoods and privileged access to public offices.
3 In Brazil, the category of “Black” encompasses the population that self-identified as “brown” or “Black” in the census carried out by the Brazilian Institute of Geography and Statistics (IBGE) and other forms that ask for the respondent’s racial and/or ethnic identification.
4 Good examples are Banco Itaú, the largest private bank in Brazil, which has established a diversity committee with a focus on racial diversity. Natura, the biggest cosmetics enterprise in Brazil and one of the biggest in the world, as well as Magazine Luiza, a retail corporation, have similar arrangements.

References

Sexual contract or gendered arrangement?

Marta Lamas
Researcher and Professor, Center for Research and Gender Studies, National Autonomous University of Mexico

Everything that surrounds us in our social life, everything, from myths to laws, absolutely everything alludes to sexual difference. Each culture establishes meanings, attributes and characteristics that correspond to women and distinguishes them from those concerning men. And although there are very marked differences between one culture and another, they all have sexual difference as the organizing principle of the “arrangement between the sexes.”1 Undoubtedly the sexual difference between females and males (determined by chromosomes) has been the basis of all the various symbolization processes through which each culture has developed its codes concerning what it means to be a woman or a man. Humans have constructed their social orders and established their social interactions based on these codes. Thus, a binary division, supported by symbols and practices, separates humans into two main groups and transmits the belief that there are some tasks, spaces, emotions and attributes that correspond to the group named “women” (basically females, but not all of them) while others correspond to the group named “men” (basically males, but not all of them).

All gender arrangements refer to sexual difference, but this difference itself does not determine the type of arrangement. Human sexual difference is the same in all cultures around the world (99 percent females and males and 1 percent intersex), but social roles and the place human beings occupy in society as women and men are very different. For example, if we compare the social place of women in lay and democratic societies (such as Iceland) with societies governed by religious leaders (such as Afghanistan), we find a gap that lies not in biology itself but in the way sexual difference has been symbolized. Although sexual difference in Afghanistan and in Iceland is the same (females and males), the beliefs about what is intrinsic to women and men are quite different, and this is what produces different types of social inequality.

Symbolic codes express beliefs about the dual nature of the human condition, and there are cultures that interpret women’s subordination as “natural” instead of understanding it as the result of an “arrangement.” Considering that females bring new lives into the world, many arrangements give women the social responsibility for tasks associated with the production and sustenance of life, often resulting in their economic and political subordination.

Even though numerous elements of this arrangement have changed through history, and different cultures have incorporated certain elements of others in a rich process of cultural appropriation, there is a continued belief that men should be engaged in tasks relating to government and defence, and women should do those relating to bringing up children, caring for the elderly or sick and domestic work. Until the resurgence of feminism, this arrangement was justified by the argument that the sexual division of labour was “natural.” Beginning in the 1970s, with the advent of second-wave feminism, social science and political philosophy researchers analysed the gender arrangement, and one interpretation that gained broad acceptance was the notion of a “sexual contract.”2 Based on this concept, it was argued that sexual inequality was the result of a reorganization of patriarchy in the modern era and that, although modern democracies are based on citizens’ freedom to subscribe to economic and political contracts, underlying these contracts was a persistent pact among men to share unrestricted access to women’s bodies, and especially to have access to their sexuality and domestic labour, providing something similar to a domestic slave at home.

Fortunately, other feminists have gone beyond the limitations associated with the sexual contract concept and have developed a more nuanced explanation of the social, educational and political
rules that have defined the undeniable power imbalance between the public and domestic spheres. Social reality is much more complex, and for some time now feminists with different perspectives have been claiming that the so-called sexual division of labour is not about sex but about gender, in that it is a social arrangement that limits equal access for women and men to work in both the public and private spheres. Although years ago the distribution of traditional tasks—where women were responsible for care and men for government and defence—were always related to biological differences, and especially to women’s procreative physiology, today the use of machinery has made male strength relative, and medical advances, together with the use of contraception, have reduced women’s procreative vulnerability. Today it is anachronistic to talk about the sexual division of labour.

It is not a question of denying incontrovertible realities; without doubt, human males are generally taller, broader and more muscular than human females, and moreover the gestation process does not develop in their bodies. However, acknowledging the materiality of biology does not imply accepting biological determinism. The clear set of bio-sexual differences between females and males is not what produces social, economic and political inequality; rather, it is a complex mixture of cultural beliefs and practices about what is inherent in men and inherent in women. Therefore, as these beliefs are unconsciously internalized, they serve as an explanation for inequalities that continue to be deeply rooted and give a shared excuse for the lack of more equitable social arrangements.

Reliance on biological arguments about a sexual contract fails to consider the strength of culture and the human psyche. Analysing the traditional division of labour as a “problematic arrangement” instead of as a sexual contract allows us to address the suffering and destitution of countless people and develop public policy measures aimed at eliminating its discriminatory effects. The admission that sexual difference exists does not legitimate deterministic conceptions but forces us to visualize specific problems. Currently, the hegemonic gender arrangement, with its differentiated workload for men and for women, makes it impossible to reconcile family and work spheres, while it also shapes the economy and supports a social model that produces different types of oppression and exploitation.

Even though more rigorous analyses have been around for a long time, a majority of people in the world continue to interpret the existing division—women in care work and men in government and defence—as something “natural.” The expression “sexual contract” feeds this normalization by emphasizing sexual difference rather than the social construction of gender, making it difficult to understand that what exists is a symbolic contract with material consequences for daily life. There have been, and continue to be, political efforts aimed at balancing the unequal relations between women and men and, more recently, including people with different gender identities. These efforts have ranged from reforming laws to institutionalizing anti-discrimination measures, but few have actually pushed forward cultural policies and public debates with new representations of what it means to be a woman, or a man, or a non-binary human being. Although sexual difference has an indisputable materiality, human beings also have a psyche and, sometimes, the identification process goes in an unexpected direction. There are no psychic characteristics inherent to females or males, but biologically there are some, crucial to the maintenance of humanity! In this sense, the political

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perspective that declares women and men equal as human beings—but not identical—is not enough if there is insufficient clarity about the ways in which the symbolization of sexual difference fosters the social acceptance of the so-called sexual division of labour.

One of the main challenges for addressing the socioeconomic and political inequality that exists between women and men as social groups lies in the difficulty of understanding that those inequalities between humans do not derive from sexual difference but from cultural norms relating to gender arrangements. The uses and customs of these norms conceal relations of domination and mutual exploitation behind the belief in a complementarity analogous to the procreative complementarity that exists between females and males. In order to progress toward another type of arrangement with fairer interactions, it is crucial to visualize clearly that a human essence determined by chromosomes does not exist, and to accept that cultural norms are the consequence of socio-historical processes, which are susceptible to transformation. This is not easy, since even people who experience oppression may tolerate it as something “natural.” Gender norms function as social coercion that is not perceived as such, and they are underpinned by the very people who adopt them without question. Symbolic violence is the name given to the phenomenon by which people accept, against their own interests, the schemes and values that oppress them (Bourdieu 1998). This symbolic violence is a “soft” violence that inscribes cultural gender norms on the body, on the psyche and on social relations.

Today we can see how the symbolic order has normalized the supposed superiority of men in certain societies and legitimized women’s political subordination, while in other societies, the minority, the socio-political principle of social equality disregards sexual difference. Therefore, we need to be clear that it is not a “sexual contract” that produces inequality between women and men; it is in fact the symbolic conceptualizations, present in many religions and political regimes and instilled in the minds and unconscious of human beings, that produce beliefs and practices that foster gender inequalities.

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1 Goffman 1977.

References

Who owns the news? How media capture exacerbates inequality

Anya Schiffrin
Director of the Technology, Media and Communications Specialization, School of International and Public Affairs, Columbia University
@anyaSIPA

Media organizations seeking to fulfill their democratic mission and hold power to account have always faced threats from political and economic elites. But pressure on news outlets has evolved in different directions, sometimes adopting subtle forms that can amount to media capture, defined by Alina Mungiu-Pippidi (2013:40) of the Hertie School of Governance in Berlin as a situation in which media are controlled “either directly by governments or by vested interest groups strongly tied to politics.”

What has changed the media landscape over the last 20 years is the globalized nature of media ownership and the rise of technology giants acting as gatekeepers of information. These fundamental shifts have paved the way for new forms of media capture, affecting both coverage and access to information. They have also radically changed the media landscape, causing massive job losses in traditional media in many countries around the world while new digital outlets have emerged. In the United States, newsroom employment fell 26 percent between 2008 and 2020; the majority of this decline occurred in newspaper newsrooms, with employment falling 57 percent during that period.

Against a global backdrop of growing inequality, increased polarization and rising right-wing populism, understanding how governments and elites maintain their hold on the public is crucial to address the power gap in society. Censors wielding red pens and governments dictating publicly what can or cannot be covered may be rarer these days, but powerful influences continue to place constraints on independent journalism.

How did this happen? One part of the story is the concentration of wealth in the hands of the few has allowed many of these billionaires to buy up media outlets. Paradoxically, the advent of the Internet was once heralded as an exciting opportunity to democratize access to information and encourage media diversity. Exerting control over the numerous new outlets emerging online would be impossible, it seemed at the time.

In reality, while online media organizations have multiplied thanks to lower barriers to entry, advertising revenues have plummeted across the media landscape, leaving both legacy media organizations and new outlets to scramble for limited financial resources. They have become easy targets for the financial houses that bought them and then failed to invest in local news. In the United States, Alden Capital has become notorious for buying storied newspapers such as the Chicago Tribune and then gutting the staff. In Hungary, changes in ownership led to increased advertising from government and reduced coverage of corruption. After the 2008 financial crisis, foreign investors pulled out of investments in Bulgaria, the Czech Republic, Romania and other countries, which allowed local oligarchs to move in.

Tech companies such as Google and Meta (Facebook) have not only siphoned off an important share of ad revenues that used to sustain legacy media, but they also control the distribution of information through algorithms that are less than transparent, as well as infrastructure.

Media outlets now rely for distribution on the very platforms that have undermined their business model, potentially making them more reluctant to hold these influential companies to account. In addition, large tech companies undermine consumer privacy rights and often reap substantial benefits from monetizing the data they collect from individuals who follow news coverage.
Against a global backdrop of growing inequality, increased polarization and rising right-wing populism, understanding how governments and elites maintain their hold on the public is crucial to address the power gap in society. Censors wielding red pens and governments dictating publicly what can or cannot be covered may be rarer these days, but powerful influences continue to place constraints on independent journalism.

Rasmus Kleis Nielsen (2017:34) of the Reuters Institute for the Study of Journalism at Oxford University listed “power, public service, profit” as traditional motives for media ownership. With media organizations struggling to survive, profit is no longer a strong enough incentive for ownership, making it more likely that individuals with deep pockets will buy news outlets to promote a political agenda or vested interests.

Around the globe, media independence is under heavy pressure. In countries such as Hungary and Turkey, authoritarian governments have successfully encouraged cronies to purchase media organizations as a way of controlling the political narrative. There are also numerous examples of corporations worldwide working in more subtle ways with political parties to promote favourable coverage.

The concept of media capture emerged some 15 years ago, framed by economists who argued that political influence has an impact even if countries have adopted the fundamental principle of freedom of the press. Maria Petrova (2008) of the Institute for Political Economy and Governance in Barcelona argued in 2007 that media capture could worsen inequality, particularly if the media outlets were captured by wealthy individuals, who, unlike politicians, cannot be voted out of power.

Foundations and philanthropists have stepped in to support struggling news organizations and enable them to fulfil their intended function. While the grants they offer can provide a lifeline for media outlets, they do not guarantee long-term sustainability. Furthermore, philanthropic organizations have their own biases and can be selective in the topics they support, resulting in another form of media capture.

These dramatic changes in the media landscape and the rise of disinformation have turned the spotlight on news journalism as a public good. As countless local news outlets have stopped operations, causing greater inequality in news coverage, interest in public funding to support independent reporting has grown. Several countries have long funded media organizations: the United Kingdom supports public broadcasting with the BBC and Germany with ARD and ZDF.

With the right regulations and multi-stakeholder committees in place to ensure public funding is not abused and that it reaches media organizations contributing to diversity and democratic accountability, public funding can be an effective tool to support quality journalism. In the wrong hands, however, government involvement can lead to new forms of capture. The European Union has been seeking consultation on a planned Media Freedom Act that could contain significant protections for journalists as well as measures to prevent capture. But it will need to be implemented Europe-wide, rather than by individual countries, in order to have teeth. Another bright spot is the creation of the Pluralis fund, based in Amsterdam and supported by a group of foundations, which will invest in non-partisan media outlets in Europe.

Significant events such as the end of a war or toppling of a dictator can have a profound impact on the media. Political transition can free the media or offer new opportunities for capture. The Covid-19 pandemic, for instance, served as a pretext for some authoritarian governments to tighten their control...
over the media. At the same time, the public health crisis also motivated governments in many countries, including Canada, France and Indonesia, to step in to save struggling media organizations by expanding or introducing schemes, including providing direct grants, subsidizing journalists’ salaries and offering vouchers for subscriptions.6

As democratic institutions are being eroded around the world and right-wing populism flourishes, protecting media independence and its ability to speak truth to power is more important than ever. To mount an effective defence, however, we must first understand media capture in all its forms and devise new strategies to combat it.

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1 Schiffrin 2021.
2 Walker 2021.
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5 Statka 2012.
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The twentieth-century social contract—an implicit bargain between economic imperatives of growth and productivity, and social imperatives of redistribution and social protection—has broken down and cannot sustain the transformative vision of the 2030 Agenda. The breakdown of the social contract manifests itself in multiple global crises, rising inequalities and the deep divisions in our societies. Multiple actors call for a new social contract, but visions differ on what an ideal social contract should look like. Indeed, it is important to recognize the variety of normative and real-world social contracts as well as the power asymmetries and structural inequalities shaping them. Recent history shows that social contracts are not set in stone but renegotiated when contexts change, or when contracts lose legitimacy and support. Countries have created new social contracts at critical junctures, in response to regime changes and citizens’ demands, embarking on a variety of institutional and policy reforms. To overcome present challenges and lay the foundations for just and sustainable societies and economies, this report suggests uniting all stakeholders in deliberations on a new eco-social contract based on principles of inclusivity, human rights, social justice, respect for planetary boundaries and our global commons, solidarity and multilateralism.
1. The Time Is Now: A New Eco-Social Contract for a Just and Green World

The twentieth-century social contract—an implicit bargain between economic imperatives of growth and productivity, and social imperatives of redistribution and social protection—has broken down and cannot sustain the transformative vision of the 2030 Agenda. Unraveling under the pressure of neoliberal globalization and failing to be fully inclusive and environmentally sustainable, the breakdown of the social contract now manifests itself in multiple global crises and the deep divisions in our societies. Inequalities in many dimensions have grown, particularly in the last 40 years, and many people feel left out and left behind. The failure of our economic model to account for the natural boundaries of our planet has led to environmental destruction and a climate crisis with human precarity increasing because of extreme weather events and health pandemics such as Covid-19, presenting serious challenges for current and future generations. And despite considerable progress in human development for more than half a century, this progress has been uneven and volatile, while recent gains have been partially reversed as a result of the Covid-19 crisis. At the current juncture, too many people are living in or have been pushed back into poverty, struggling with multiple deprivations, vulnerabilities and insecurities, while often lacking the power and means to make their voices heard. Many others have lost their trust in governments and their hopes that their children and grandchildren will be better off (see chapter 2).

Demographic change such as ageing and increased labour market participation of women has impacts on the generational contract (chapter 3). It has increased the amount of paid and unpaid work placed on women, who continue to be considered “natural caregivers.” This has led to growing demands for collective care arrangements beyond unpaid care provided by families and communities to which governments are increasingly responding, although much remains to be done. In addition, rapid technological change and globalization have profoundly altered labour markets, especially in the global North where labour markets had achieved a high level of formalization and protection, a result of the welfare state social contract that was established in the post-war era. Following deregulation, labour market flexibilization and new technologies, workers are increasingly struggling with outsourcing practices and high wage inequalities, increasing informalization and precarity, for example, through unregulated platform work, bringing the role of the state in providing income security and social protection back to the fore (chapters 1 and 2). As previous chapters have shown, the Covid-19 pandemic has also put social contracts under immense strain, affecting both vertical relations between citizens and the state as well as horizontal relations between citizens. Normal life was severely disrupted, and lives and livelihoods were threatened, while governments assumed new roles during the emergency, imposing limits on individual freedoms that led to protests and contestations. Finally, the international security order has been seriously challenged since Russia’s invasion of Ukraine, producing a new humanitarian crisis and negative impacts on the world economy, manifesting in a cost-of-living crisis and supply chain disruptions (chapter 1).

People around the world need to be involved in the design of and commit to implement a new eco-social contract which allows economies and societies to thrive, is fully inclusive, promotes human rights, respects planetary boundaries and our global commons, and supports new forms of solidarity and a strengthened multilateral system.
In this challenging context, residual reforms of the social contract that fail to address root causes of problems will not be enough to achieve the necessary long-term transformations. The social contract needs a fundamental overhaul if we aim to achieve sustainable development for all; it must become an eco-social contract, incorporating the ecological dimension and creating a new contract for the planet and future generations. This new eco-social contract needs to be grounded in a broad consensus between different stakeholders, embarking on a democratic, inclusive and participatory decision-making process at multiple levels, and feeding evidence-based policy proposals into decision-making forums. The basic idea of creating a new eco-social contract is to foster a range of deliberative processes at local, national, regional and global levels, in different sectors and with different sets of stakeholders, to arrive at a shared vision, concrete objectives and commitments and accountability mechanisms. United Nations Secretary-General António Guterres has invited all countries to conduct inclusive and meaningful national listening consultations so that all citizens have a say in envisioning their countries’ futures.

Grassroots participation and the inclusion of previously excluded voices are especially necessary when it comes to the process of determining how to get to a new eco-social contract. Reinventing instead of repairing the broken social contract could be the result of more inclusive processes. For a new eco-social contract to be sustainable and democratically grounded, there has to be a broad societal and global consensus regarding the questions of what the common public goods are (for example, keeping global warming under 1.5°C, providing decent work for all or maintaining global peace and security in line with the UN Charter), how to arrive there and how to finance them. Achieving such a consensus might not be a smooth process, nor a quick fix, but it should be a democratic, inclusive and transparent process. Consensus also implies that not everyone will see his or her original preferences succeed. Compromise is warranted, without getting stuck in the status quo or the lowest common denominator. Contestation and bargaining, protests and collective action, and building of strategic alliances will be necessary to challenge and overcome the status quo. Southern voices and Indigenous peoples’ traditional knowledge as well as communitarian visions have hitherto been neglected in this debate, yet much can be learned from them, in particular regarding the sustainable management of natural resources and how everyone is part of a network of social relations defining rights and responsibilities. In addition, the people have more power resources than they tend to be aware of to shape the social and ecological transition and to hold governments and business to account (see Spotlight by Kumi Naidoo).

Bargaining for a new eco-social contract also requires being explicit about normative foundations and values (see box 1.2). In this report we argue that now is the time for a fundamental rethink of the principles and values that currently guide our societies and economies and, building on this new consensus, the creation of policies and institutions needed to overcome urgent development challenges. People around the world need to be involved in the design of and commit to implement a new eco-social contract which allows economies and societies to thrive, is fully inclusive, promotes human rights, respects planetary boundaries and our global commons, and supports new forms of solidarity and a strengthened multilateral system.
In this chapter we propose principles which could guide deliberations, starting with the inclusion of groups that have often been excluded or were included on less favourable terms in previous social contracts, for example, women; informal workers; ethnic, racial and religious minorities; migrants; and LGBTQ+ persons. Furthermore, societies need a fiscal contract that raises sufficient resources in an equitable way, a new economic model that is fair and sustainable, and a new relationship with nature that protects biodiversity and climate stability. Finally, creating new eco-social contracts requires redressing historical injustices through decolonizing policy and knowledge; fostering social, climate and gender justice; and promoting new solidarities at local, national and global levels.

This chapter provides further insights into the concept of the social contract; maps and discusses various examples of social contracts—which are much more expansive and diverse than the model associated with Western welfare states—and how they have evolved over time (section 2); and presents recent examples where social contracts have been or are being renegotiated or made more inclusive or sustainable, for example, through new constitutions, land reforms and expansion of social rights (section 3). It then explores the renaissance of the concept in current debates and how different actors conceive of the approach to articulate their demands and visions regarding needed changes in state–citizen relations and reform priorities (section 4). It concludes by laying out seven principles that would steer new eco-social contracts in a transformative direction to advance social and climate justice.

**Chapter key messages**

**ONE**

The twentieth-century social contract, while delivering social progress and greater well-being for many, left many behind and ignored planetary boundaries. A new eco-social contract for the twenty-first century needs to be fully inclusive and grapple with historical injustices such as colonialism and slavery as well as contemporary challenges, while shifting and restructuring economies and societies to halt climate change and environmental destruction.

**TWO**

There is not one social contract, but many. As we move toward a new eco-social contract there is much to learn from the diversity of communitarian visions and country experiences in all parts of the world. Decolonizing knowledge is crucial for shifting power asymmetries.

**THREE**

Existing social contracts have often been renegotiated in times of crisis and at critical junctures, opening a window of opportunity to build better futures. There is, however, a risk of backsliding through elite-driven and populist bargains and a backlash against equity and human rights.

**FOUR**

A new eco-social contract should be created through deliberative processes at local, national, regional and global levels, in different sectors and with different sets of stakeholders. To arrive at a shared, equitable vision and transform it into tangible results, we need normative, regulatory and policy changes and concrete objectives, commitments and accountability mechanisms tailored to local contexts.
2. Understanding the Social Contract: What It Is and What It Ought to Be

2.1 What is a social contract?

In a world of multiple crises where many previous certainties have been shattered, large numbers of people are beginning to question the principles, values and public institutions our societies are founded upon, what philosophers such as Thomas Hobbes, John Locke and Jean-Jacques Rousseau have called the social contract. A social contract can be defined as the explicit and implicit agreements between state and citizens defining rights and obligations to ensure legitimacy, security, rule of law and social justice (see box 1.1). Social contracts reduce transaction costs and increase trust and predictability in human interactions, both vertically between state actors and citizens and horizontally among citizens. In present times, social contracts are understood to reflect basic societal decisions regarding the division of labour between states, markets, communities, families and individuals, on what is provided collectively and by whom in view of building a just society where equal opportunities exist for people to flourish and progress. Social contracts are based on philosophical or normative frameworks and imaginaries and are implemented through concrete policies and institutions.

Both the normative framework of a social contract and how it is arrived at, as well as concrete policies and their implementation, can be analysed, criticized and scrutinized to guide reform proposals and advocacy work.

For an analysis of social contracts, it is useful to identify their scope (involved parties, application), their temporal dimension and their substantive content. It is also common to distinguish between the procedural (enforcement of rights), the distributive (access to resources and rights), the participatory (participation in decision making) and the recognition function (promotion of dignity and respect) of social contracts. For conflict-affected countries, a definition of a resilient social contract has been proposed that includes i) political settlements (a tacit agreement among powerful groups about the rules of the political and economic game), that are increasingly inclusive and responsive to “core conflict issues”; ii) institutions (formal, customary, and informal) that are increasingly effective and inclusive and have broadly shared outcomes that meet societal expectations and enhance state legitimacy; and iii) a process of broadening and deepening social cohesion, with formal and informal ties and interactions binding society horizontally (among citizens, between groups) and vertically (between citizens/groups and the state).

More recently, in the context of the Covid-19 pandemic, basic questions around individual freedom and self-responsibility versus collective responsibilities and state interventions—for example, for achieving public health objectives—have resurfaced and fueled contention, dominating public debates in many countries. The pandemic has also triggered debates in the global South about building more inclusive and rights-based social systems as foundations for a new social contract.

Public debates are emerging in the global North about the role of the state, what is essential work in modern societies (see Spotlight by Naila Kabeer) and what are the bonds that tie people together, including across borders. What has become clear in previous chapters is that during the age of neoliberal globalization, increasing inequalities and multiple crises have undermined social contracts in different contexts, producing a political crisis of trust and legitimacy (see chapter 2) and a crisis of social reproduction, while humanity has not yet found an effective mechanism to secure the protection of nature or the rights of future generations.

Historically, theoretical or normative approaches and real-world examples of social contracts have differed according to how much weight they have given to social order (for example, protection
of private property rights) versus social justice (for example, income redistribution) issues and regarding the balance between individual rights and responsibilities versus state regulations and provisioning (see box 1.2). More recent debates unfolding since the 1980s have taken an even wider view and an explicit critical stance, aiming to uncover how empirical social contracts deviate from the normative notion of mutual benefits based on cooperation among independent and roughly equal persons. This report agrees with this critical perspective, promoted, for example, by feminists and critical scholars, that real-world social contracts tend to be far removed from the notion of free and equal persons creating a society based upon rules to which all agree. Rather, social contracts reflect existing power structures and inequalities at multiple levels and in varied forms, often creating de facto contracts of domination. They often do not grant broad-based political participation to non-elite groups, focusing in the best case on other legitimizing factors such as security or welfare provision. More often than not, they are the result of elite bargains and market power. According to Sen and Durano (2014:5), a social contract “may be imposed from above, fought over from below, and always holding the potential for change.” The question then arises of how social contracts can be improved, strengthened and renegotiated in a fairer and more inclusive way, allowing groups facing social exclusion and obstacles to participate in shaping present contracts while also respecting the interests of future generations.

Critical scholars and activists have highlighted the racialist and patriarchal nature of existing social contracts (see Spotlight by Marta Lamas), our missing contract for nature, and problems of elite capture, corruption and lack of accountability undermining political institutions (see chapters 2 and 3). They also point to governments failing to protect their populations in times of crisis or shocks or to guarantee basic democratic and human rights, migrants falling between the cracks, and informal workers being denied their fundamental labour rights, social protection and just wages. We therefore distinguish between theory and practice, that is, the ideal understandings of a social contract (the norms and values underpinning its vision and objectives, which vary according to different world views and ideologies) versus real-world experiences (the actual institutions and policies that are implemented and their effects). We furthermore analyse political processes of negotiating or renegotiating social contracts, whether these are elite-driven, top-down processes or decision-making processes that are democratic and bottom up, involving a broader range of citizens and stakeholders. Finally, important questions arise regarding transnational issues and how to overcome the limitations associated with national social contracts when it comes to building eco-social contracts that aim to promote global social and climate justice, peace and human rights, concerns that are at the centre of the UN Charter and the Sustainable Development Goals (SDGs).

The question then arises of how social contracts can be improved, strengthened and renegotiated in a fairer and more inclusive way, allowing groups facing social exclusion and obstacles to participate in shaping present contracts while also respecting the interests of future generations.

The outcomes of an inclusive and fair bargaining process and the observation of various principles (see section 5) that could guide negotiations and inform the substance of new eco-social contracts, including alternative civil society proposals as well as lived experiences and claims-making from sub-
altern groups, have the potential to lead to better and stronger social contracts than those that existed in the past. In line with the benchmark criteria for transformative change developed in our 2016 flagship report (box 1.4), the extent to which structural drivers of inequality, poverty, social exclusion and unsustainable practices can be addressed in the context of new eco-social contracts needs to be the key indicator upon which to evaluate their performance.28

2.2 Social contracts: Not one but many

Social contracts can be found in any society. There is a large diversity among them, each emerging from different contexts: everywhere, social contracts are shaped by historical and contextual factors and change over time, in response to changing political constellations or socioeconomic conditions.

2.2.1 Welfare state and developmental social contracts

The social bargain of twentieth-century welfare states is probably the social contract that has received the most attention and analysis, not the least because it was a highly institutionalized process of consultation and cooperation on economic policy issues involving organized interest groups, the state and civil society actors. Their key objectives were more equalized capital-labour relations and shared growth in a democratic context with accountable institutions. Managing uncertainties and providing economic predictability as well as stable livelihoods in times of rapid structural change were key lessons learned from the Great Depression and the war period, which fed into the post-war social contracts in the global North.29 Several late-industrializing countries in the global South pursued a similar model.30 The promise of this bargain was delivered upon through an increase of the social wage of workers and a substantial expansion of social policies to compensate workers for wage moderation that was demanded to keep inflation rates low and the economy competitive. Western countries differed in their welfare regime approach from those that placed more responsibilities on individuals and markets to those that provided a higher amount of public social provision.31 During this period, all parties involved in processes of tripartite negotiations or social dialogue achieved benefits: organized workers and their families benefitted from the increased social wage and high employment rates, a thriving business sector from growth and stability, and an expanding public sector from growth-driven fiscal receipts based on progressive taxation. For several reasons, elaborated in this report, this welfare state social contract was undermined during neoliberal globalization and through multiple crises related to this model, and is now in need of a fundamental overhaul if it is to deliver on the objectives of social justice and economic development and safeguard the environment.

2.2.2 Communitarian approaches

Beyond the social contract associated with Western welfare capitalism and late-industrializing countries in the global South, different types of social contracts and associated narratives or normative frameworks can be identified across the world. These value frameworks or imaginaries rarely use the terminology of the social contract and can even be critical of the notion of consensus that is associated with contractual theory as well as of the separation between individuals and communities/societies engrained in Western liberal philosophy. They tend to make less reference to vertical state-citizen relations and are more concerned with horizontal social relations or human-nature relations. In some cases, they have been mobilized as instruments of

The so-called sexual division of labour is not about sex but about gender, in that it is a social arrangement that limits equal access for women and men to work in both the public and private spheres.

– Marta Lamas
Researcher and Professor,
National Autonomous University of Mexico
moral persuasion and reflect governments’ efforts to promote social responsibility in a context of weak regulatory state capacity vis-à-vis elites and companies.\textsuperscript{32}

In the case of the African communitarian philosophy of Ubuntu, they have shaped social contracts between states and communities and relationships within communities,\textsuperscript{33} as well as certain aspects of resource governance, for example regarding land rights.\textsuperscript{34} Ubuntu—“I am because we are,” also translated as “humanness” or “human dignity”—implies that individuals define themselves through their relationship with the community.\textsuperscript{35} Humans are embedded in social relationships and interdependencies, with common interests, goals and values. Association and participation become key features of social life,\textsuperscript{36} and the individual and the community share common goals of togetherness and love for each other.\textsuperscript{37}

This approach is also reflected in the concept of Sumak Kausay (living in harmony or life in plenty), conceived as part of Indigenous communities’ struggle for autonomy and power in Latin America. The concept has traveled to become Buen Vivir, the Living Well paradigm, which is the normative foundation for national development strategies in the constitutions of Bolivia and Ecuador. Buen Vivir is a holistic vision, inspired by Indigenous knowledge and values, which promotes harmonious relationships between humans and nature, and a balance between material needs and immaterial needs such as recognition and affection.\textsuperscript{38}

Another communitarian approach is EcoSwaraj or ecological self-rule or self-reliance.\textsuperscript{39} As conceptualized by Kothari et al. (2014), it combines the concept of Swaraj, used by Mahatma Gandhi in India’s independence struggle, with ecology. It upholds the primacy of nature and views humans as part of rather than separate from nature. The human self is a relational self which is multidimensional, social, cultural, intellectual and spiritual. Along with the community, it is at the centre of local governance and economy. Hence, Kothari also defines it as radical ecological democracy similar to Shiva’s concept of “Earth Democracy”: “a new pact with the earth, as members of the earth family, a pact to create a new non-violent economy” (2016:208).

In the Middle East and North Africa (MENA) region, contractarian thought can be found in the Koran itself, which establishes a contract between God and the believers, defining rights and duties for Muslims and their leader, the Imam, which explicitly include the responsibility of the wealthy to care for the poor.\textsuperscript{40}

Communitarian or religious imaginaries are at times instrumentalized to support development models which are clearly at odds with the fundamental values communitarian approaches represent. Sometimes policy makers who draw on them ignore the fact that communitarian approaches are subject to change as a result of changing economic and social structures and practices.\textsuperscript{41} In South Africa, the Ubuntu rhetoric has been used by the Inkatha movement in its anti-apartheid struggle, but also by the state and market actors in the post-apartheid period to legitimize neoliberal economic policies.\textsuperscript{42} In Bolivia and Ecuador, despite the importance
Western colonial actions over a long period have decimated the Earth’s ecological integrity and biodiversity and, in the process, have created one of the most unequal realities imaginable. Indigenous wisdom and knowledge, including how to live in a mutually beneficial relationship with nature and sacred teachings about eschewing materialism, should be what we lift up right now, as they are a critical part of the solution to our climate disaster.

– Kumi Naidoo
Advisor, Community Arts Network (CAN) and Green Economy Coalition (GEC)

Communitarian or religious approaches are therefore not insulated from economic and political interests. They require constant engagement by grassroots movements and others who defend their intrinsic meanings, while it might equally be necessary to challenge them in cases where they conflict with contemporary values such as women’s rights or the principles of modern bureaucracies and democratic governance.

Social contracts have often been shaped by dominant economic and political power structures: in the case of Western post-war social contracts negotiated between governments, trade unions and employers’ associations, they reflected centralized corporatist structures associated with industrial relationships. Non-organized workers, informal workers, less powerful unions and persons working on an unpaid basis, mostly women, were not included in these bargains, although women married to a formal-sector worker were considered dependent beneficiaries with some access to social security, for example health care or survivor pensions. Lopsided bargains for less powerful groups were justified by dominant narratives, for example, evoking a natural division of labour between men and women or stigmatizing informal workers and enterprises as non-compliant, illegal or non-productive.

2.2.3 Agrarian social pacts

Another example for social contracts associated with a dominant economic sector is that of agrarian social contracts or pacts. These are often marked by unequal land distribution as a legacy of feudalism as well as colonial and neocolonial practices, and in some cases have involved substantial land redistribution that has contributed to more egalitarian and developmental social contracts (see section 3.4). In some countries, new agrarian social pacts (sometimes considered a subsegment of more encompassing social contracts) have been forged, linking producer organizations, politicians and bureaucrats for policy formulation and coordination, or incorporating farmers into rural-based political parties. These pacts have sometimes been associated with a specific design of social policy, universal and tax-financed benefits, which are better adapted to the realities of rural workers and producers, who tend not to be covered by contributory social insurance that is typical for urban wage workers in manufacturing or services. They have also included a range of other measures such as producer subsidies, price controls or rural development policies. Examples of these agrarian social pacts can be found in the Nordic countries, but also in India, Poland and Senegal.
agrarian pacts have not necessarily led to egalitarian outcomes: large commercial farmers would usually dominate negotiations. As a result, support policies have often benefited larger farmers and capital-intensive producers to the detriment of smallholders and subsistence farmers.49

This is reflected in the experience of India, where a major part of the agricultural support system, especially electricity subsidies, has been acquired by large farmers in the western part of the country, whereas farmers in remote areas including the eastern part are unable to access the same services.50 This has been an important factor contributing to increases in regional inequality in agriculture.

Although in several countries agrarian pacts have been forged around sustainable food practices, they have not always been successful in terms of egalitarian impact.51 Some encouraging examples are available from Latin American countries such as Bolivia,52 but agrarian pacts can be undermined by unfavourable institutional frameworks.53 Women-led associations in particular struggle to gain a voice and influence due to the prevalence of gendered stereotypes and biases.54 Government departments in most developing countries do not consider grassroots-level organizations as central actors of agriculture or food systems.55 Where grassroots associations become effective, they continue to be dominated by certain privileged groups. This has become a channel for reproducing inequalities in countries that have highly stratified societies. As a result, truly egalitarian agrarian pacts remain isolated examples across the world. Yet, their potential role in reducing inequalities cannot be underestimated.

A particular type of rural social contract or pact can be found in the MENA region.56 In Morocco and Algeria, for example, regimes traditionally granted rural elites access to water and land in exchange for loyalty. However, the neoliberal turn in the 1980s that propelled the liberalization of agricultural policies and regulatory reforms changed the rural social contract, empowering a new elite of agricultural entrepreneurs and leaving traditional allies aside. This new rural social contract, however, is considered highly unstable in a context of rising inequalities, difficulties to access natural resources and climate change. Social peace is mainly enforced through subsidies and repression, while environmental costs are high as producers circumvent protective regulations.57

Finally, agrarian pacts are increasingly influenced by powerful multinational corporations (MNCs) such as Monsanto, shaping both international trade agreements such as TRIPS (the Agreement on Trade-Related Aspects of Intellectual Property Rights) and farmers’ rights to seed sovereignty through their patent policies in genetically modified (GM) crop-producing countries.58 This has highly adverse consequences for plant varieties crucial for nutrition and climate resilience, while placing intellectual property restrictions on agricultural traditions on which many farmers rely for their livelihoods and promoting the unchecked use and development of GM crops and hazardous agricultural practices.59 Research evidence shows how legal activism in Brazil and India has challenged the legality of the patents and royalty collection systems of Monsanto, cases where activists and some judges have highlighted the precedence of the larger social interest over

**Buen Vivir** is a holistic vision, inspired by Indigenous knowledge and values, which promotes harmonious relationships between humans and nature.
purely private interest. However, states have often been complicit with the private biotech intellectual property regimes’ interests and conspired against small farmers.\textsuperscript{60}

2.2.4 Social contracts in mineral-rich countries

Social contracts in mineral-rich countries have often been undermined by elite capture and distributional conflicts, as the case of Zimbabwe shows,\textsuperscript{61} leading some scholars to argue that resource-rich countries are afflicted by a resource curse.\textsuperscript{62} However, there are also examples of governments which have included marginalized groups in social contracts in mineral-rich contexts by widely distributing the benefits of resource extraction, while also strengthening their developmentalist social contracts through taking greater control within the sector and setting up institutions to better manage the challenges associated with mineral-led development.\textsuperscript{63} This is the case in Botswana, the second largest diamond producer in the world. The mineral-dependent country is largely considered a success story, as it has used revenues from mining to invest in infrastructure and fund universal social policies such as education and social pensions. It has also set up effective institutions and policies to regulate the mining sector and insulate its economy from the negative impacts of volatile mining revenues.\textsuperscript{64}

Bolivia is another example showing how a historically elite-dominated and exclusionary social contract can be renegotiated, as occurred during the government of Indigenous President Evo Morales in the early 2000s.\textsuperscript{65} However, while progress was made in terms of domestic resource mobilization, social inclusion and poverty reduction, the environmental question remains a challenge. Chile, which has used state revenues from its state-owned copper enterprise CODELCO to fund public policies and established CODELCO as a key player in the sector, allowing the government to gain important insider knowledge for regulating the mining sector, has faced similar issues. While it succeeded in channeling mineral rents into social development, the government is increasingly facing environmental and social challenges associated with mining, as well as conflicts with civil society and Indigenous groups who are contesting the extractivist model and seeking to reclaim ancestral land rights and access to natural resources (see box 4.3).\textsuperscript{66}

2.3 Social contracts and a changing global context

While social contracts are often deemed successful if they coincide with or contribute to periods of stability, for example, during the so-called “golden age” of coordinated capitalism between 1945 and 1973,\textsuperscript{67} pressures to renegotiate social contracts can arise in times of crisis, in particular if the crisis is identified as a systemic one that would make the return to the status quo an undesirable and unstable option (see box 2.1). Periods of instability and transformation are associated with the breakdown of accustomed norms and beliefs, when people’s lived realities conflict more and more with familiar practices and they become convinced that the contract is no longer working.\textsuperscript{68} Crises and national emergencies can provide incentives for concertation and cooperation to overcome multiple challenges across different policy areas, sometimes leading to substantial paradigm shifts. Several examples were presented in chapter 2: the post-war international order and the development of welfare states; the neoliberal turn of the 1980s that radically redefined the social contract in many countries as a response to the economic crises of the 1970s and early 1980s in the context of an ideological revolution; the social turn which aimed to reinfuse social objectives into market-centred development strategies in the 1990s; and finally the stalled efforts to reform economic governance after the financial crisis of 2008. These critical junctures, in combination with an accelerating climate and care crisis, demonstrate the importance of crisis for changing existing social contracts, although, as mentioned, new bargains might not lead automatically to political and economic stability and greater social justice, either because they are skewed toward particular interests or because they lack teeth and enforcement capacity.

In times of big transformations and upheavals, it is useful to place social contracts under public scrutiny and to make their underlying norms, policies and institutions visible, assessing whether they deliver and generate trust. Social contracts lose their effectiveness when rules and obligations are increasingly circumvented because they are not perceived to be binding anymore or because states lack sticks and carrots to steer the behaviour of key actors into desired directions. In addition, social contracts need to respond to long-term structural changes such as those analysed in chapter 1: globalization, technological progress and demographic change.
In addition to the reshuffling of social contracts that occurred during neoliberal globalization, technological change has great impacts on social contracts. Digitalization, automation and artificial intelligence hold huge economic potential but have also created new divides that exclude a large proportion of unskilled and informal workers, many of whom are women, from social progress and threaten to push countries in the global South and their populations further behind. While these processes bear both opportunities and risks, what is important here is how digitalization and its impact on the world of work has led to calls for a new social contract that is "fit for purpose." With a focus on individualized, digitalized and portable social protection systems and calls for the state to assume greater responsibility for basic income protection, more equal capital–labour relations and the promise of dignified jobs are less and less a part of the social contract in these proposals.

Demographic change, such as ageing and migration, creates challenges for employment-based social contracts, the financing of social insurance programmes and social inclusion. A renegotiation of the generational contract was attempted in the 1990s through decoupling the fate of younger workers from the rising costs associated with ageing by privatizing pension programmes and creating individual pension accounts, starting with the Chilean reform in 1981 and spreading to several countries in Latin America and Eastern Europe. This experiment is now largely considered unsuccessful, as it has resulted in further exclusions and rising old-age poverty (see Spotlight by James Heintz). And while the generational contract could not be fixed through privatization, requiring further adjustments of contribution rates and pension ages, young workers are also increasingly affected by tight labour markets, precarious employment and increasing demands regarding experience and skills levels (see chapter 3). Demographic change is also closely related to the care contract, which has distributed care responsibilities in highly unequal terms toward women and girls. Ageing has implications for care needs associated with different age groups, shifting them from younger to older cohorts and increasing the need for long-term care services for older people. Migration of care and domestic workers can ease the care burden on national caregivers, paid and unpaid, but tends to create new levels of stratification among social groups and along global care chains. Indeed, migrants and refugees are still struggling to find their way into social contracts that were negotiated between national constituencies without paying sufficient attention to the transnational dynamics and mobility which are key features of our globalized system.

Urbanization, another demographic trend that has profound implications for our way of living, is often seen as a positive force for the extension of social services and greater employment opportunities for people. Economies of scale lead to greater economic prosperity that, with justice and equality-oriented urban policies and institutions, can lead to positive human development outcomes, social mobility, sustainable resource use and many more positive outcomes. However, low-income and minority groups are often left out of the benefits of urbanization. In many cases, informal settlements, lack of infrastructure and safe public spaces, as well as segregation have exposed inequalities and social fractures and testified to the failure of social contracts to be inclusive and empowering for all.

In addition to the material benefits of urbanization, cities are unique spaces where the marginalized can come face to face with the powerful, form alliances across groups, and exert cultural, social, political and economic influence simply by taking up space in visible ways. Yet such potential is undermined by the kind of segregation mentioned above that is

The climate crisis has put a spotlight on the absence of a contract for nature. A common characteristic of most twentieth-century social contracts was the absence of rules to respect planetary boundaries, preserve biodiversity and promote the sustainable use of natural resources.
happening in cities across the world today, as it has profound consequences for citizenship, solidarity and buy-in to the social contract. On the one hand, as urban institutions have been hollowed out by neoliberal processes of liberalization, privatization and deregulation, those with means have chosen to opt out of processes for the public good, motivated by various incentives including security and access to better life opportunities. This has taken the form of further divestment, enclavization and the private ownership of public spaces, compromising their value as sites of citizenship. Meanwhile, those without means have been left to make do with poor-quality or non-existent public services and abandoned public spaces, leading to a collapse of trust in the state. Further, daily confrontation with these realities erodes goodwill and encourages an every-man-for-himself mentality not out of step with the philosophy of global neoliberal capitalism. These realities place great strain on the social contract.

Finally, the climate crisis has put a spotlight on the absence of a contract for nature. A common characteristic of most twentieth-century social contracts was the absence of rules to respect planetary boundaries, preserve biodiversity and promote the sustainable use of natural resources, ushering in a global environmental crisis. The consumption and production patterns associated with these contracts were not sustainable and resulted in the depletion of natural resources, pollution and environmental deterioration. A binding obligation for economic actors, including the state, to protect the environment was missing, while the right to extract resources and deposit waste and emissions, to use natural resources for profit making or to privatize global commons was taken for granted. The lack of respect for nature and the commercialization of natural resources had widespread negative effects on the environment, health and economic opportunities of all people, but in particular for less powerful groups, for example, those groups whose livelihoods are embedded in the natural environment. Traditional farmers, fishers and Indigenous communities with livelihoods based on sustainable use of forests, land and water resources were often deprived of land and resource rights by big corporations or predatory rulers, for example, through privatization, commercialization or land grabs, often with negative impacts on women. They also saw their livelihoods based on natural resources destroyed as a result of pollution and commercialized resource exploitation.

Reforming or renegotiating social contracts can take different forms and entail complex transformations of institutions and structures that shape horizontal and vertical relations between citizens and state. Social contracting can lead to policy, legal or institutional reforms, including more fundamental ones such as constitutional reforms, which often occur at critical junctures such as post-conflict situations, decolonization or democratization, as well as during authoritarian backlash. Civil wars and violent conflicts and insurgencies frequently usher in new social contracts necessary to establish peace, as the examples of Colombia, Nepal, Rwanda and Sierra Leone show, each with their own challenges. In post-conflict scenarios, the need to address root causes of conflict (often related to real or perceived inequalities and exclusion), strengthen social relations, attend to grievances and injustices, and rebuild a peaceful and cohesive society based on shared values, trust and solidarity are of paramount importance if relapse into violent conflict is to be avoided.

Social policy has an important role to play in the peace-building process, as lack of access to resources, participation and protection are frequent conflict drivers. However, there is also an important path dependency in social contracts. Limited state capacity and low levels of social cohesion and citizen trust in the state and/or other social groups, if enduring, can threaten the success of efforts to create better social contracts. If new agreements are forged at the national level, they might not have sufficient downward reach to regional and local levels. In Africa, social contracts such as those at the community level and between communities (often represented by traditional authorities such as chiefs) and states continue to dominate post-conflict situations, while the military and external actors such as donors often constitute parallel contracts/bargains with governments. Another challenge is that peace agreements might be forged in the middle of an unfinished process of social contracting, with open conflict lines and the already mentioned low degrees of social cohesion and state capacity.

3. Renegotiating Social Contracts: Evidence from the Global South
This is the case in Colombia, where after more than 50 years of armed conflict the government and the former guerilla group the Revolutionary Armed Forces of Colombia (FARC) signed a peace agreement in 2016. The agreement came as a crucial milestone after the adoption of a new constitution in 1991, which, despite its progressive and inclusive nature, had failed to prevent further escalation of the conflict. The peace agreement set out to address core conflict issues such as land distribution as well as the trade of illicit crops and drugs. In recent years, it has created a new institutional governance structure and budgetary allocations to implement the agreement and to advance transitional justice. While the process has offered a range of opportunities, the key conflict issues—land and illicit crops—would require higher state capacity in terms of funding, administrative capacity and political support, as well as reforms at the international level in order to be addressed effectively. Further impediments to creating a more resilient social contract are the perceptions that aspirations of the agreement exceed state capacity and political will, while levels of social cohesion remain low.91

In the case of Rwanda, where an authoritarian social contract has been established by the Rwandan Patriotic Front under President Kagame in the aftermath of civil war and genocide (which came to an end in 1994), social order, security, rule of law and progress in social development has been advanced, while the social contract has fallen short of delivering democratic state-citizen relations and participation.92

Social contracts have also been renegotiated in response to peaceful regime changes, or because of collective mobilization and claims making. This has often involved inclusion of previously excluded groups, for example through providing cash transfers to low-income groups, improving access to social services for religious minorities, and extending social protection and labour rights to informal workers.93 In response to the green wave movement and feminist lobbying in Argentina, Uruguay and Mexico, women have acquired more reproductive rights, while collective mobilization and participation in political decision-making is associated with expanding rights for sexual and gender minorities such as LGBTIQ+ groups.94 These incremental changes are often accelerated in times of crisis (see chapter 2): for example, during the Covid-19 crisis, most countries strengthened social protection systems, albeit in a top-down and often selective manner as part of efforts to shield vulnerable populations from the adverse impacts of the pandemic and the associated lockdown measures.95 However, economic crises often prompt governments with limited fiscal space and dependence on foreign investors to implement austerity policies and cut social spending.96

Whether changes are so fundamental that we would speak of a new social contract, or whether incremental reforms are still part of the original societal–political consensus, depends on a variety of factors and arguably opens space for different interpretations. Whether changes are so fundamental that we would speak of a new social contract, or whether incremental reforms are still part of the original societal–political consensus, depends on a variety of factors and arguably opens space for different interpretations. Key factors indicating a change in the social contract are the scope, temporality and substance of reforms, who participates as contractual parties, and the ideational and value frameworks contracts are built on. The following sections will present some regional trends in reforming social contracts in the global South.
3.1 Regional trends

Latin America followed the model of Western welfare state contracts in the second half of the twentieth century but struggled to maintain social spending in times of economic crisis. Initially based on the partial incorporation or co-optation of organized labour, formal sector workers and state employees gained access to social insurance and were protected through comprehensive labour legislation, which effectively created dualist systems, as those working in the informal economy remained outside of contracts. Some of these contracts were made more inclusive as a result of democratic transitions in the 1980s (see box 4.2), though economic crises and Washington consensus reforms undermined these efforts, until a more progressive social turn was pursued in the 2000s in a more favourable economic and political context (chapter 2). Supported by booming world market prices for key Latin American export products which increased fiscal receipts, progressive governments implemented economic and social policies with positive distributional outcomes, reducing both vertical and horizontal inequalities. While differences exist within the region, showing a strong relationship between income level and development of the welfare state, improvements have been made across country groups, with the greatest progress achieved between 2002 and 2012 in Argentina, Bolivia, Colombia, Dominican Republic and Peru.

Key reforms were the renationalization of the hydrocarbon sector in Bolivia, the renationalization of the pension system in Argentina in the context of the financial crisis in 2008, the implementation of progressive tax reforms in Argentina and Uruguay, the creation of a national care system in Uruguay and the implementation of universal child benefits in Argentina, including previously excluded groups such as migrants, domestic workers and informal workers in the child allowances system. Social pensions were greatly expanded in Argentina, Bolivia, Chile, Ecuador and Mexico, while Argentina, Brazil and Ecuador also achieved an increase in formal employment with social insurance coverage. Argentina, Bolivia and Uruguay increased their public spending by more than 10 percent of GDP. Simplified tax and social insurance programmes for independent workers (the monotributo programmes) were implemented in Argentina, Brazil, Colombia and Uruguay; coverage of social protection was extended to domestic workers in Mexico, Paraguay and Uruguay; and health coverage was extended in Brazil and Mexico. Finally, innovations in the administration of services and benefits such as unified social registries and digital technologies led to greater efficiency and costs savings while also raising new questions about digital access, data protection and potential inclusion/exclusion errors related to registries.

Brazil, a country that is often portrayed as the international role model for conditional cash transfers with reference to its celebrated Bolsa Familia programme, is less recognized for other reforms implemented by the PT (Partido dos Trabalhadores – Worker’s Party) governments, including coverage extension and wage indexation of various other cash transfer programmes such as social pensions; universalization of access to education and health services; labour market policies such as minimum wage policy; and participatory governance models and effective social registries (see chapter 3).

The expansion of social rights and improvements in vertical and horizontal inequalities strengthened the social contract in many countries in the region; however, some structural challenges persisted, for example, a high level of economic instability and volatility due to dependence on external creditors.
in the context of rising debt levels. Another problematic factor was the so-called re-primarization of the economy through the commodity price-led growth of the primary sector accompanied by premature deindustrialization, with parallel growth of a low-productivity, informal service sector. These tendencies counteracted efforts to strengthen social contracts through the integration of more workers into the formal economy with better protections and wages. This is even more problematic as a lack of sustainable financing sources for social policy impeded further coverage expansion of non-contributory programmes and public services. Labour markets were highly segmented and informality persistent; despite improvements, entrenched vertical and horizontal inequalities were difficult to overcome. Social service provision was often fragmented and public services of low quality, whereas administrative capacity suffered from inefficiencies.

In Africa, social contracts are characterized by the presence of communitarian values and challenges associated with colonial legacies, the importance of non-state authorities and their mediating role between states and citizens, as well as context-specific political, demographic and economic structures. Social contracts were rewritten by independent post-colonial governments concerned with nation building, state legitimacy and social cohesion. These social contracts took different shapes, with the more developmental ones deriving their legitimacy through state-led economic development and public provision of basic services such as health and education. Governments in Tanzania under Julius Nyerere, Senegal under Léopold Senghor and Ghana under Kwame Nkrumah committed to varying visions of pan-Africanism and a nation-building project aimed at creating transethnic and transracial identities for their countries. The constitution of both a sovereign development project in these countries, grounded in African values of equity and mutuality, as well as a decolonized epistemology, were at the heart of Nkrumah’s and Nyerere’s projects (see box 4.1). Post-colonial social contracts also included negotiations over tax payments, with the type of tax-welfare regime influenced by colonial heritage. Overall, post-colonial contracts eroded as a result of the crisis of the development model, growing horizontal and vertical inequalities and, in some contexts, increasingly authoritarian and predatory rulers. The creation of social pacts was made difficult in the face of highly fragmented groups representing labour and capital, sometimes along ethnic and racial lines, and the weakness of domestic capital with foreign capital dominating. Positive examples of democratic developmental pacts in Africa are found in Mauritius and Botswana. In Mauritius, the existence of a hegemonic national bourgeoisie, strong unions and a social-democratic government facilitated the development of a more universal welfare state, aided by centralized business associations working across ethnic and sectoral lines and the creation of multiple formal and informal arenas for consultation.

Post-colonial social contracts in the MENA region (encompassing both republics and monarchies) have evolved from populisist-authoritarian types, grounding their legitimacy on security and service provision rather than political participation and funded by massive rent incomes, toward post-populist social contracts from the mid-1980s onward. In the era of the neoliberal turn, governments reacted to declining incomes from abroad by reducing social spending, in particular for the poor, whereas influential groups and the middle classes were initially kept within the contract, only to experience cuts in urban service provision and subsidies later on. As MENA regimes did not improve political rights and participation of their citizens in compensation for less protection and provisioning, discontent among the urban middle classes increased, as they felt the state was increasingly failing to fulfil its obligations. This rising discontent fueled a wave of mass protests in 2010–2011 that came to be known as the Arab spring. Since the protests, countries in the region have taken different paths, with Tunisia making considerable progress toward a more inclusive and participatory social contract (although more recently seeing authoritarian backlash), whereas some countries were afflicted by civil wars (Libya, Syria and Yemen), while others moved toward more repressive social contracts under military rule (Egypt) or tried to maintain the status quo (for example, Jordan, Morocco and the Gulf monarchies).

In East Asia and Eastern Europe, the post-war social contract was strongly influenced by cold war rivalries and great power influence (chapter 1). In both regions, unions were repressed and labour subordinated to larger political and development goals. Socialist social contracts in the Eastern bloc guaranteed full employment and access to social
protection and social services, while social contracts in East Asian developmental states also rested on the promise of stable employment relationships and equality through redistribution, for example, of land (see section 3.4). This social contract was renegotiated after regimes in both regions democratized and became more integrated into world markets, resulting in expansion of social policies in East Asia and a transition to market-oriented approaches in Eastern Europe, a process that led to severe economic crises and deteriorating social indicators in the transition countries.\textsuperscript{112}

In South Asia, recent decades have seen the rise of a language of rights, citizenship and democracy that has been instrumental in moving toward more inclusive societies.\textsuperscript{113} While the independence of some countries in the region (India, Pakistan and Sri Lanka) during a time when the Universal Declaration of Human Rights came into force may explain an explicit commitment to human rights in their constitutions, this commitment has been revisited and revitalized in the 2000s, while in the case of Sri Lanka it has been undermined by neoliberal policies and internal conflict.\textsuperscript{114}

\section*{Box 4.1 Decoloniality: Making room for knowledge toward a new eco-social contract}

The notion of modernity holds that rationality, objectivity and science can and ought to drive human progress, peace and prosperity. However, anti-colonial, postcolonial and decolonial theorists contend that the globally dominant formulation of modernity is, in reality, a European-American account of modernity, which created the unequal contemporary world order where material, epistemic and other means to realize human potential are controlled by a few powerful elites often, but not exclusively, from the global North.\textsuperscript{a} Western domination was attained through imperialism, colonialism, and related intellectual, moral and other justifications for Europe’s global conquests from the fifteenth century onwards.\textsuperscript{b} To justify taking land, resources and people as labour by force, Europe’s conquering powers relied on epistemologies that, building on pre-existing hierarchies, categorized, ordered and ranked human beings and human societies, placing European men and European civilization atop the hierarchy and all other living beings and societies below. Reliance on these colonial epistemologies was, in turn, dependent on dismissing, devaluing, displacing, destroying or co-opting the knowledge systems and knowledge of peoples and societies to be conquered.\textsuperscript{c}

Decolonial theorists contend that the dominance of Euro-American modernity is ongoing and sustains and perpetuates the inequitable material, epistemic and other realities and relations that resulted from imperialism, colonialism and their justifications.\textsuperscript{d} The concept of coloniality captures this outcome. Coloniality describes “long-standing patterns of power that emerged as a result of colonialism, but that define culture, labour, intersubjective relations and knowledge production well beyond the strict limits of colonial administrations.”\textsuperscript{e} Coloniality highlights that the constructions of the modern state, such as institutions, policies, laws, and international frameworks and conventions, through which it recognizes, controls and directs individuals and groups are historically defined, and that from imperialism and colonialism emerged distorted realities, patterns, categories and taxonomies (of race, class, gender, sexuality, ethnicity, nationality, legal status and more) that still facilitate the exercise of power.\textsuperscript{f} As such, the concept shares affinities with the Black feminist legal theory concept of intersectionality as both offer a critical lens on the linkages between power and interlocking systems of oppression (see chapter 3).\textsuperscript{g}

Decolonial theorists furthermore associate the current multiple crises facing humanity with prioritizing the well-being of people and societies at the top of Euro-American modernity’s hierarchies at the expense of other living beings, societies and the planet.\textsuperscript{h} They offer decoloniality and a decolonial perspective as means of systematically and methodically visualizing and interrogating distortions caused by the colonial matrix—which are otherwise presumed to be naturally occurring phenomena.\textsuperscript{i} In so doing, decoloniality aims to give rise to a pluriverse of knowledge, one in which there is room for the emergence of more cogent, holistic ideas of development, well-being and prosperity, and how they are attained, calling on knowledge systems and knowledge beyond the Euro-American modernist framing.\textsuperscript{j}

\textsuperscript{a} Cusicanqui 2012; Getachew 2019; Mignolo and Walsh 2018; Quijano 2007; \textsuperscript{b} Mignolo and Walsh 2018; Ndlovu-Gatsheni 2013; Quijano 2007; Wynter 2003; \textsuperscript{c} Santos 2014; Mbeumbe 2021; Mignolo and Walsh 2018; Ndlovu-Gatsheni 2013; Quijano 2007; Wynter 2003; \textsuperscript{d} Mignolo and Walsh 2018; \textsuperscript{e} Maldonado-Torres 2007:243; \textsuperscript{f} Castro-Gómez 2019; \textsuperscript{g} Tamale 2020; \textsuperscript{h} Wynter 2003; \textsuperscript{i} Dastile and Ndlovu-Gatsheni 2013; Mignolo and Walsh, 2018; \textsuperscript{j} Dastile and Ndlovu-Gatsheni 2013; Mbeumbe 2021; Mignolo and Walsh 2018.
Countries such as Nepal and the Maldives have seen more recent democratization processes that resulted in more inclusive constitutions (Nepal in 2015 and the Maldives in 2008), though the two countries differ greatly in terms of income level and institutionalization of social policies. While Nepal has post-conflict aspirations to promote inclusion and social policies, social exclusion is entrenched and state capacity constrained. The Maldives feature the highest per capita income and human development outcomes in the region, while lagging behind in creating inclusive democratic structures and stable political settlements to underpin a new social contract.

One important feature of most South Asian social contracts is the lack of an effective fiscal contract that would allow governments to deliver the planned allocations and comply with universalist aspirations, redistribution goals and international development objectives—tax-to-GDP ratios continue to be very low. While limited domestic resource mobilization is a challenge, electoral incentives and civil society activism have been a positive force. The fact that governments aim to attract votes through more inclusive policies, in combination with an increasing role of civil society organizations in the implementation of social policies, advocacy for social rights and monitoring of state commitments, indicates a new phase of state-society relationships in the region.

3.2 Social contracts and the neoliberal turn

Many twentieth-century social contracts forged in the post-war/post-colonial era that had aimed at economic development, social inclusion and a stronger public sector began unraveling during the period of economic crises, neoliberal policies and accelerated globalization starting in the 1980s, as analysed in chapter 2. In this period, power was shifted toward capital, while state capacity to enforce contracts weakened, in particular in the global South, affected by state retrenchment and adjustment policies. Welfare and developmental social contracts were increasingly replaced by new types of contracts that emphasized individual responsibilities to the detriment of solidarity, redistribution and public provision. These changes also affected more traditional social contracts based on communitarian values, as these communities were increasingly integrated into world market dynamics, while traditional informal institutions of mutual support, instead of evolving into employment-based social security, were replaced by residual social assistance schemes (for example, cash transfer programmes for the poor), affecting social relations.

Citizens were rarely consulted to agree on these radical reforms beyond their electoral vote or cosmetic participation in donor-led consultation mechanisms, such as the elaboration of Poverty Reduction Strategy Papers (PRSP). It was assumed that the crisis of state-led development in the late 1960s and 1970s (stagflation) and the breakdown of the socialist model in the former Soviet Union, East Germany and Eastern Europe provided sufficient legitimacy to change gears. Social contracts in the global South, in the case of post-colonial African states called the nationalist project, were undermined by debt crises and austerity policies, leading to adjustment pacts that would often be implemented in highly coercive and repressive ways. State-citizen relations and political legitimacy worsened as a result of shrinking fiscal resources, deteriorating public services and the social costs of structural adjustment. As Adesina (2021:2) observes: “If we understand the relations between state and citizens as a web of rights and obligations, the retreat of the state from socialised and universal social provisioning undermines the legitimacy of the state, reinforces its more coercive face in its engagements with citizens and undermines social cohesion.” Donor bargains by-passed citizens.
and shifted governments’ accountability to deliver on their social contract from national electorates to external actors, while policy space shrank through loan conditionality (chapter 2).21

Despite a challenging global context for social contracts that were based on a greater role for the state in development and welfare provision after the ascendance of neoliberalism, spaces opened up at the national level to renegotiate and reform social contracts to make them more inclusive and sustainable. The following sections will present three types of formalized institutional arrangements that have changed social contracts in substantive ways: constitutional reform, land reform and social rights.

### 3.3 Constitutional reform

Some countries have created new social contracts through a process of constitutional reform (see box 4.2). The constitutions of Kenya and Nepal were created in a highly participatory manner and have

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**Box 4.2 Constitutional reform in Brazil and South Africa**

In Brazil, the Citizen Constitution of 1988 led to the expansion of social rights and profoundly transformed the country. Articles 194 and 195 of the constitution implemented a social security system, comprising health care, pensions and other labour-related benefits, social assistance schemes and unemployment insurance (Article 201). Health care is defined as universal and free of charge. Non-contributory old-age pensions for rural workers are funded by the social security system while social assistance schemes are means tested and funded through the general budget. The constitution further stipulates the right to housing and emphasizes the social function of the city and urban property, the social function of agricultural property and the promotion of agrarian reform. It further guarantees food security, the right to free education at all levels (daycare and preschool; primary, middle and high school; college; and youth and adult education) and the right to security. The constitution has also expanded labour and union rights. A key pillar of the new Brazilian social contract is the state guarantee to a minimum level of protection. It was implemented through the Organic Social Assistance Law (LOAS, Law n. 8.742) in 1993, which guarantees a minimum wage to poor senior citizens (aged 65 or older) and persons with disabilities living in families with per capita household income below one-fourth of the current minimum wage. The number of recipients of the BPC (Non-Contributory Regular Pension) amounts to 4.9 million. The monthly benefit corresponds to a minimum wage, equivalent to Brazilian real (BRL) 998 in 2019 (equivalent to approximately USD 190). Another important pillar of the social protection system is the Bolsa Família programme, a conditional cash transfer, which covered 46.9 million people by December 2018.

In South Africa, the first non-racial elections were held in 1994, in which the ANC led by Mandela secured a substantial majority. The new government embarked on sweeping reforms, redefining the social question and rewriting the social contract. For the first time in South African history, all South Africans became full citizens enjoying social, economic and political rights. Given the enduring racialized pattern of disadvantage, the social question focused on the experiences of Black South Africans. African workers, organized into powerful trade unions, demanded higher wages and improved conditions of employment. The African middle classes, from which much of the political elite came, demanded improved opportunities in professional and managerial occupations. The rapidly forming African elite, including much of the political leadership, demanded opportunities to seize a share of the country’s wealth through “Black Economic Empowerment.” The urban and rural poor wanted jobs and improved public services. Given the success of the Black elite, middle class and organized working class in accessing improved opportunities and standards of living, the fundamental post-apartheid social question revolved around poverty and crucially around elite perceptions of poverty and the poor (see chapter 2). A new constitution was approved in 1996 and took effect in 1997, guaranteeing a range of social rights including housing, education, health and social protection, a legal basis on which a massive expansion of social grants for older persons living in poverty, children and disabled persons was enacted. Social assistance has had significant effects in curbing vertical, horizontal and spatial inequalities (see chapter 3). Social grants have reduced overall income inequalities and redressed the social and spatial inequalities derived from previous discriminatory policies. However, their ability to reverse patterns of disadvantage in the labour markets and economy of care has been limited, revealing entrenched drivers of inequality rooted in the macroeconomic sphere and social norms.

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Welfare and developmental social contracts were increasingly replaced by new types of contracts that emphasized individual responsibilities to the detriment of solidarity, redistribution and public provision.

Constitutional reform as an instrument to rewrite the social contract is not always a progressive and democratic move, however, as recent examples from China, Hungary, Libya, Russia and Turkey show. Here, constitutional reform has been used to consolidate authoritarian regimes (strengthening, for example, presidential rule or possibilities for re-election or lifetime rule and weakening checks and balances) or entrench elite interests. These regressive outcomes occurred in some cases despite citizen participation, national consultations and referendums, as these were instrumentalized to legitimize the process rather than to shape it (see chapter 2). In addition, constitutional reforms often lag behind in terms of implementation, though they open the way for litigation processes that have sometimes proven successful, as the case of South Africa demonstrates. Finally, high-level reforms such as constitutional reform need to be accompanied by change processes from below, for example, regarding social norms: the example of gender backlash after introducing the quota system in Kenya’s Parliament shows the “need for women’s rights activists to prioritize a parallel bottom-up process of transforming gendered power relations alongside top-down institutional efforts” (Berry et al. 2021:2).

3.4 Land reform

Unequal land distribution and the continued power of agrarian elites is an enduring feature of many countries in the global South, which is considered to have detrimental development implications in terms of political bias, income inequality and poverty emerging from unequal asset distribution and the capture of agricultural rents by elites who might not invest them productively (see box 3.1). It is a legacy from colonial times and a type of inequality that is regularly exacerbated in periods of commodity booms that increase land rents and benefit landowners. Land reform has been an important instrument for renegotiating unequal agrarian pacts, holding the potential to promote more equitable and inclusive growth paths while also boosting productivity and poverty reduction.
to land reform have changed over time: whereas land reform in the post-war era was understood as distribution of land property rights for the benefit of landless workers, small farmers and tenants, the neoliberal approach that became dominant in the 1980s focuses on specific policies (sharecropping, tenancy) and the removal of institutions that are deemed dysfunctional in terms of market efficiency. Any transfers of ownership should be market-based (willing seller, willing buyer), ruling out expropriation or compulsory purchase.

Comprehensive land reforms were implemented in East Asia, for example, in Japan, South Korea and Taiwan PoC in the post-war period, where the landlord class was virtually displaced after successful collective action by farmer-tenants had already shifted land policies in their favour by the 1930s.130 These reforms were important for more equal development outcomes and greater agricultural productivity, while countries that were less successful in distributing unequal land property such as Indonesia, Malaysia, the Philippines and Thailand also fared less well in catching up with the global North.131 Some progressive land reforms were overturned in cases of regime change: for example, the Chilean land reform of 1962–1973 that redistributed land ownership from large estates to small farmers, rural labourers and cooperatives was abolished when General Pinochet took power, returning expropriated land to former owners and dividing former cooperative land into individual plots. By 1997, land ownership was more concentrated than in 1955.132

Commercialization of land associated with the second reform type and the market revolution of the 1980s had a bearing on social contracts.133 Notably, failure of land reforms, persistence of landlessness and skewed land relations considerably enhance the likelihood that gains from global value chains will not be distributed evenly and will rather be cornered by big players, with small farmers being pushed further to the margins.134 Commercialization increases the gender division of labour and generates inequalities in income and in access to land, labour and employment. Food insecurity is also unequally distributed according to gender, class and ethnicity.

Land reforms are also important with regard to women’s rights. There have been some important advances in women’s property rights related to land, for example, in India and China, where it has been pushed forward by women’s movements.135 This has had positive impacts on women’s social status, bargaining power over household assets, gender-based violence and political decision making. Social movements of landless workers and peasants claiming access to land have brought new political forces into power in countries such as Bolivia and Brazil. However, land confiscation and redistribution require strong political power, which many Latin American governments that promised land reform in electoral campaigns lacked (for example, in Bolivia, Brazil and Paraguay). State approaches to land tenure reform can conflict with customary land rights. There is also debate on whether state approaches or customary systems are more favourable for women’s access to land.136 Maximizing their claims under any system is still a challenge for women, as examples from Africa show, because women’s bargaining power and political voice is still weak, in particular in contexts where gender rights are not fully supported by either the state or communities.137
Furthermore, there may be tension between land reform initiatives and common property rights. Certain land tracts are often part of common property resources on which the poor and women rely for their day-to-day livelihoods. This is especially the case in local economies where extensive livestock activity is a key pillar of livelihood systems. Within such systems, there are particular economic and ecological advantages to common property institutions. Similarly, peasant households often depend upon firewood and fodder fetched from forest lands. State land regulation initiatives may not align well with these traditional practices unless they are taken care of a priori through suitable policy frameworks and support mechanisms. In India, for example, implementation of the Forest Rights Act, rather than protecting, has often led to the exclusion of many Indigenous and tribal communities from their traditional rights to the forest, which has translated into their marginalization. State land reform initiatives must deal with the protection and management of common property resources through a new eco-social contract involving alternative institutional arrangements. Common resources are also crucial for ecological health and environmental protection. There is a natural synergy between livelihoods and the environment here that must be accommodated within any negotiation.
aiming at a new eco-social contract. Access to and rights over land is also a key demand by Indigenous peoples around the world who have been deprived of ancestral lands through processes of colonization, nationalization and privatization, who are now seeking to exercise their right to self-determination and promoting livelihoods in harmony with nature (see box 4.3).

### 3.5 Expanding social rights

Social protection reform has been a key instrument to make social contracts more inclusive and to expand social protection in times of crisis, in particular to mitigate negative impacts on vulnerable groups in the context of the recent Covid-19 pandemic (see Spotlight by Naila Kabeer). In their response to the health and concomitant economic crisis, countries in the global South have built on the more recently introduced cash transfer programmes, which opens questions regarding a potential longer-term revision of social contracts. An analysis of social policy responses to the pandemic suggests that these have been shaped by existing systems and national solutions rather than international support, while also highlighting that the pandemic shed light on gaps in social contracts. Groups most affected by the crisis were workers in informal or precarious employment conditions without social insurance coverage, as well as undocumented migrants and care workers. These groups, often facing intersecting inequalities, continue to be vulnerable and have yet to be formally included into existing social protection schemes.

In some African countries, such as Botswana and Ethiopia, cash transfers or social assistance programmes that were mobilized and upscaled during the pandemic had originally been designed to provide relief for displaced populations and refugees or to address food insecurity in times of drought. Over the last years, in response to citizen demands and donor recommendations, these have evolved into more permanent and predictable programmes with higher coverage rates (see box 4.4).

The expansion of social protection coverage in Latin America during the period of the social turn, as described in chapters 2 and 3, not only resulted in more inclusive social and fiscal contracts, but also meant that the region was much better prepared to face the Covid-19 pandemic than decades ago.

Several countries that had reformed their social contracts and included a greater share of their population, in some cases also migrants, into social protection systems and social services proved to be more crisis resilient. Similar to the African cases, a common challenge was the temporary nature of support measures, as well as coverage gaps for informal workers and the self-employed, who were often covered neither by existing social insurance nor by social assistance programmes.

It remains to be seen if the coverage expansion can be maintained beyond the emergency situation of the pandemic, extending social rights to migrants and informal workers. The creation of a new social contract that is fully inclusive and based on human rights will depend on future economic and fiscal prospects and political will to reform existing programmes in line with the lessons learned during the crisis, a scenario that could be again compromised as a result of the mounting economic challenges associated with the ongoing Russia-Ukraine war.
3.6 Renegotiating social contracts in the global South: Lessons learned

Social contracts, though usually designed for the long term, are not static and are often reformed in times of crises or at critical junctures, for example in the context of peacebuilding, regime change or ideological revolutions such as the neoliberal turn in the 1980s. Regional trends in the evolution of social contracts reveal important historical and contextual factors that drive their reform, while also pointing toward the importance of political settlements, developmental visions, dominant economic sectors and associated interests, cultural factors and values, as well as historical legacies. Constitutional reform, land reform and the expansion of social rights are measures that can usher in substantive changes of existing social arrangements, but much depends on the scope, temporal dimension and actual design of policies and institutions, as well as on the inclusiveness of the contracting process, whether it counts on the support of important elite groups, whether state capacity exists to enforce it and whether it provides viable solutions to key development challenges and existing conflict issues.

The selective analysis of several types of social contracts in different regions and countries and how they were affected by changing global trends, power shifts and changing policy paradigms, from corporatist welfare state contracts to post-colonial contracts, to contracts based on communal visions, to neoliberal or adjustment contracts, to sectoral pacts, provides lessons on what makes social bargains more stable, developmental and inclusive.

Regarding scope, temporal dimensions and substance, social contracts have been more successful when they i) guarantee national reach and buy-in of key organized interest groups, ii) are coordinated by states with sufficient capacity to implement policies.

Box 4.4 Expansion of social protection in Ethiopia and Botswana

The Productive Safety Net Programme (PSNP) in Ethiopia was launched in 2005 with its main component consisting of a public works programme that provides temporary employment on community infrastructure or agricultural projects for working adults and, to a lesser extent, direct benefits to households without work capacity (for example, older or disabled persons). This programme was extended to urban areas (UPSNP) in the mid-2010s, turning it into one of the biggest social assistance programmes in the region, covering eight million persons, of whom 600,000 are beneficiaries of the urban component UPSNP in 11 cities. The vertical and horizontal expansion of the PSNP as a government response to the pandemic and lockdown measures happened through several policies: a waiver of the work requirements for the public works component of the PSNP, while payments continued; top-ups of cash transfers to existing UPSNP direct support beneficiaries; and inclusion of unregistered poor urban households into the UPSNP for three months, granting unconditional cash transfers in 27 cities. This scaling up was facilitated because a shock-responsive component of the PSNP already existed for drought relief and natural disasters, funded through a contingency budget, which could be used during the pandemic.

In Botswana, Covid-19 social protection responses did include adaptation of existing programmes (mostly to respect sanitary and hygiene standards) and introduction of new programmes, in particular a programme to deliver food aid to two-thirds of all households nationally, partly to replace school feeding programmes during school closures. For public works programmes the work requirement was waived, while other social assistance programmes and the old age pension plan continued to operate.

While both countries testify to the usefulness of having social protection programmes in place that can be scaled up in crisis situations, they also display a number of shortcomings, in particular under-coverage of vulnerable urban populations in Ethiopia and fragmentation between the urban and the rural components of the PSNP, and high fragmentation and lack of institutionalized social rights in the case of Botswana. Here, the crisis was taken as an opportunity to envisage systemic reforms under a National Social Protection Recovery Plan, jointly designed by the United Nations and the Ministry of Local Government and Rural Development. The reform proposal for social protection is to reorganize the 29 existing social protection programmes in Botswana into five that are structured around the life course.

*Lavers 2020; Devereux 2021; Freeland et al. 2020.*
and enforce compliance, iii) are led by state actors with a proactive and long-term development vision, and iv) create consensus on concrete substantive issues within elite factions and the broader citizenry. Contracts have been more inclusive and produced better social outcomes when they were based on values of participation, recognition, democracy, social justice and solidarity. A context of growth and stability is a further enabling factor, as well as policy space to design social contracts in line with the opportunities and constraints of each country context.

Finally, empirical cases studied in this report, though far from constituting an exhaustive analysis, have demonstrated that few social contracts have established clear guidance on relationships with nature and on how to protect the interests of future generations. Where this has happened—for example in the cases of Bolivia and Ecuador, as well as in Chile regarding the recent constitutional reform process—difficulties have arisen in translating these visions into practice in contexts of mineral-dependent economies, and in gaining the necessary political support, as in the case of Chile. On the other hand, as the next section shows, environmental issues have taken centre stage in contemporary policy debates and inspired new social movements, with various actors making proposals on how to reform our societies and economies to embark on more sustainable pathways supporting justice and fairness in all spheres.


4.1 Actors’ views and interests

Greater inclusion and access to rights does not happen automatically; it is the result of political strategies and collective action putting pressure on public opinion and decision makers. Analysing the positions of various actors and stakeholders can help to identify potential areas of consensus but also of diverging interests that are likely to shape the possibilities for and contours of future eco-social contracts.

Considering the linked economic, social, ecological and political crises being faced worldwide, organizations and movements are calling for the creation of a new social contract between people, between citizens and governments, and between people and nature. The United Nations has a strong voice in this process based on its charter and its comprehensive human rights framework; its different organizations working for peace, security, economic stability and sustainable development; and the climate governance regime emerging since the Earth Summit in Rio in 1992. The 2030 Agenda for Sustainable Development represents a high-level global consensus on the key objectives that a new eco-social contract needs to fulfil. The Addis Agenda explicitly uses the terminology and commits to establishing a new social compact to deliver social protection and essential public services for all, in line with the International Labour Organization (ILO) recommendation to implement national social protection floors. Many other UN organizations are using the concept of a social contract, and the UN Secretary-General has reinvigorated the call for a new social contract during the pandemic and in his Our Common Agenda report.

More recently, voices from the Black Lives Matter, Extinction Rebellion and Fridays for Future movements, the International Trade Union Congress as well as business actors are each in their own way championing different dimensions of a new ecological and social contract. These recent movements have to be seen in a broader context of social movements that have been organizing for...
decades to promote equality, justice, human rights and environmental protection. For many decades, women’s movements have been organizing globally and locally, advocating for greater gender equality in all spheres of life and for a social contract that promotes gender justice, with the MeToo movement denouncing sexual violence and abuse and the Green Wave movement in Latin America advocating for reproductive rights as recent examples. People have stood up against dictatorships and repressive regimes, racial discrimination, workers’ exploitation and the subordination of women and minorities. Informal workers, landless peasants, slum dwellers and Indigenous groups have organized and claimed their rights, with important achievements. Economic justice movements which have mushroomed in the 2000s and range from the global debt, tax or trade movements to Occupy Wall Street, have propelled fair taxation, business and human rights issues, global economic governance failures and the disproportionate power of MNCs and rich individuals onto agendas.

Below we review more recent claims raised by some of these voices, asking where commonalities or trade-offs exist.

On Mandela Day, 18 July 2020, the UN Secretary-General stated that “the response to the pandemic, and to the widespread discontent that preceded it, must be based on a New Social Contract and a New Global Deal that create equal opportunities for all and respect the rights and freedoms of all.” This call for a new social contract was taken up in the Secretary-General’s Common Agenda Report.

International organizations representing labour interests, such as the ILO, call for a new social contract in a changing world of work, where globalization, technological change, rising informality and weakening of labour market institutions erode social contracts, emphasizing the need for adaptation to change, reduction of inequalities and enhancement of voice and participation. Trade unions such as the International Trade Union Congress (ITUC) and others are also calling for a new social contract, one that provides decent work, access to public services and tax justice. The ITUC identifies five action points for building a new social contract: i) creation of climate-friendly jobs with a just transition to achieve net-zero carbon emissions; ii) rights for all workers, regardless of their employment arrangements; iii) universal social protection, with the establishment of a Social Protection Fund for the least wealthy countries; iv) equality and ending all discrimination such as by race or gender; and v) inclusion, to combat the growing power of monopolies and oligarchs, to ensure that developing countries can actually develop their economies, and to build tax systems that provide the income governments need to meet the needs of people and the planet. The European Trade Union Institute and Confederation argue that climate and social goals need to be addressed together in line with Kate Raworth’s (2017) safe and just space for humanity and call for the development of a social-ecological or “eco-social” framework.

Representatives from the business sector have made suggestions regarding the role of private companies in a new social contract. The McKinsey Global Institute proposes a systemic role for the private sector in targeting vulnerable groups through the provision of affordable goods and services such as housing and childcare, describing it as “more cost-effective for the social contract than aiming to stabilize incomes.” This would also include providing digital identification, payment channels and collection of data for better targeting benefits to the neediest. Businesses have expressed a number of demands regarding their role in a twenty-first-century social contract, summarized in The Business Role as stakeholder capitalism, skills development and career pathways, economic security and mobility, a just transition to net-zero emissions and worker data protection. Calls for a new social contract have also been articulated at the World Economic Forum annual meeting in 2022., emphasizing a world in crisis, eroding trust, and the necessity to collaborate and strengthen accountability. Interestingly, it is highlighted that business needs to have a seat at the table in negotiations for a new social contract: “Amid the uncertainty of Covid-19 and the fragmented political landscape, polls show businesses emerged as the most trusted institution globally, filling leadership voids with their voices, finances, and resources to bring help and change to communities in need.”

Social movements such as Fridays for Future, Black Lives Matter and Extinction Rebellion demand urgent climate and environmental action, intergenerational justice, and gender and racial equality as well as direct participation in decision
making, for example, through citizen assemblies. They are calling for a new eco-social contract that is inclusive and participatory and brings in all actors under legally binding commitments in favour of social justice and the environment. The Treaty Alliance, a network of advocacy groups, wants to hold business accountable through laws on supply chains and calls for a binding treaty on business and human rights which would make social and environmental standards legally enforceable. Various national and international civil society organizations and NGOs as well as individual academics and activists are advocating for social and climate justice, a new feminist agenda, anti-racism, human rights and decolonial approaches as key ingredients for new social or eco-social contracts or a “feminist green new deal.” They often create broad-based coalitions, networks and alliances that actively engage with local, national, regional and global processes (see chapter 5).

When comparing the demands of trade unions to those of business-near organizations, non-discrimination and climate change are common concerns, but business puts emphasis on targeted social policies and safety nets, while trade unions argue in favour of universal social protection. Both workers and business are asking for just transitions to achieve net-zero emissions without compromising social justice, a demand that is also taken up by civil society organizations (CSOs) and social movements, some of which demand more radical and transformative changes (chapter 5). However, while business actors hold that just transitions will be achieved through creation of high-quality jobs in the green sector and new skills development, trade unions demand concrete policies for job creation, education and health in this transition. The United Nations and social movements are both asking for urgent climate action, promotion of equality and social justice, while also demanding an end to racial and other group-based discriminations. While the United Nations sees this happening through networked multilateralism and implementation of global standards and agendas such as the SDGs implemented through sovereign states at national level, many movements question the capacity of nation-states and governments and want more direct citizen participation in decision making and enabling (policy) environments for alternative economic models.

What emerges from the different stakeholder views on a new eco-social contract is a broad consensus on the urgency to act, along with significant differences of perspective regarding the substance and scope of necessary reforms, as well as the distribution of costs and benefits associated with change processes.
5. Seven Principles for Building a New Eco-Social Contract

The basic values, policies and institutions shaping our societies and economies are neither short lived nor set in stone. The social contract needs to pass the test of time and hold onto its promises. If an increasing part of the population is feeling left out or left behind and social fractures are increasing, or if instability and uncertainties erode trust in and legitimacy of governments, the time has come to renegotiate the social contract. If social and environmental reproduction is under threat, the systems that sustain our livelihoods, well-being and survival, it is also high time to react and embark on bold reforms. This chapter has introduced different models and historical experiences with social contracts, with a focus on the diversity of normative and real-world approaches as well as renegotiations of contracts at critical junctures and in times of major societal or political transformation. We have also reviewed the recent debates that emerged in the context of contemporary global challenges and crises, showing commonalities and differences in how problems are perceived and what solutions are proposed.

Based on the evidence and analyses presented in this report, we argue that the vision of a new eco-social contract needs to differ fundamentally from the twentieth-century social contract. A new eco-social contract should be instrumental in reconfiguring a range of relationships that have become sharply imbalanced—those between state and citizens, between capital and labour, between the global North and the global South, between humans and the natural environment. It will be based on rebalancing hegemonic gender roles and relations rooted in patriarchy, remedying historical injustices and strengthening solidarity and multilateralism. While this chapter presents a short overview of these principles, chapter 5 will go into more detail regarding the policies that can be implemented to put these principles into practice.

Human rights for all

A new eco-social contract must surpass the post-war welfare state settlements by ensuring human rights for all, including those excluded from previous social contracts or relegated to a secondary role such as women; informal workers; ethnic, racial and religious minorities; migrants; and LGBTIQ+ persons. This requires a human rights-based approach that goes beyond formal-employment-dependent social benefits.

Universal human rights and inclusion resonate with the SDGs in various ways. Consistent with its promise to address inequalities, the 2030 Agenda commits “to leave no one behind,” to ensure “targets [are] met for all nations and peoples and for all segments of society” and “to reach the furthest behind first.” The social turn which led to a revival of social policy in development approaches has resulted in expansion of social insurance and social assistance programmes in a range of countries, while some governments have also scaled up investments in public social services and strengthened workers’ rights. Social protection has also been greatly expanded during the Covid-19 pandemic. The challenge is now to institutionalize universal social programmes and to close coverage gaps (for example, for informal workers, migrants or persons engaged in unpaid or community work) while providing adequate benefits across the lifecycle and in times of shock.

Progressive fiscal contracts

A new eco-social contract must go hand in hand with a new fiscal contract that raises sufficient resources for climate action and SDG implementation and fairly distributes the financing burden.

The provision of universal social policies requires a strong fiscal base. For many low-income countries, this will not be possible without strong support from the international donor community. However,
domestic financing schemes are the better option in the long term, as progressive distributional impacts support social integration by creating a social contract and strengthening relations within society, between economic sectors, between rich and poor as different social groups, and between society and governments. A fiscal contract for the SDGs should favour financial instruments which are supportive of environmental goals and the sustainability transition.

Transformed economies and societies

A new eco-social contract must be based on the common understanding that we need to transform economies and societies to halt climate change and environmental destruction and promote social inclusion and equality.

Transformative change (box 1.4) in our societies and economies demands deep-seated structural changes in order to overcome long-term stratification patterns that impact on future generations, locking people into disadvantage and constraining their choices and agency. Such structural change can be catalysed through innovative social policies in areas such as social pensions, education, health care, employment and equal opportunity based on universal approaches that enhance the role of the state and community organizations, and with strong regulatory frameworks and monitoring by citizens. It is also highly compatible with alternative economic approaches such as social and solidarity economy, new sustainability metrics used by enterprises, as well as just transition strategies which create synergies between social and climate justice.

A contract for nature

A new eco-social contract must recognize that humans are part of a global ecosystem. It must protect essential ecological processes, life support systems and the diversity of life forms, and pursue harmony with nature.

A new eco-social contract should be instrumental in reconfiguring a range of relationships that have become sharply imbalanced—those between state and citizen, between capital and labour, between the global North and the global South, between humans and the natural environment. It will be based on rebalancing hegemonic gender roles and relations rooted in patriarchy, remedying historical injustices and strengthening solidarity and multilateralism.

Establishing a contract for nature requires changing dominant growth strategies and decoupling them as much as possible from natural resource use and adverse environmental impacts. This includes changing consumption and production patterns to ensure climate and intergenerational justice, which illustrates the link between resource use and equity. Moreover, the Rights of Nature approach describes inherent rights of ecosystems and species, as living beings that need to be given a voice and protected by law. It is based on recognition that the development and survival of human beings depend on a healthy environment and biodiversity. Earth jurisprudence considers the governance and regulation of relations between all members of the earth community, not just between human beings, and is thus an important aspect of a new eco-social contract.
Historical injustices addressed

A new eco-social contract must be decolonized and informed by Indigenous knowledge, social values and capacities from the global South. It must remedy historical injustices and combat the climate crisis fairly through just transitions.

Securing workers’ rights and decent work while economies are shifting to sustainable production and lifestyles will be paramount, as is the principle of common but differentiated responsibilities for global South countries in addressing climate change. A new eco-social contract needs to replace the colonial tradition of resource exploitation with participatory and sustainable use of natural resources, compensation for loss and damage as well as benefit sharing. The historical injustice of colonialism created mistrust and discrimination and is still institutionalized. Self-determination and recognition of Indigenous peoples’ rights will be a vital part of applying traditional knowledge in climate change adaptation.

Gender justice

A new eco-social contract must recognize that previous social contracts have been built upon unequal gender arrangements. It must go hand in hand with a gender contract in which activities of production and reproduction are equally shared by women and men and different genders, and where sexual orientations and expressions of sexual identity are granted equal respect and rights.

Establishing an eco-social contract in which gender identity and sexual orientation are not a basis for discrimination requires dismantling gendered power hierarchies that subordinate women; establish gender as a static, definite and binary category; and devalorize social reproduction. Such a new contract must dismiss the gendered division of labour and centralize the work of care, a function that is essential for the maintenance of our social, economic, political and cultural institutions, and for our continued existence.

Solidarity

A new eco-social contract requires new bottom-up approaches to transformative change for development, bringing together social movements and progressive alliances between science, policy makers and activists. It must overcome the mindset of “us against them,” fostering instead a spirit of “all united against” global challenges such as climate change, inequalities and social fractures.

Forging a new eco-social contract requires a new process where everyone gets a seat at the table. CSOs and social movements as well as scientists, private sector actors and policy makers need to come together and discuss a fair distribution of costs and benefits of reforms. Informal workers, unpaid carers and community volunteers have to be invited to participate in social dialogue processes to shape public policies in line with their needs and interests. Public policies and institutions should strengthen the solidarity principle and support poor and marginalized groups and share benefits and risks in a fair way. The multilateral system needs to be strengthened to promote sustainable development, peace and security and to foster social and climate justice at the global level.

Love, in its various expressions, is a political issue: it should be granted the same importance as material themes and placed at the center of our agenda for social transformation.

– Jailson de Souza e Silva
Director, Instituto Maria e João Aleixo (IMJA)
Endnotes

1. UN 2021; World Bank 2020a.
4. UN 2021.
9. The World Bank defines the social contract as “a policy package that aims to contribute to a fairer society” (2019:124). It has used social contract diagnostics to improve its operational work at the country level, for example, to diagnose and explain complex development challenges such as entrenched inequalities, poor service delivery, weak institutions, and why decades of policy and institutional reforms promoted by external development actors could not fundamentally alter countries’ development paths; see IEG (2019); for efforts to operationalize the concept further, see Cloutier (2021). For a critique on the World Bank understanding of social contracts during the structural adjustment and post-Washington Consensus period see Mkandawire (2012) and Nugent (2010).
15. Devereux 2021.
18. Sen and Durano 2014:5
22. Mills 1997; Pateman 1988. The attempt to deracialize social contracts was at the heart of several post-colonial nation-building social pacts in Africa, “often tolerating emerging vertical inequality along class lines,” see Mkandawire (2012:10).
29. Beveridge 1942; Galbraith 2022.
32. Mkandawire 2012.
34. Radebe 2019; Wuta 2021.
35. Le Grange 2012.
37. See Desai (2022). Ubuntu is not the only communitarian-philosophical approach in sub-Saharan Africa, but one that has received widespread attention outside the region. It is mainly associated with Buntu culture in Southern Africa, also referred to as Umunthu, Umundu, Bunhu, Unhu, Botho, Setso or Vhutu in other languages in the region (Letseka 2014).

See Ergas (1980). An interesting experiment of translating African communalism into socialism was made by Tanzania’s president Julius Nyerere after independence from Great Britain in 1961. The Ujamaa (meaning “fraternity” in Swahili) ideology was based on the central role of the community and the village, the principle of self-reliance, cooperative economics and communal farming, and state-led social investments, in particular in education. The model, which, despite some social development achievements, was eventually judged as a failure, both due to internal contradictions and external shocks (Ergas 1980), was replaced by market-oriented reforms in the 1980s, ushering in an informal agrarian policy regime characterized by relatively low inequality, high poverty rates and low levels of social protection coverage with a strong reliance on informal support schemes (UNRISD 2010). See also the Saemaul Undong (New Village Movement) programme in South Korea, a state-led programme promoting rural development, rising rural incomes and food security through the Green Revolution. It channelled funds from industrialized urban to rural areas and built on radical land reform (implemented before Saemaul Undong), while emphasizing the “spirit of voluntary cooperation as a central characteristic of Korean people and national identity” (Douglass 2014:137).

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This is important to avoid a tendency toward cultural determinism associated for example with parts of the literature on neopatrimonialism in Africa, for a discussion see Mkandawire (2015).

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See Mkandawire (2009, 2020). For example, former labour reserve economies in Southern Africa displayed higher taxation and higher social expenditures compared with cash crop economies such as Ghana or Uganda. In the latter countries, peasants maintained their land, revenues were mainly derived from trade taxes and public social protection was limited, with predominantly informal and community-based systems.

See Mkandawire (2012, 2015). For the case of Mauritius, see Brautigam and Diolle (2009). For the case of Botswana, see Pitcher et al. (2009), who observe that legitimacy is created through rule of law and personal bonds between state and citizens, creating a mutually constitutive relationship between the personal and the public.

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SEWA and the future of work: Justice, livelihood, security and decent work for women workers

Reema Nanavaty
Director, Economic and Rural Development, Self-Employed Women’s Association (SEWA)
@SEWAFed

The Self-Employed Women’s Association (SEWA) is a member-based organization of over 2.1 million poor self-employed women workers from the informal economy. The informal economy is often characterized by small or undefined workplaces (that is, public spaces—streets, squares, fields—not usually understood as workplaces), unsafe and unhealthy working conditions, low or irregular incomes, long working hours, and lack of access to finance, training, technology and markets. As workers in the informal economy are not recognized, regulated or protected under labour legislation, they often lack social protection, and many remain trapped in poverty. SEWA’s experience of organizing informal-sector women workers for over five decades in India has shown that, to address the multiple challenges these workers are facing, there is a need to strengthen their collective agency, bargaining power and leadership to help them fight against unjust working conditions and bring them voice, visibility and validity as workers.

At the same time, adopting a needs-based and demand-driven approach, SEWA works toward building the skills of its members, preparing them to be able to access new forms of employment. The association also supports the organization of informal women workers into collectives, cooperatives, federations, producer companies and micro-enterprises—completely owned and managed by members themselves—thereby increasing their collective bargaining strength. These organizations are non-political, democratic and often based on trusteeship. The members not only remain workers or producers but also become owners and managers of their own economic organizations or enterprises. This builds a strong sense of ownership and belongingness and makes the organizations sustainable both economically and in terms of leadership capacities.

These organizations or enterprises not only improve the livelihoods of their members but also broaden access to markets and generate an array of employment opportunities for more women workers like them. Many of these organizations have further goals such as capacity building and advocacy in addition to generating livelihood opportunities for their members. They apply commercial strategies to facilitate improvements in financial, social and environmental aspects of the members’ lives and livelihoods.

One such initiative is RUDI (short for RUral DIstribution), an agri-business enterprise of over 250,000 small and marginalized female farmers. This enterprise seeks to address disparities that characterize women’s roles along the food value chain. Two-thirds of SEWA’s members live in rural areas, with agriculture being one of their main occupations. Shouldering the responsibility of fulfilling the family’s food and nutritional needs, women are the backbone of an informal worker’s household, while men assume different roles and occupations. Women also play a major role in the entire food value chain system—in producing, processing and trading food, as well as in decisions about consuming and purchasing food at the household level. However, despite their importance for family nutrition and the food value chain, numerous constraints linked to patriarchal cultural norms and gender discrimination keep women in a subordinate position. Because women lack access to land ownership, for example, it is impossible...
SEWA’s experience of organizing informal-sector women workers for over five decades in India has shown that, to address the multiple challenges these workers are facing, there is a need to strengthen their collective agency, bargaining power and leadership to help them fight against unjust working conditions and bring them voice, visibility and validity as workers.

RUDI seeks to institutionalize gender equality and gender transformative approaches in homes, farms, communities and the entire food value chain system. The enterprise is fully owned and operated by the small-scale women farmers. The company has its own procurement channels, processing centres, packaging units and distribution network. The smallholder farmers sell their produce to RUDI; it is then graded, processed and packaged into affordable small packages. Distribution to the villages for consumption by poor rural households is handled by SEWA’s salesforce. These women, called Rudi-bens or Rudi Sisters, are formally trained and employed by SEWA and earn a commission on all sales. RUDI’s annual turnover is over USD 1.4 million.

This initiative brings nutrition and food security to over a million households in India today. In this process, the farmers get fair returns and the landless labourers have increased employment opportunities. RUDI demonstrates how the grave situation of female smallholder farmers can be transformed into a favourable and sustainable one, providing sustainable food and nutrition security for farmers’ households; ensuring the integration of small and marginalized women farmers and labourers higher up in the value chain; bridging the gender discrimination and pay gap; and, most importantly, bringing voice and visibility to these informal-sector women workers, contributing to sustainable development in the implementation of the Sustainable Development Goals.

SEWA is also working to incorporate objectives of sustainability and nutrition into these re-envisioned value chains. To do so, it has trained over 2,500 informal-sector women workers (both urban and rural) in the production and distribution of “smart foods”—foods that are good for people and the planet. Through this initiative, called Kamala, women labourers act as the owners, planners and managers of a food processing enterprise that organizes producers and provides them with a platform for selling their goods. Kamala processes the coarse grains produced by SEWA’s farmers into traditional hot and dry snacks, bakery products and condiments that are nutritional and sustainable, thereby promoting food security.

Through initiatives such as RUDI, Kamala and others, SEWA has made informal-sector women workers the owners and managers of their own value chains, distributing profits and risks equitably across all the stakeholders. Scaling up such women-owned solutions can generate formal employment opportunities for more informal women workers, integrating them higher up in the value chains; combat female poverty as well as lower female workforce participation issues, lack of decision-making power and traditional forms of gender-based violence; and facilitate access to markets and decent work, as well as other services such as health care, childcare and decent housing. As a result, self-reliance, which means the ability to work individually and collectively to achieve economic freedom and retain decision-making power over matters that concern one’s life and livelihood, is strengthened. We at SEWA call this: The Future of Work.
Are green deals a good deal for the global South?

Vicente Paolo B. Yu III
Visiting Fellow, UNRISD; Senior Legal Adviser, Third World Network
@VicentePaoloYu

The idea of “greening” the economy—to make national economies environmentally sustainable, including through the lowering of greenhouse gas emissions—has risen in prominence in multilateral discourse over the past decade and a half. The idea of a green economic framework has been expressed in various policy initiatives at national, regional and global levels, such as the European Union’s Green Deal. However, the question of how economies can be made green is very complex, and the use of terms such as “green economy” or “green deal” does not imply an international consensus, as the meanings of these terms are context specific.

There is no single path toward sustainable development. Different countries will require different strategies. But certain development imperatives are common to developing countries. These include eradicating poverty, reducing economic and social inequalities, and expanding decent livelihood and income opportunities for the poor. The environmental and climate crises mean that developing countries also have to make their economies more environmentally sustainable, more climate change-adapted and resilient, and more diversified in terms of productive economic sectors and activities.

However, most developing countries find it difficult to achieve their development objectives in an environmentally sustainable way. This is due to systemic and structural obstacles resulting from the way resources were extracted from these countries by colonial powers between the sixteenth and mid-twentieth centuries, and due to the resource-extractive and financialized hyperglobalization of recent decades. For developing countries, considerations of environmentally sustainable development are understood through an integrated approach to sustainable development and poverty eradication. This is consistent with the 1992 Rio Principles framework of sustainable development as having three interrelated pillars—environmental protection, economic development and social development. A key aspect is Principle 7 on common but differentiated responsibilities (CBDR), which recognizes that “In view of the different contributions to global environmental degradation, States have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command.”

The discussion in developed-country policy circles and multilateral institutions around a green economy, or a green recovery or a green new deal, tends to focus on the environmental aspects rather than the economic and equity challenges and impacts developing countries face. This policy rhetoric creates a dynamic in which the primary objective is to make domestic economies go “green” through market economy-oriented approaches. These do not, however, tackle the underlying structural inequalities domestically and internationally that need to be addressed to support long-term sustainable development and address poverty eradication in a systemic manner. This undermines efforts to achieve Agenda 2030 and the Sustainable Development Goals (SDGs) along the three pillars of sustainable development.

For example, the EU Green Deal and the proposed US Green New Deal focus on putting in place domestic policy measures to reduce environmental pollution (including greenhouse gas emissions) by tightening environmental regulations and shifting domestic investments and infrastructure toward
To address climate justice and equity considerations, a significantly greater level of international cooperation and action across multiple areas is needed. This should address the structural failures in the global economic system that gave rise to today’s economic and social inequalities and environmental crises.

perceived “green” industrial sectors. At the same time, they also include policy proposals that aim to have other countries, especially developing countries, conform to EU or US “green” policy approaches. Such proposals could open the floodgates to unilateral trade protectionism, such as carbon-based border adjustment measures (CBAMs). These are measures such as additional fees, charges or documentary requirements that are imposed as conditions for the importation of goods into the European Union. UNCTAD (2021) has estimated that CBAMs could have adverse implications on developing countries while generating little positive impact on emission reductions. This could erode the multilateral trust and international cooperation that is needed for all countries to work together to combat the climate crisis, address the impacts of the coronavirus pandemic and achieve the SDGs within the next decade. A key to success of the multilateral effort to combat climate change, therefore, is ensuring that the economic and social consequences of climate change response measures, such as the EU Green Deal, are addressed equitably and do not adversely affect developing countries.

Developing countries evoke the necessity of taking climate justice and equity into account in green economy or green deal proposals to propel the transition away from fossil fuel dependency. Justice and equity are material in the context of mitigation and adaptation burden-sharing, common but differentiated responsibility and capability, addressing loss and damage arising from the impacts of climate change, provision of the means of implementation (finance, technology) to developing countries, and ensuring the survival and development of vulnerable local communities and marginalized sectors in the face of climate change impacts.

For example, different national circumstances mean that countries will have different challenges when it comes to transitioning away from fossil fuel dependence. Here equity considerations mean that richer and more diversified economies (such as those of developed countries) are better able to and should phase out fossil fuels fastest and earliest. Developing countries whose economies depend largely on the production or the consumption of fossil fuels should be supported in prioritizing and implementing policies that promote rapid, societally just and equitable economic diversification and transition away from fossil fuel dependence. Other developing countries, such as least developed countries, might require other support measures to enable them to pursue equitable development efforts adapted to climate change and its impacts.

To address climate justice and equity considerations, a significantly greater level of international cooperation and action across multiple areas is needed. This should address the structural failures in the global economic system that gave rise to today’s economic and social inequalities and environmental crises.

Such international cooperation should consider the following key elements.
At the national level, governments should strengthen the ability of national economies to address the interlinked challenges of climate change, energy sufficiency, economic development and social progress in a manner that is nationally appropriate, socially and economically equitable and environmentally sustainable.

- The global North would need to emphasize the reduction of their economies’ ecological footprint (such as through rapidly reducing greenhouse gas emissions) by changing unsustainable resource consumption patterns and should prioritize the provision of financing and technology to support developing countries.
- In the global South, greater emphasis would need to be placed on pursuing climate-adapted development pathways that enhance energy access and sufficiency, and climate change-resilient economic productivity, while at the same time shifting away from fossil fuel use.

At the international level, cooperative arrangements are needed to enhance financial and technological support from the global North that will buttress (but not impose on) the national development efforts of developing countries.

These need to be based on the coherent, strategic and active engagement of developing countries in international policy-setting forums (climate, trade, etc.), and on ensuring that they have the requisite policy space to accommodate their chosen development policies. Examples include:
- reflecting and operationalizing special and differential treatment for developing countries in international trade agreements and negotiations so that they can explore sustainable trade policies;
- prohibiting unilateral trade protectionism, including CBAMs, as environmental or climate change response measures;
- ensuring fairer treatment for developing country subsidies that support diversification into climate-adapted industrial, energy and other economic sectors;
- having a “peace clause” on engaging in dispute settlement (including in the World Trade Organization) concerning trade-related environmental measures of developing countries to encourage them to adopt such measures;
- ensuring that the principle of common but differentiated responsibility is made operational through the effective implementation of the provisions of both the United Nations Framework Convention on Climate Change and its Paris Agreement; promoting transfers of environmentally sound and climate change-related technologies and know-how to developing countries under conditions that support longer-term domestic technology development, including providing intellectual property rights waivers or flexibilities with respect to such technologies;
- providing adequate financial support to developing countries for climate change actions, sustainable development and economic diversification, including increased need-based and demand-driven climate financing under the multilateral climate change regime; liquidity injections through reallocating and issuing new Special Drawing Rights by the International Monetary Fund to developing countries; cancelling developing countries’ sovereign external debt; supporting and adopting countercyclical fiscal stimulus policies and avoiding the imposition of austerity measures as policy conditionality on developing countries; global and national regulation of financial trading transactions to limit speculation and prevent financial instability; developing multilateral macroeconomic and financial surveillance mechanisms under the United Nations; and avoiding “green” conditionality on the provision of financial support to developing countries;
- engaging in multilateral policy discussions on equity-oriented and rights-based approaches to economic and social development considering the environmental and climate crises.

References
The role of states in shaping equitable and sustainable economies

Mariana Mazzucato
Professor in the Economics of Innovation and Public Value, University College London; Founding Director, UCL Institute for Innovation and Public Purpose
@MazzucatoM

Over the past half-century, the efficient operation of the market for the pursuit of private profit has been allowed to run roughshod over any notion of the public good. In this neoliberal era, the state has been limited to reactively fixing or correcting market failures rather than proactively shaping or creating markets. Neoliberal discourse disparaged industrial strategies aimed at “picking winners” and restricted state interventions to at most “levelling the playing field” to ensure only the most competitive would win... But where has that gotten us?

It is now abundantly clear that this experiment has only exacerbated damaging inequalities in life chances, capabilities and power between people, both within and between countries—not least the United Kingdom, which now contains regional disparities, in GDP per capita, as wide as the gap between the richest and poorest in the European Union and the Organisation for Economic Co-operation and Development (OECD) as a whole.¹ No less obvious is a parallel inequality in power between the state and the corporation, as platform corporations outcompete governments to define the very terms of platform capitalism.²

The dominance of the private over the public in the way we conceive of and organize markets for the creation and distribution of value has all but blinded and paralysed society as a collective actor. This is evident in states’ attempts to respond effectively and equitably to the Covid-19 pandemic.³ For example, despite massive public investments that successfully accelerated vaccine research and development, this innovation was not properly governed for the common good, leading to significant global inequities in access to vaccines that have undermined their positive impact (WHO Council on the Economics of Health for All 2021). State capacities have been hollowed out, with governments avoiding active market shaping, outsourcing key governmental functions and fixating on balancing budgets through value-for-money targets blind to real public value.

If we are to genuinely build back better—the aim of so many post-pandemic plans, from the European Union’s to the OECD’s (OECD 2020)—this must mean building back smarter with renewed dynamic capabilities for foresight and vision built into the system from the outset. The state needs to step up as the visionary coordinator of societal and ecological transformation—with an eye on democratic participation in, and innovative responses and flexible adaptation to, complex change.

Any new eco-social contract must be founded upon a new approach to economic theory and practice that rejuvenates the role of the state. Such a goal is at the heart of a mission-oriented approach to policy making.⁴ This entails a new form of public–private partnership in which the state partners with private and civic actors not to socialize risks and privatize rewards, as happens all too often, but rather to engage all actors in the economy—government agencies, corporations, small businesses, social enterprises, civic institutions, charities and citizen groups—to work together toward the realization of common goals. The value created in the process, through positive spillovers and multipliers—for instance, the innovations and spin-offs from the NASA Apollo space programme—need to be fairly distributed between partners and reinvested in further innovation.

These common goals—or missions—would be determined by democratic deliberation inside and outside formal government through, inter alia, elected representatives, directly democratic digital
platforms, participatory budgeting, community consultations, citizen assemblies and neighbourhood forums. Through this deliberative process of mission making, a vision and public purpose is outlined to act as a shared horizon toward which all actors can direct their energies.

Mission making begins by asking the question “what is the problem we want to solve?”, framed as a goal to be achieved through investments in sectors and collaborations within individual projects. EU innovation policy is already beginning to use a similar approach, specifically in the Horizon programme. Five mission areas were selected by the European Commission: (i) adaptation to climate change; (ii) prevention of and solutions to cancer; (iii) healthy oceans, seas and coastal and inland waters; (iv) carbon-neutral and smart cities; and (v) soil health and food. These missions map neatly onto five of the UN Sustainable Development Goals (SDGs). In this way, the SDGs can be mobilized as the navigational stars guiding and illuminating mission maps.

Fundamental to delivering a successful mission is setting a clear direction, with targeted, measurable and time-bound goals amenable to reflexive evaluation and continual improvement through experimental trial and error. The mission-led policy model can be summed up with the acronym ROAR: setting a Route and direction of change; building a decentralized network of willing Organizations to form mutually beneficial collaborations; evaluating their impacts through Assessment that can capture positive spillovers, multiplier effects and feedback loops; and sharing Risks and rewards fairly between public, private and civic partners through a renewed social contract.

For missions to really ROAR, the institutional machinery of the state will have to be re-engineered to gear legal, fiscal and regulatory tools toward stimulating and directing innovation across sectors. No longer will the state act to level the playing field; it will rather redesign the rules of the game. The aim is not to fix failures in otherwise functioning markets; it is to transform problematic markets—for example, carbon-intensive industries—and foster new, alternative markets, such as for green energy and circular production, through public investment in research and development, as well as patient capital pipelines for enterprise incubation (longer-term finance suited to start-ups that focus on social value over financial return). This crowds in private investments to new and nascent markets that create public value, while crowding out old industries that produce little public value or that contribute to problems.

The dominance of the private over the public in the way we conceive of and organize markets for the creation and distribution of value has all but blinded and paralysed society as a collective actor. ... State capacities have been hollowed out, with governments avoiding active market shaping, outsourcing key governmental functions and fixating on balancing budgets through value-for-money targets blind to real public value.
and in shaping an economy that is geared toward producing public value rather than maximizing profit.

There is growing evidence that focusing on visionary missions that motivate diverse actors around ambitious common goals is far more conducive to producing positive spillovers, spin-off innovations and unforeseen multiplier effects than focusing on more immediate metrics and instrumental targets such as job creation and business start-ups, as in conventional economic policy. NASA’s Apollo mission led to multiple innovations and generated massive employment gains and cooperative capabilities across diverse sectors, yet it only ever had its sights set on the singular objective of “putting a man on the moon,” as John F. Kennedy famously put it. When the state keeps its eyes fixed firmly on the prize of achieving clear public value objectives, commercial benefits tend to be won, too—but not vice versa.

Key in all this is the state’s relationship to risk. Rather than putting all its eggs in one basket by picking a particular company, technology or sector to support while forgoing any public stake in its future success—as has been the model for far too long—an entrepreneurial state acts more like a venture capitalist to structure its investments as a portfolio, cross-subsidizing any losses with gains and reinvesting surpluses in further rounds of innovation. It is vital that the state takes a more direct and considerable stake in the companies and patents in which it invests—through, for instance, equity shares or future revenue participation agreements—to transform shareholder capitalism into stakeholder capitalism.

At the centre of this new political economy of stakeholder capitalism are various institutional innovations that ensure value is more equitably distributed as well as sustainably created. State investment banks can provide the much-needed patient capital—whether grants or low-interest loans—to incubate innovation ecosystems while taking a non-controlling equity stake and distributing dividends for public value. State dividends can be endowed in a “public-wealth fund” to provide a citizens’ dividend or universal basic income, services and infrastructure to effectively end poverty and dramatically reduce inequalities.

Such innovations reimagine value distribution from redistribution ex post to pre-distribution ex ante. These are just a few of the new or recently rediscovered ideas for radically reforming capitalism, a mode of production that at the very least needs urgent reorienting around missions with public value at their heart.

Endnotes
1 McCann 2016.
3 Tooze 2021.
4 Mazzucato 2021.
5 Mazzucato 2018.
6 See Mazzucato et al. (2020).
7 Mazzucato 2013.
8 Mazzucato 2021.
9 Mazzucato 2021.
10 Mazzucato 2021.

References
Ordinary people should be front and centre in developing green climate policies. This is critically necessary if we are to face up to the inequality in our society and address climate change. We also have to acknowledge the injustices of the past and move forward to create a new social contract for people and the planet. People have a range of resources and creative potential to influence the process: as voters, as wealth owners, as consumers, as citizens and as holders of knowledge. While such a proposal might be radical in that it suggests an overhaul, if not outright overthrow, of our current systems, I urge you to consider people’s inherent power as a tool to address the ingrained social and economic inequality in our societies and build a new planet-friendly social contract.

If we’re honest with ourselves, the majority of our current governments and businesses, at best, have paid lip service to the imminent threat of climate change and, at worst, have continued to act in ways that take us closer to the climate precipice. With climate change we are running against a clock that is counting down, and we cannot rely on governments or businesses alone if we are to address soaring inequality and mitigate climate change. It is the majority that builds the foundation of the societal pyramid, and governments need to be pushed into action from the bottom up. In order to address inequality and build a new eco-social contract, people should organize themselves to take a range of actions based on their skills and interests, from planting more trees and recycling consumer product waste, to more complex collective actions such as setting up community-owned renewable energy initiatives. In short, we will need to take private action for public good with or without government support if we are to secure our children’s future.

Activism is generally focused on addressing what people lack and their repression, exclusion, disempowerment and marginalization. However, we also need to focus on what people do have and what they can do to address inequality and build a new eco-social contract.

First, people are agents of change as free-thinking individuals, with the ability to make a difference in their own and fellow human beings’ lives. People have power as enforcers of transparency and accountability, both individually and through social movements, NGOs, trade unions and other organizations. In this way, people have the power to interrogate governments’ local and national energy plans, for example, and the progress toward meeting the Sustainable Development Goals, and generally to hold our leaders to account for the actions they promise and need to deliver.

Second, people have power through their individual and collective creative abilities and participation. Western colonial actions over a long period have decimated the earth’s ecological integrity and biodiversity and, in the process, have created one of the most unequal realities imaginable. Indigenous wisdom and knowledge, including how to live in a mutually beneficial relationship with nature and sacred teachings about eschewing materialism, should be what we lift up right now, as they are a critical part of the solution to our climate disaster.

People also have power as shapers of values, ethics and beliefs. I believe that one of the reasons we are failing to address inequality or the climate catastrophe is that activism has a disproportionate focus on the repressive state apparatus, such as the military, police and legal system. However, I
With climate change we are running against a clock that is counting down, and we cannot rely on governments or businesses alone if we are to address soaring inequality and mitigate climate change. It is the majority that builds the foundation of the societal pyramid, and governments need to be pushed into action from the bottom up.

submit that the biggest threat we face is from the fascist-leaning, climate-denying politicians, using the ideological state apparatus available to them—the framework for education and religion, the basis of social norms and the media in all its diversity. Significant facets of activism are disconnected from the prevailing needs of people, who have resorted to trusting those who reflect their culture and values, however ugly these might be.

Third, we overlook our wealth. Many people hold bank accounts even if they don’t have much money in them, and that gives them power. People have power as holders of insurance policies and as owners of capital and assets. Whether you have USD 5 or USD 5,000,000 in the bank, if you go to your bank and say, “we do not want you to invest in the destruction of our children’s future by funding fossil fuel projects,” this could bring about substantial change. In 2015, for example, campaigners were able to get every bank in Australia to agree to refuse to fund one of the largest coal mines yet proposed, even though it had the backing of the government. The banks were persuaded not to lend because ordinary account holders picketed until the banks declared that they would not support the mine.

Lastly, people have power as consumers of energy, food, transport, television shows, clothing and more. Most multinationals and other big businesses must acknowledge that they have likely committed multiple moral transgressions in their single-minded pursuit of profit, which has justified inhuman and unecological behaviour in so many parts of the world. Now is the time for them to do the right thing to reverse these transgressions rather than simply greenwashing their actions with slick public relations moves. We can harness this power to show and say to the business community that we will stop buying products and services that destroy the planet. We must also demand products and services that help combat the climate crisis so that companies are forced to change (or go out of business). As a child activist in the anti-apartheid struggle in South Africa, I learned that consumer boycott campaigns can have direct material results. People have an opportunity to work collectively to address inequality and build a new eco-social contract. Failure to do so will leave future generations with an uncertain and potentially horrific future.

We, the people, our elected governments and business must realign our food, our energy, our transport and our primary economic system to be far more equitable to human beings and gentle on the earth itself. Travelling this challenging though exciting path requires that we build a new eco-social contract that balances sustainability and equity. As citizens and individuals, we have the only real power to safeguard our planet and our children’s future. This brave and potentially beautiful new world will require the highest level of moral courage yet, from all of us.

Figure S.1 People’s pathways to climate justice

Source: Author.
A New Way Forward: Pathways for Social, Economic and Environmental Justice

Establishing a new eco-social contract to overcome inequalities and address multiple crises and the root causes of unsustainable development requires that we change our mindset, rethink priorities and move away from a dominant focus on growth and profits. A new eco-social contract needs to be grounded in integrated approaches for economic, social, climate and gender justice. Such a contract would rein in hyperglobalization and financialized capitalism; connect the spheres of production and reproduction through establishing a caring economy in ways that impede the exploitation of people and the planet; and reinvigorate a transformative social turn based on universal social policies, decent work and a rights-based approach. Pathways toward a new eco-social contract can be built on a new development model consisting of three key pillars: alternative economic approaches that centre environmental and social justice and rebalance state-market-society-nature relations, transformative social policies based on a fair fiscal contract, and reformed and strengthened multilateralism and solidarities.

What is needed to move this agenda forward and secure our common future is a combination of progressive leadership that goes beyond elite preferences and is inspired by the common good and public interest, together with grassroots pressure from below by progressive social movements and civil society, supported by multilateral organizations and frameworks.
1. A New Development Model

The combination of multiple crises and the impact of Covid-19 on poverty, inequality and the achievement of the Sustainable Development Goals (SDGs) has increased the urgency for political action. If we want to harness crisis as an opportunity for change, the time to act is now. This chapter is about the way forward, presenting a new development approach that promotes social, economic and environmental justice, reduces inequality and addresses economic, social, environmental and political crisis drivers. This model, vital for building a new eco-social contract, is grounded in an integrated approach for social, climate and gender justice and consists of three pillars which are mutually reinforcing: alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations, transformative social policies underpinned by a fair fiscal contract, and reformed and strengthened multilateralism and solidarities.

When designing new economic policies, policy makers need to recognize the value of ecosystem integrity and natural resources and minimize adverse consequences of economic activity for the environment. Such an alternative approach would create a contract for nature and future generations and facilitate a transition toward sustainable economies. Several proposals of new economic models that encompass this new vision, including alternative economic approaches, are discussed in this chapter: different actors, including governments, trade unions and international organizations, are proposing a Green New Deal (GND) and are lobbying for a just transition approach to ensure vulnerable groups do not bear the brunt of the costs of transitioning to a greened world. Business actors are increasingly active in seeking ways to incorporate environmental, social and governance concerns into their operations. Overarching economic policy concerns are related to the question of how to best create an economy that is stable, sustainable and dynamic, creates decent and productive employment, and is conducive to innovations and technological progress that help to tackle the big challenges of our times, while minimizing incentives for negative behaviours such as corruption or tax abuse. The current economic policy environment tends to favour powerful economic actors such as multinational corporations (MNCs) and big business to the detriment of smaller entities, some of which are operating based on greater environmental sustainability and democratic governance. The state’s role has often been reduced to fixing so-called market failures and providing an enabling environment for investors. In the context of globalization, this has often meant the liberalization and deregulation of the market, monetary stabilization policies and socializing investment risks of for-profit enterprises, which allows them to rake in huge profits without paying the costs related to their operations. To make our economies more inclusive, sustainable and productive, it is imperative to rethink and retrofit the role of the state in economic development. This would involve changing relations between states and markets, better governance of global value chains (GVCs) and new relationships between market actors and communities, embedding economic activities back into social and territorial contexts that are more conducive to inclusiveness and sustainability.

Social and solidarity economy (SSE) is an alternative economic approach which meets these requirements. By institutionalizing collective action, and by re-embedding the economy into society and promoting forms of production, exchange and consumption that protect both people and the planet, it aims to realize emancipatory purposes within economic spheres and the wider political economy. By facilitating environmentally and socially sustainable production, exchange and consumption, SSE recentres the commons and strikes a new equilibrium between the economy and society to ensure that everyone has what they need to live well, the essence of a new eco-social contract (see Spotlight by Guy Standing). As this chapter will show, appropriate legal frameworks and public policies are critical to promote SSE and maximize its potential to make economies and societies more sustainable.
Alternative economies and new economic relations need to go hand in hand with transformative social policies. These have a particular role in redistributing unpaid care work in society and supporting social reproduction, tying together these spheres that have been separated, which has led us into the current crisis scenario (see chapter 2). Social policy is also highly important for stabilizing the economy through so-called automatic stabilizers (when the economy contracts in a downturn, tax payments decrease and transfer payments increase, and vice versa during booms), for production through investing in healthy and educated workers and investors, and in terms of redistributing market income to increase equality, with positive impacts on growth and poverty reduction (as shown in chapter 2).

Social insurance and assistance programmes protect people against lifecycle and market risks and are key instruments to cushion the impacts of crises, shocks and humanitarian emergencies.

We need to reinvent ideas around care and care ethics and how care work and care services are valued in market and non-market spheres. Care is a central component in every social contract, constituting both a right and a responsibility. Care needs to be at the centre of a new economic and social model. Global trends such as ageing and the Covid-19 pandemic have demonstrated that we might be at a tipping point of a care crisis (see chapter 2). To curb this development, we need publicly funded care services including for health care. Further, we must improve the working conditions of care workers while creating a supportive context for unpaid caregivers through policies that increase access to social services and social protection and facilitate the combination of paid and unpaid work. Reforming the care economy is an essential step toward a new gender contract grounded in justice (see Spotlight by Marta Lamas). It also requires changes in social norms and a redistribution of unpaid care, domestic and community work between men and women.

Transformative social policies, as opposed to residual or targeted social policies, are based on institutionalized rights and provide universal coverage for all and across the life course. They include income transfers, essential social services such as health and education and care services as well as labour market policies promoting productive employment and decent work (chapter 3). If well designed and implemented, they can address intersectional inequalities, social exclusion and stratification while creating a stronger sense of citizenship and solidarity. Supporting marginalized and vulnerable groups can be achieved through affirmative action, awareness raising and education, and measures to minimize discrimination and bias in policy implementation. They include labour market policies that promote workers’ rights and decent wages, while also expanding workers’ capabilities to flourish in their professional life and fostering their capacities to adapt to changing economic environments. Social policies need to be financed through progressive and sustainable instruments, based on a fair fiscal contract, guaranteeing both the sustainability of financing and the reduction of inequalities and negative social and environmental impacts. Transformative social policies can constitute the cornerstone of a new eco-social contract that overcomes many of the limitations discussed in previous chapters.

Finally, the current situation of multiple crises and instability has challenged our system of global governance, multilateralism and international solidarity. Diverse global compacts are under threat or falling behind schedule, from the SDGs to international commitments to address climate change and natural disasters, to attempts to find collaborative solutions to international migration and displacement, to efforts to address the global Covid-19 pandemic and geopolitical crises and conflicts. Governments are turning inward and nationalist, moving away from multilateralism and questioning the value of global cooperation and solidarity. On the other side of the spectrum, calls are getting louder to strengthen rules and regulations that would re-embed the global economy into social and ecological norms, to decolonize global governance and increase the weight of the global South in international relations and the global economy, to empower civil society’s…

We need to reinvent ideas around care and care ethics and how care work and care services are valued in market and non-market spheres.
voice and impact in multilateralism, and to foster solidarity and new values.

In sum, creating an economy and society that cares and thrives requires us to rethink priorities, to move away from an exclusive focus on growth and profits, and to change institutions, policies and behaviours that negatively impact our economy, environment and social relations, at national and global levels. In what follows we discuss evidence-based policy proposals that can serve as a basis for concrete reforms to drive an eco-social turn. The new sustainable development model would not only be more resilient toward crises but would also be much more inclusive, egalitarian and in harmony with nature than current ones, moving toward the principles of a new eco-social contract set out in chapter 4.

**Chapter key messages**

**ONE**

**We need a new development model for social and climate justice.** Implementing the vision of a new eco-social contract will require an integrated approach consisting of three pillars that are mutually reinforcing: alternative economic approaches that centre environmental and social justice and rebalance relations between the state, society, markets and nature; transformative social policies financed by a fair fiscal contract; and strengthened multilateralism and solidarities.

**TWO**

**Alternative economic approaches**—such as social and solidarity economy, progressive proposals for a Green New Deal and just transition strategies—**hold the promise to make our economies more sustainable and equitable.** To achieve this transformation, states need to play an active developmental role and expand their policy space, particularly in the global South.

**THREE**

**Transformative social policies are key tenets of a new eco-social contract.** They include universal social protection and social services, integrated care systems and labour market policies fostering decent work and productive employment. They need to be based on a fair fiscal compact where rich people pay relatively more than poor people while promoting innovative financing instruments that support the transition to sustainability.

**FOUR**

**Progress toward transformation at regional, national and local levels can be strengthened through a reimagined multilateral system and solidarities.** International reform and regulation to support transformative change is needed in multiple areas: curbing tax competition and evasion; improving social and environmental standards along global value chains; reversing the concentration of economic and political power of the global business elite; and strengthening global redistribution and cooperation. Power asymmetries in multilateralism need to be rebalanced by empowering the global South and civil society actors.

**FIVE**

**Transformative change can be supported by a new narrative, one that abandons the myths of self-correcting markets, endlessly renewable natural resources and “trickle-down” development.** Such an approach must address structural crisis drivers, entrenched inequalities and internal contradictions associated with neoliberal hyperglobalization. Progressive leaders, active citizens and social movements need to join forces to achieve a truly inclusive vision of climate and social justice.
The chapter is structured as follows: section 2 presents alternative economic approaches for inclusive and sustainable development; section 3 is on transformative social policy and a fair fiscal contract; and section 4 discusses approaches to strengthen international solidarities and reform the multilateral system. Section 5 presents an overview of policies for addressing inequalities and the political pathways toward a new eco-social contract.

2. Alternative Economic Approaches for Inclusive and Sustainable Development

Neoliberal hyperglobalization and financialized capitalism have been identified throughout the report as driving forces for inequalities and crises—from economic boom and bust cycles to the care and climate crises. Critics of neoliberal economic policy approaches emphasize internal contradictions that have produced the recent crises and turned into a threat to capitalism itself. For instance, feminist economists have long highlighted contradictions leading to cyclical crisis episodes as well as to a long-term hollowing out of system resilience and a breakdown of the social contract, as analysed in chapters 1 and 2. These internal contradictions reflect an artificial division between a market-based sphere of production and a non-market sphere of social and environmental reproduction. This separation has resulted in a hierarchy where market activities are assigned economic value while the entire system makes use of non-market resources and activities that are not properly valued in monetary terms or in business calculations, or whose value (for example, of natural resources and global commons) is discounted to favour present generations over future ones. This has important implications for the natural environment and people who deliver this work, mainly unpaid care providers—the majority of whom are women—but also informal or family workers and traditional or Indigenous communities. These exploitative structures are supported by entrenched social, cultural and religious norms which establish a “natural” hierarchy of sorts, for example, of humans over nature, or men over women (see Spotlight by Marta Lamas).

Creating an economy and society that cares and thrives requires us to rethink priorities, to move away from an exclusive focus on growth and profits, and to change institutions, policies and behaviours that negatively impact our economy, environment and social relations, at national and global levels.

Importantly, this model deprived many countries in the global South of policy autonomy and instruments to foster labour-intensive structural change toward higher-productivity sectors, often locking countries into growth patterns based on extractive sectors and lower value-added production activities within GVCs. The neoliberal model and its key features of liberalization, austerity and debt-led growth, as well as the rent-seeking behaviour of large MNCs, diminished the possibilities of developing countries to construct democratic developmental welfare states and to achieve advanced human development outcomes.

Alternative economic approaches, such as GNDs, just transitions or SSE, are required, embedded in a new global architecture governing trade, finance, investments, climate as well as human mobility. Economic policies need to respond to technological and demographic change and attend to social and environmental concerns. Rather than going through the same stages and repeating the mistakes of today’s industrialized countries through catching up, countries in the global South are well advised to leapfrog into more sustainable development models.
Alternative economic approaches need to overcome one of the key contradictions we have laid out in this report: the exploitation of people and planet and growing inequalities that erode the social contract and push people behind.

The current unsustainable development approach can be put onto a more transformative pathway if policy makers support alternative economic models to address climate change, agreeing on a progressive GND and promoting just transitions, by changing economic relations and rethinking the role of the state, and by investing in and strengthening social and solidarity economies.

2.1 Beyond green economy: Alternative economic models for addressing climate change

To transform our system, which is defined by inequality and unsustainability, we need a new global paradigm of environmental economics. In recent decades, calls for a green economy approach have taken centre stage in this debate, which entails decoupling economic growth from environmental impact. This approach, however, falls short in a number of ways. First, rather than making consumption patterns more sustainable, it aims to improve the efficiency and productivity of production through technological innovation, which has led to relative, but not to absolute, decoupling. Many have pointed out the ways in which this attention to green growth is not only insufficient to reduce global warming at the necessary rate but also disregards the social dimensions of climate change.

The focus of economic policy needs to shift from a narrow focus on market production and exchange—specifically the growth of gross domestic product—to a broader goal of social provisioning that redefines the economy to include both market and non-market production and processes.

– James Heintz
Professor,
University of Massachusetts Amherst
responses and in turn creates a “triple injustice” that exacerbates negative social and distributional consequences for already disadvantaged groups, further compounds existing inequalities, violates human rights and even produces unintended environmental consequences.\textsuperscript{19}

Such efforts often lack integrative and inclusive solutions that address not only the risks faced by these communities, but also the inequalities and social vulnerabilities at their root. Transitions to green energy or cleaner production systems that introduce new regulations without social protection systems in place often lead to loss of livelihood, as shown in the example of Jeepney (bus) drivers in the Philippines unable to comply with new legislation to reduce transport emissions.\textsuperscript{19} Further, these measures often offload the costs associated with mitigation onto low-income groups, which can lead to deeper impoverishment and, as has been seen in the case of the \textit{gilets jaunes} (yellow vests) movement in France, widespread social unrest, demonstrating that climate issues are not technocratic but are highly political and linked with social justice concerns.\textsuperscript{20}

Second, green economy relies on what can be understood as the “economization of the climate protection,”\textsuperscript{21} a process of assigning market value to it in a way that will protect it from overexploitation, with a heavy reliance on market instruments.\textsuperscript{22} However, the “selling nature to save it” approach\textsuperscript{23} does not address the structural causes of climate change and unsustainable practices as it allows those who can afford it “an easy way out,” in effect shifting the burden of mitigating climate change to those who cannot afford to offset their emissions (see Spotlight Vicente Paolo Yu).\textsuperscript{24} Further, this financialization of nature disregards its social context and wholly divorces it from its function as part of the commons.

This approach only views nature through the same neoliberal logic that has led us to this moment, characterized by privatization, appropriation and extraction. Finally, it fails to address the underlying systemic causes of climate change, namely the current economic system oriented toward continuous growth for profit with no regard for planetary boundaries. In this financialized world, actors operating in global financial markets show little accountability to governments, disempowering states and diminishing their capacity to protect their citizens and their natural environment.\textsuperscript{25}

It becomes clear that green economy approaches that rely mostly on technological fixes to reduce the environmental impact of current systems will not be sufficient and can only be a first step. They would need to be discussed at the community level to ensure they respond to the needs of local populations and be complemented by social and redistributive policies offsetting potentially negative impacts on low-income groups. However, they are unlikely to address root causes of climate change and environmental destruction.\textsuperscript{26} New approaches and policy alternatives have recently been developed by different actors, some of which, depending on concrete design and scope of the policies, may hold transformative potential by addressing root causes of unsustainable practices.

### 2.2 A Green New Deal for the global North and South

Many progressive thinkers have rallied behind a plan termed the Green New Deal which has made its way into political discourse in Europe and the United States, but which also has recognized potential for the global South if properly designed and financed (see Spotlight Vicente Paolo Yu).

Unlike the green economy approach, the GND calls for a transformation of our economic system on a structural level, going beyond behavioural, community and technological change and addressing the inequalities that block change.\textsuperscript{27} The GND proposal put forward by the United Nations Conference on Trade and Development (UNCTAD) in its 2019 \textit{Trade and Development Report} combines environmental recovery, financial stability and economic justice through massive public investments in decarbonizing energy, transport and food systems while guaranteeing jobs for displaced workers and supporting low-carbon growth paths in developing countries through the transfer of appropriate technologies and sufficient financial resources. The proposal from Ian Gough (2017, 2021) and international trade unions, targeted at richer countries but also relevant for global discussions, advocates combining the GND with a rethinking of the welfare state, investing in employment, fair wages and income guarantees as well as universal basic services including housing, adult and social care, basic transport services and digital access. Progressive GND proposals are aimed in particular at radically shifting the financial sector to rein in the power of the super-rich and stop the...
A key to success of the multilateral effort to combat climate change, therefore, is ensuring that the economic and social consequences of climate change response measures, such as the EU Green Deal, are addressed equitably and do not adversely affect developing countries.

– Vicente Paolo B. Yu III
Visiting Fellow, UNRISD

However, the extent to which a GND approach can lead to transformative change will depend on how it is implemented, what the country’s development strategy looks like and what incentives are provided by global governance. Indeed, many of the reforms that were promised in the aftermath of the global financial crisis in 2008 were not implemented, while the climate crisis was increasingly addressed by green neoliberal solutions. Successfully implementing a global GND will require international cooperation and a rethinking of multilateral institutions to ensure the rules work to promote social, economic and environmental justice and are free from external political pressures (see section 4). Further, whether the GND, which so far has mainly been discussed in the global North, is also a good deal for the global South depends on a variety of factors (see Spotlight Vicente Paolo Yu). For developing countries, environmentally sustainable development requires an integrated approach to sustainable development and poverty eradication, consistent with the 1992 Rio Principles and framework, with three interrelated pillars—environmental protection, economic development and social development—as well as the principle of common but differentiated responsibilities, placing greater responsibilities, in particular for mitigation and financial support for developing countries, on countries in the global North. However, the particular interests of the global South are often not taken into account. Some of the proposals included in green transition proposals in the European Union and the United States bear the risk of unilateral trade protectionism, such as carbon-based border adjustment measures, which could have considerable spill-over effects on developing countries which rely heavily on carbon-intensive exports, decreasing growth while further increasing inequalities between countries. A key to success in combating climate change, therefore, is to ensure that the economic and social consequences of climate change policies such as the EU or US green deals are addressed equitably and do not adversely affect developing countries while respecting principles of interdependence and mutual prosperity.

Major controversies in the debate around a GND have also arisen with regard to the dominant growth paradigm. Some proponents of the GND argue in favour of promoting economic growth to finance, for example, the energy transition. This approach is based on research that has shown that advances in environmental and climate policies as well as technological innovations have led to efficiency gains and a relative decoupling of GDP and resource use. However, these policies have not achieved progress in minimizing material consumption and greenhouse gas (GHG) emissions at the aggregate level. Against this backdrop, we see an emerging debate on degrowth and post-growth development models (box 5.1), pushing for “an equitable downscaling of throughput, with a concomitant securing of well-being” by reducing resource-intensive activities, both production and consumption, that make up a large share of GDP. Proponents of this approach consider that conventional responses to climate change, especially green economy approaches and those that rely mainly on technological innovations, are not adequately considering problems associated with growth, overconsumption and affluence. Finally, GND proposals such as the European Green New Deal (EGND) have been criticized by feminist groups for being largely gender-blind and failing to centralize care and well-being in the
framework. Recommendations to make the EGND gender transformative while also delivering better on equality and climate objectives include collecting gender-disaggregated data, systematic gender budgeting, ex-ante gender impact assessments and improved strategies to ensure parity in political representation and climate negotiations. Similar proposals are made by the Feminist Green New Deal coalition with regard to the GND proposed for the United States, asking for “structural reforms to address the intersectional crises of care and climate.” At the global level, the coalition suggests wide-ranging reforms that challenge the current paradigm of the global economy, reform the international financial architecture, redress power asymmetries and decolonize policy and knowledge. Other positive proposals such as new ways to measure GDP as well as alternative measures on economic progress or well-being economics, now applied by various governments, for example, New Zealand and Finland, move in a similar direction—toward alternative economic systems that strike a balance between economy, society and the environment, preserving the natural environment and ensuring its sustainable use, and distributing resources more equally. In a similar vein, a “rights-based economy” is based on a holistic understanding of human well-being and is supported by the widely agreed framework of values and obligations of human rights. It demands action to redistribute resources, remedy inequalities and rebalance power in our economies.

Box 5.1 The degrowth movement

Rooted in progressive environmental movements of the 1960s and 1970s and debates around the Limits to Growth, degrowth (décroissance) emerged as a radical proposal to tackle the depletion and irreversible degradation of natural resources. Inspired by the work of the founding father of ecological economics, Nicholas Georgescu-Roegen, the degrowth idea gained considerable traction in two periods of crises. First, the 1973/1974 oil crisis opened up a space for questioning natural resource use and gave rise to more radical environmental movements challenging the mainstream development model and calling for degrowth and eco-development to stay within the earth’s carrying capacity. The end of the oil crisis and expanding neoliberalism, with the simultaneous institutionalization of environmental protection, sidelined the degrowth model and calling for degrowth and eco-development to stay within the earth’s carrying capacity. The 2008/2009 financial crisis and its aftermath then triggered a renewed proliferation of degrowth thinking throughout Europe.

Proponents of degrowth recognize the incompatibility of the growth paradigm with sustainability and development within planetary boundaries. Whereas green growth strategies rely on the idea of decoupling emissions and environmental impacts from economic growth, degrowth is based on the reality that this has at best happened in relative but not in absolute terms. While there are a few recent cases of absolute decoupling at the national level, those can be based on “offshoring” emissions to other countries, tend to occur during periods of low growth and are “far insufficient to address stringent climate targets.” Even the countries that have achieved absolute decoupling (at least for some of the years) are still emitting far more than what is compatible with the goals of the Paris Agreement, “thus showing the limits of ‘green growth’ and growth paradigm.”

Degrowth, then, is a concept and political mobilizer that aims not to do less of the same, but to do something fundamentally and qualitatively different in order to secure human well-being and reduce inequalities while “decreasing the global carbon and material footprint, starting from the wealthy.” A movement of activists and researchers, degrowth rallies a pluriverse of visions, actions and strategies for a socially just, low-carbon future that are rooted in critiques of neoliberal globalization. Subject to passionate debate between different groups, degrowth and post-growth supporters can range all the way from eco-liberals at one extreme to anarchists at the other. As a result, degrowth proposals encompass a diverse range of solutions to reduce environmental impacts, redistribute income and wealth and transition to a convivial and participatory society. Among the most prominent ones are proposals to reduce and relocalize production and consumption, establish basic and maximum income schemes, reduce working hours and promote work and job sharing, and to change values and practices to strengthen local communities and promote sufficiency- rather than growth-oriented lifestyles.

Importantly, degrowth must not be equated to a economic downturn or recession. Instead, it aims to abolish the fixation on GDP and to pursue a systemic social and economic transformation consisting of both policy changes (for example, carbon taxes, abolishing fossil fuel subsidies) and lifestyle changes to tackle affluence and superfluous overconsumption.

Radically altering patterns of production and consumption and reversing the dominant normative hierarchy that places economic priorities over social and environmental ones requires a new societal consensus.

While the role and voice of workers and their communities remain a central element of just transition debates, approaches and initiatives represent a diverse set of world views and objectives ranging from those that largely seek to preserve the existing political economy at one end of the spectrum to those that envision significantly different futures at the other. Fossil fuel workers, and in particular coal miners, play a prominent role in the call for a just transition and illustrate the complexity of the transition challenge, which remains highly contested even in situations of relatively small numbers of affected workers. In Germany, for example, opposition to a hard coal exit in the Ruhr area remained strong and influential for decades despite the sector’s economic decline and diminishing workforce. Coal mining is an important part of the regional identity and also a source of post-war prosperity and economic development. As a result, a coalition of business, politicians and trade unions managed to defend industry interests and preserve existing structures rather than proactively embrace a transition. By the time the end of hard coal mining was decided, a huge share of employment had already been lost (32,800 workers at the end of 2007 compared with a peak of over 600,000 workers in 1957) and a general trend toward more precarious work contracts and erosion of workplace rights and benefits in the German economy led to a lack of decent, quality jobs that miners could transition into. Despite sizeable public investments and support from the European Union, unemployment rates in the Ruhr area remain significantly higher than the German average (9.1 percent compared with 5.2 percent in October 2021). The Ruhr example shows how difficult a proactive transition is even in contexts of high GDP, a diversified national economy, comparatively low levels of unemployment and a relatively small number of directly affected workers. Tackling the climate crisis as a whole will require much more comprehensive decarbonization and restructuring of the economy and will impact workers and communities in many different sectors such as transport, agriculture, manufacturing, tourism and health, both formal and informal. Addressing justice and equity is even more important in contexts of widespread inequality and poverty and where employment in extractive industries contributes a much more significant share to the overall labour
force and GDP. In South Africa, for example, overall high levels of unemployment, economic inequality and energy poverty as well as a large number of coal workers present a barrier to phaseout. Regional disparity in terms of the location of coal mines (and jobs), which are concentrated in the northeast, and the sites with the best renewable energy potential, which are concentrated in the southwest, adds to the struggle. Trade unions have mobilized against any job losses in the transition and opposed plans to expand renewables through further energy market liberalization and privatization,\(^5\) calling instead for a socially owned renewable energy sector, “a sector under public, community or collective ownership and designed to put people before profit.”\(^5\)

Calls for a different approach to just transition are generally growing louder. Civil society and climate justice organizations in particular often propose just transition projects and plans that envision fundamentally different futures, which are often rooted in solidarity economy thinking and tackle different dimensions of existing injustices and inequalities intersectionally. Cooperation Jackson, a network of worker cooperatives and supporting institutions in Mississippi, for example, aims to build up a vibrant, democratic solidarity economy that develops autonomous, self-reliant spaces of power locally while also engaging and pushing for political change at different levels of governance.\(^5\)

Cooperation Jackson’s approach to just transition

Box 5.2 Just transition in South Africa: Successes and challenges

South Africa is a prime example of the multidimensional challenges associated with balancing conflicting interests in the process of transitioning to cleaner energy in a just manner. The political economy of South Africa is dominated by the economically crucial Mineral Energy Complex, which is reliant on cheap electricity and cheap labour to generate profits for large corporations. Eskom—the vertically integrated state-owned electricity utility—distributes around 60% of all electricity in South Africa, mostly to energy-intensive industries that represent around 15% of all customers; the remaining 40% of electricity, for households and commercial users, is distributed by (and generates revenues for) municipal governments.\(^a\)

Under the current pricing system, Eskom subsidized both large consumers—such as extractive industries—and smaller consumers, especially households in rural areas. Mineworkers also play an important role in shaping the political economy by exerting political pressure through well-organized unions such as the National Union of Mineworkers and the Congress of South African Trade Unions. More recently, environmental groups have organized campaigns highlighting the environmental and health impacts of coal, taking the South African government to court over their failure to tackle toxic levels of air pollution.\(^b\)

As the government has committed to pursue a just energy transition, all stakeholders are concerned about how this transition will be implemented, with the most complex question concerning potential job losses in the coal mining sector. In the process of implementing further market-oriented reforms, the government plans to unbundle and privatize Eskom, as well as support privately-owned independent renewable energy producers, especially Black-owned ones, an attempt to redress apartheid-era inequalities. Unions across South Africa are against privatization of the energy sector and are concerned about the ownership of energy production, as it directly affects their job security and access to affordable energy. Unions and municipalities call for “energy democracy,” that is, publicly owned renewable energy systems that provide affordable, clean and reliable access to electricity for all. Environmental groups advocate for the fastest route to decarbonizing energy and achieving clean energy systems. Mining unions view private renewable energy producers as a Trojan horse for the privatization of the energy sector, which has sometimes pitted them against environmental groups.

Strategies for just energy transition must go beyond these conflicting interests, and be sensitive to the historical, racial, environmental and socio-economic inequalities in South Africa. From the environmental perspective, the just energy transition is ideally financed by making polluters pay. However, in the case of coal mining in South Africa, additional taxes on coal companies can lead to earlier-than-anticipated closure of less profitable mines, meaning that some miners will lose their jobs. While South Africa has a carbon tax in place, large tax exemptions for mining and energy companies reduce the effectiveness of the carbon tax.\(^c\) Making developed countries—the historic polluters—pay and finance the just energy transition is also a popular proposal, although it has proven to be challenging. However, increasing certainty around climate change coupled with increasing bottom-up pressure from activists is starting to show results; at the COP26 in 2021, the EU, France, Germany, the UK and the US committed to mobilize around USD 8.5 billion to accelerate South Africa’s transition away from coal.\(^d\) This will be instrumental in shutting coal plants promptly, as well as facilitating the early retirement of older coal miners, expediting South Africa’s just energy transition.

Sources: Cock 2018; van Niekerk 2020

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\(^{a}\) van Niekerk 2020; \(^b\) Reuters 2021; \(^c\) Pant et al. 2020; \(^d\) European Commission 2021a.
is a transformative one that seeks to overcome oppression and a long history of racism and injustice by “radically shifting wealth and power, and overhauling how things are produced, distributed, consumed and recycled back into the natural resource systems that we depend on.”\textsuperscript{54} In practice, this means actively building a community and ecosystem of interdependent cooperatives aiming to farm food locally, provide sustainable and affordable housing through collective landownership, generate renewable energy and promote a circular economy approach.

Finally, women’s advocacy groups are increasingly raising their voice to make sure that just transitions incorporate an intersectional, ecofeminist approach that ensures inclusive decision making and strengthens the care economy as a central part of just transition strategies.\textsuperscript{55}

### 2.3 A new role for the state

One important step toward more sustainable economies is to move away from the dominant narrative of self-regulating markets and private sector innovation and to rethink the role of the state in economic development. In practice, most states in the world are far from being laissez-faire states, regulating markets in one way or another. The question is not whether to regulate or not, but rather what type of market regulation and who benefits. Market intervention during neoliberal globalization has shifted from production-oriented interventions and social pacts typical for late-industrializing countries or so-called developmental states, toward “a state preoccupied with macroeconomic stability, property rights, and contract enforcement.”\textsuperscript{56}

In general, states have an important role to play in providing direction for private investment and for investing in infrastructure that supports sustainable development and economic transformation. State intervention is, for example, essential in relation to climate mitigation (reducing GHG) and adaptation (minimizing negative socioeconomic impacts).\textsuperscript{57} In the global South, these objectives need to be combined with concerns for rising income, structural change and productivity, and addressing high levels of poverty and inequality. In this context, the model of a democratic developmental welfare state deploying purposeful actions and establishing developmental social contracts (between politicians, bureaucrats and key business sectors) as part of a long-term developmental vision remains relevant (see chapter 4).\textsuperscript{58} More recently, this model has been upgraded to a green or climate-conscious developmental state, one that is proactively seeking possibilities to decarbonize the economy while reducing risks associated with climate change through economic diversification and resilience-building instead of applying conventional risk-management strategies based on pricing and market assessment techniques (see section 2.3.2).\textsuperscript{59}

Contrary to this vision of a proactive, developmental state, during neoliberal globalization, policy has focused on creating an enabling environment for the private sector. The role of the state was reduced to reactively correcting market failures rather than shaping and creating markets, and to policies that have focused on value-for-money targets but were blind to real public value (see Spotlight by Mariana Mazzucato). Frequently profits emerging from state support were privatized whereas production and employment gains in sectors supported by state policies remained insufficient, and governments socialized costs of private risk taking to stem systemic crises (see chapter 2).\textsuperscript{60} In contrast, active entrepreneurial states\textsuperscript{61} redesign the rules of the game; they act as venture capitalists structuring investments as a portfolio, cross-subsidizing any losses with gains and reinvesting surpluses in further
rounds of innovation. They do so by starting to identify key missions, ideally aligned with the SDGs, through deliberative processes with the participation of a broad group of stakeholders.62

Moving toward this vision of a new and more proactive state role, however, requires a considerable amount of state capacity, resources and autonomy, conditions that have in the past been associated with developmental states in East Asia63 but have only been replicated in some countries since then, for example, in Argentina, Brazil, China, Ethiopia and Rwanda, where growth strategies have involved centralizing rent management, strengthening political ties between government and domestic capitalists and adapting industrial policy and state-backed finance to create new competitive advantages.64 What is important to note here is that high state capacity is not necessarily a precondition; in East Asia, it was developed alongside success in industrialization, rather than prior to it.65 A second important issue is that developmental states should be democratic,66 and, as mentioned above, become climate conscious, for example, by implementing green industrial policies (section 2.3.2) and just transition policies (section 2.2.1).

2.3.1 Regaining policy space

Establishing democratic, inclusive and climate-conscious developmental states has become more challenging in recent decades. Under neoliberal globalization, governments’ ability to make use of the economic policy toolbox has been further constrained, in particular in the global South, as monetary and exchange rate policies were often designed to appeal to international investors or to counteract adverse market reactions, while fiscal policies have frequently lost their countercyclical potential and succumbed to austerity pressures due to dependence on external financing and weak domestic financial systems. Regarding financing policies, global South governments continue to be dependent on volatile external flows with high associated costs given their weak domestic currencies. Finally, asymmetries in the international economy have led to high entry barriers for late industrializers into mature sectors and technologically dynamic activities, constraining the policy space for structural change and productive development.67 Two factors have produced obstacles for developing countries seeking to absorb a maximum of (low-skilled) labour into high-productivity sectors: first, premature deindustrialization, driven largely by market liberalization, a reprimarization of economies during the period of the global commodity price boom, and the expansion of (low-skilled) labour-saving technologies, and second, the need to rely on capital-intensive, high-skilled technologies to be competitive in world markets.

A key goal for all countries, but in particular developing countries, is therefore to regain policy space to design and implement monetary, exchange rate and fiscal policies that combine stability with incentives for investments and employment in order to promote stable eco-social contracts. Macroeconomic policies need to be geared toward providing sufficient stability to avoid unsustainable debt, currency devaluation, capital flight and erosion of incomes and savings through inflation. At the same time, productive investment can be facilitated through low and positive real interest rates, development finance channeled into strategic productive activities (for example, through public banks), competitive and stable real exchange rates, management of short-term capital flows and regulation of international mobility of financial capital. Financial systems need to be regulated in ways that favour accumulation and innovation instead of rent seeking and excessive speculation.68

Economic policy, both macro and sector policies, needs to be concerned with providing incentives for just transitions toward sustainable economies. It needs to drive innovation and create dynamic competitive advantages by developing strategic
industries and activities. Finally, it should aim to improve skills and knowledge production through investments in education, research and labour market policies.

A range of transformative policies and institutional reforms exist that can promote employment-intensive structural change and sustainability and help address diverse economic inequalities and their root causes, for example, industrial policies and state-led innovation policies that upgrade production and its public value, support of employment-intensive sectors such as the care economy and regulatory policies that guide consumption and production toward greater sustainability. In addition, macroeconomic policies require a new focus on aggregate demand and a pattern of growth that fosters decent work, productivity and high value-added economic activities while safeguarding ecosystem integrity and protection of natural resources. Policy reforms need to rein in hyperglobalization, curb financialization and equalize relations along GVCs. Policies should support a market constellation that results in better distributional outcomes, allocating a greater share of national output to labour in the form of decent work, and curb income concentration at the top. This would not only have positive effects on equality and inclusion but also reduce the amount of fiscal redistribution necessary to reach an acceptable level of income or consumption equality (see chapter 2). Policies to foster horizontal equality through, for example, anti-discrimination laws, affirmative action and quota systems need to complement these broader policies targeted at vertical inequalities.

The recent Covid-19 pandemic was a telling example of how unequally policy space is distributed across global North and South (chapter 2). Access to vaccines, health infrastructure, social protection coverage and availability of financial resources to support the population and the economy was highly skewed toward the global North. The unequal capacity to finance large-scale fiscal stimulus packages between rich and poor countries and the question of who has benefited from fiscal stimulus (chapters 2 and 3), the impacts of the crisis on sovereign debt and inflation, and the role of regional and multilateral bodies has come to the fore. First of all, fiscal stimulus in the global South represents a tiny fraction of the money channeled into advanced economies (chapter 3 and figure 2.12). In addition, consequences of fiscal stimulus have been more difficult to manage in the case of developing countries. Expansionary fiscal policy, while important to stabilize aggregate demand in times of downturn, protecting the population and the economy, can lead to inflation when it meets supply constraints due to bottlenecks (such as the global supply chain problems that occurred during the Covid-19 pandemic) or full utilization of productive capacity. The situation has now become worse due to mounting geopolitical tensions related to the ongoing Russia–Ukraine war, with its economic repercussions on global markets, in particular energy, fertilizer and grain markets, producing supply shocks, inflation and downturns in market confidence. This could disrupt the current economic recovery and lead into stagflation scenarios, which are difficult to manage through conventional monetary and fiscal policies, as the oil price shocks in the 1970s showed.

Another consequence of fiscal stimulus can be rising debt. In response to the economic crisis triggered by the pandemic, extraordinary fiscal measures were implemented that helped mitigate the crisis, but they have also pushed up debt levels. In 2020, we observed the largest one-year debt surge since the Second World War, with global debt—both public and private—rising to USD 226 trillion. Rising sovereign debt levels are particularly problematic for developing countries holding large amounts of external debt. This points to the need for a more comprehensive approach to tackling the foreign debt challenge in developing countries, for example, through a multilateral debt workout process, if we want to avoid future crisis and retrenchment.
in public investment. Finally, the allocation of stimulus spending has important impacts on future growth paths. During the Covid-19 pandemic, stimulus measures were meant to achieve economic, social and environmental goals. However, the “greening” of the recovery has been patchy. An analysis of spending by leading economies, led by Oxford University’s Economic Recovery Project and the UN Environment Programme (UNEP), finds that only 18 percent of announced recovery spending can be considered “green,” while only one third of measures registered by the UNDP-UN Women Covid-19 Global Response Tracker had a clear gender focus, an example of how environmental and social concerns take a back seat in times of crisis.

2.3.2 Green industrial policy

Macroeconomic policies need to be aligned with production-oriented policies, such as industrial policies that support strategic sectors contributing to an economic transition, in terms of both sustainability and structural change. Sectoral policies often target the manufacturing sector for its potential to create forward and backward linkages, formal employment and stable social contracts. Industrial policies have the objective to increase dynamic efficiency, innovation and learning processes that promote successive waves of structural change. They need to be supported by a range of macroeconomic policies such as competitive and stable real exchange rates as well as financing policies for long-term investments, implying a stronger role for development banks. Industrial policies need to go hand in hand with efforts to overcome dualist structures in the economy, the division between a low-productivity informal economy and the formal economy, and with policies addressing challenges associated with natural resource-based sectors dominating economic structures in large parts of the global South. Such an integrated approach is crucial for the distributional outcomes associated with industrial policies and structural change, as they can also result in further market concentration (box 5.3).

Success in promoting strategic industries through industrial policy is the result not so much of choosing a particular policy but of sticking to particular objectives conducive to industrial development, for example, the achievement of scale economies and the development of domestic productive capabilities, and then deciding how to get there through applying a mix of instruments. Pragmatism, flexibility and enabling conditions were also seen as important ingredients for industrial catching up in Asian countries. While some instruments used in industrial policy are no longer feasible in the context of globalization due to World Trade Organization (WTO) rules, for example, export subsidies or local content requirements for foreign direct investment (FDI), many others can still be used, such as targeted subsidies for investment or skills development, tariffs, research and development (R&D) subsidies, or technology transfer requirements for FDI. GVCs, while increasing competition in final goods markets, also create opportunities for countries to specialize in intermediate goods and to help firms develop capabilities in quality control, abilities to coordinate R&D with buyer firms, and workers’ skills (as intermediate goods tend to be more skill intensive than final goods), among others. Second, industrial policy implementation requires “embedded autonomy,” which means having strong social ties and institutionalized channels of negotiation and communication between state and business, without business interests capturing the state.

Green industrial policies are proposed to support structural change that is simultaneously associated with productivity and employment creation, while also supporting the ecological transition.

Given the slow pace in the growth of renewable energy and the continuous rise in global demand for fossil fuels and electricity, calls for greater state engagement in the energy transition, including through the option of public ownership, are growing louder.
through a reduction of GHG emissions, pollution, biodiversity loss and resource use. They are part of the GND package some countries or regional blocs have recently proposed. Green investment, for example, in energy efficiency and renewable energy supply, can help to decarbonize the economy while supporting structural change, employment and better income distribution. Green industrial policies combine productivity-enhancing structural change with environmental objectives, for example, phasing out harmful technologies and using incentives and regulations to diffuse sustainable alternatives. Green fiscal policies and circular economy approaches are important complementary measures. However, given the slow pace in the growth of renewable energy and the continuous rise in global demand for fossil fuels and electricity, calls for greater state engagement in the energy transition, including through the option of public ownership, are growing louder.

Finally, industrial or sectoral policies have also been mobilized for social justice purposes, as the example of South Africa shows. Black Economic Empowerment (BEE) was meant to achieve two objectives in tandem: overcoming the discrimination and exclusion of Black South African entrepreneurs during the apartheid regime and fortify a domestic capitalist class for the South African developmental state (see box 5.3).

2.4 Re-embedding the economy back into society and nature

The economy is a part of larger institutional or social structures and the natural environment. In our current economic system, which is based on the narrative of fully self-regulating markets, the economy is increasingly disembedded from society and nature. This disembedded economy creates dislocations and tensions, to which counter-proposals have emerged. A variety of alternative economic approaches to re-embed the economy in society have been proposed.

The private for-profit and not-for-profit sectors can play crucial roles in bringing the economy under social control and facilitating the social and ecological transition that the SDGs are promoting. Previous chapters have demonstrated that markets are characterized by high inequalities, with large MNCs, mostly from the global North, dominating national economies and world markets along GVCs, while smaller entities, including small and medium-sized enterprises, are providing the bulk of employment opportunities and sustaining livelihoods.

Efforts to re-embed the economy in social and environmental norms have involved different approaches. Many MNCs and other profit-oriented firms are engaged in a process of incremental change centred on reducing negative environmental impacts, improving working conditions, providing livelihood opportunities within their supply or

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Box 5.3 Industrial policy and Black Economic Empowerment In South Africa

Industrial policy can also play a role in addressing historical injustices such as those created by the former apartheid regime in South Africa. According to Goga and Korku Avenyo (2021), combining Black Economic Empowerment (BEE) policy with industrial policy can result in greater inclusion beyond ownership transfer. The BEE policy, changed into the Broad-Based Black Economic Empowerment (BBBEE) in 2003, is a policy of successive post-apartheid governments to make corrections for the injustices created by the apartheid regime toward Black South Africans through their systemic exclusion and suppression from access to critical productive resources, including capital, land, product markets and manufacturing jobs. It is meant to bring about critical transformation in the ownership and control of productive assets in the economy. However, increasingly seen as part of South Africa’s elite transition, BEE worked to connect a small Black elite to entrenched white business actors without opening up the economy to support entry and expansion by new and dynamic businesses. To foster the economic transformation of South Africa’s manufacturing sector and to overcome the obstacles to empowerment faced by Black entrepreneurs such as high levels of concentration, barriers to entry and lack of access to capital, it is recommended to promote public funding providing patient capital at concessional rates through incentive schemes and development finance targeted at micro, small and middle enterprises, where the bulk of Black entrepreneurs are concentrated (instead of favouring big capital as in the past), as well as tariff protection and support for technology development.

* Bond 2014.
Source: Goga and Korku Avenyo 2021
distribution chains for low-income producers, increasing community support and promoting aspects of good governance.

In this chapter, we focus on two alternative approaches that promise more transformative impacts: One approach, associated with SSE, reconfigures the primary objective of enterprise, production and marketing. Instead of profit maximization and shareholder primacy, SSE organizations and enterprises (SSEOEs) prioritize a combination of social, environmental, democratic and emancipatory objectives, as well as the interests of members and users (see Spotlight by Reema Nanavaty). Section 2.4.2 suggests a range of public policies that can support SSEOEs as part of the sustainability transition. The second approach, presented in section 2.4.3, proposes a more holistic methodology to measure the sustainability performance of for-profit and not-for-profit firms and organizations, which promises to increase both transparency and accountability of enterprises while also providing incentives to shift business strategies toward greater sustainability and equity.

2.4.1 Social and solidarity economy

Financial crises, welfare imperatives, activist pressures and globally recognized agendas such as the Millennium Development Goals and SDGs have fueled an interest in forms of economy that are more people centred and planet sensitive. As a result, an increasing number of governments have turned their attention to the role that SSEOEs can play in economic transformation, social protection, decent work, green transition and other aspects of inclusive and sustainable development.

Defined as economic activities and relations, giving primacy to i) social, cultural and environmental objectives and the equitable distribution of surplus over profit maximization and financial returns to investors; ii) democratic governance over hierarchy and bureaucratic control; and iii) principles and practices of solidarity, mutual help and cooperation over self-centred individualism and competition, SSE comprises autonomous forms of organizations that produce, exchange and consume goods and services with the above purposes. They include but are not limited to cooperatives; non-profit organizations of various forms, including associations engaged in economic activity; mutuals; foundations; social enterprises; women’s self-help groups; and community-based organizations.

At the core of SSE is the call for a significant transformation in both values and methods of valuation, economic activities and the structure of market-driven economies. SSEOEs pursue social and solidarity financing in which the investors predominantly consider the needs of people seeking finance for redistributive and equitable socio-economic activity. Methods and valuation criteria for investment decisions focus on the degree of involvement, cooperation and associative solidarity relationships among workers, customers, producers and consumers, and also the extent to which the entity practises democratic governance. Social and solidarity financing includes credit unions, cooperative banks, ethical banks, microcredit and microfinance and to a certain extent socially responsible investment. SSEOEs tend to go beyond the conventional meaning of sustainable production and consumption (SPC), focusing on limiting negative environmental impacts and encouraging green intentions of consumers. It considers social-economic systems and endeavors to put in place or “revamp” an economy that can support the societal and cultural changes necessary for SCP. Addressing not just market failure but also institutional failure in which production and consumption demands exceed nature’s ability to continue to supply people with all the goods and services they rely on, the
SSEOEs focus not only on environmental issues within an industrial context but also on the political, social and cultural dimensions of SPC.93

SSEOEs often design and implement political as well as economic strategies which challenge and transform the status quo in a wide range of policy fields. They include but are not limited to work integration, peace, reduction of hunger and poverty, reduction of multidimensional inequalities, care and home support services, local community development, gender equality and empowerment, food and agriculture, finance, housing, energy, water and waste management, tourism, social services, information and communications technology, education, health care, and culture, sports and leisure.94

2.4.2 Promoting social and solidarity economy through public policy

While public policy has long supported and regulated aspects of SSE related, for example, to producer, marketing and consumer cooperatives, credit unions, mutual aid societies, foundations, and associations or non-governmental organizations (NGOs), a number of legal and institutional innovations have emerged more recently. They include:

The promotion of new types of SSEOEs. These include social enterprises and non-traditional forms of cooperatives. The former comprise organizations that blend entrepreneurial practices and social priorities and/or serve the general interest rather than that of members. The latter include social cooperatives providing social services to members and/or a wider public, worker cooperatives comprising employees that reconstitute failed or failing companies, and multipurpose cooperatives which engage in activities associated with various sectors.95

Focusing on SSE as a sector. Governments and policy makers are recognizing the potential of SSE as a sector in itself—one comprising a variety of organizations and enterprises that have in common an institutional logic or set of economic, social and democratic principles and practices that differ from conventional business and public sector activities. From Brazil to the European Union, governments are attempting to map and generate data on the scale and impact of this sector in terms of geographical spread, employment and GDP. By mid-2021, national parliaments in 16 countries of Europe, Latin America and Africa had passed framework and other laws promoting SSE, for example, Mexico in 2012, France in 2014, Uruguay in 2019 and Tunisia in 2020.96 Passing such laws, however, is often a protracted process that can be stalled or blocked by party politics and changing priorities. In lieu of laws, or additionally, some governments have drafted comprehensive national development plans for SSE, for example, the National Strategy for Social and Solidarity Economy 2010–2020 in Morocco, the 2018 Master Plan for Human Resource Development for the Social Economy in the Republic of Korea and the Public Policy for SSE 2021–2025 in Costa Rica.

Integrating SSE in the welfare system. While many SSEOEs have traditionally provided services related to health, care and work integration, several governments have scaled up and formalized their participation in national welfare systems and employment generation strategies. Examples include the role of community health and mutual health organizations in West Africa;97 the promotion of social enterprises that generate employment for persons with disabilities in Japan, the Republic of Korea and Poland; and the provision of childcare services in Quebec and Uruguay.98

Institutionalizing SSE in public policy. Measures are being taken to ensure that public sector support for SSE is not dependent on a particular party or transitory circumstances but is a consistent feature of state policy.99 Beyond laws and national development plans or policies targeting SSE,100 governments are establishing entities with direct responsibility for supporting this sector (see box 5.4). Such institutions include ministries (Luxembourg, Nicaragua, Senegal) and vice ministries (Costa Rica), as well as departments (France, Morocco), secretariats (Brazil),101 specialized and technical agencies (Republic of Korea, Ecuador) and decentralized institutes (Argentina, Mexico) within a ministry or similar entity.

Co-construction of policy: A key component of this institutionalization process is the establishment of consultative processes comprising SSE actors and intermediary organizations that speak and advocate on their behalf.102 Such processes may involve formal
structures, such as the Consultative Council for SSE in Uruguay, or institutionalized informal interactions as has occurred in Quebec and the Republic of Korea where large SSE umbrella organizations are recognized as key interlocutors. In several countries and jurisdictions co-construction has played an important role in overcoming the limitations of top-down policy design and implementation, and in ensuring that policy making, evaluation and review are aligned with the diversity, needs and preferences of SSE actors. Important in this regard are decentralized consultative structures at the territorial level—the case of Brazil, for example—or involving multi-stakeholder working groups organized on a sectoral or thematic basis, as in Costa Rica.

104 Toward an ecosystemic approach. Early efforts to promote SSE often centred on interagency coordination and ad hoc initiatives related to training or access to finance and markets. Increasingly, governments are recognizing the importance of a broader integrated “ecosystemic” approach comprising interconnected actors and institutions. Such an approach recognizes that an effective enabling environment for SSE involves mobilizing support from multiple public sector, private sector and civil society actors, as well as regulating their behaviour where it impedes SSE formation and development. Furthermore, it acknowledges the nested nature of governance at multiple levels and the need to mobilize resources and coordinate support and regulation at municipal, provincial/state, federal/national and supranational or international levels. Further central to an ecosystemic approach is the notion that promoting SSE requires efforts to strengthen the asset base of SSEOs related to multiple forms of “capital”—financial, human, social, knowledge, physical. This approach is being actively promoted, for example, within the European Union and by intergovernmental organizations such as the Organisation for Economic Co-operation and Development (OECD). It has also been actively promoted within the Republic of Korea, as well as in regions of countries such as Quebec, Canada, and Emilia Romagna, Italy, where SSE has a strong presence.

105 Ongoing challenges. While such policy innovations bode well for scaling up and strengthening SSE, they often occur in political, institutional and macroeconomic contexts that constrain their effectiveness. Key concerns include the following:

- The diversity of SSE practices and organizations and the transformational potential of SSE can be undermined when state incentives are tied to a narrow range of social policy objectives, activities and enterprise forms.
- Despite encouraging changes in government discourse promoting SSE, resource allocation often remains minimal while regulations and incentives continue to be skewed in favour of conventional forms of enterprise.
- Policy support for SSE is often highly constrained in contexts where governments adopt austerity policies and regressive fiscal policies, experience cuts in official development assistance (ODA) or gear macroeconomic and investment policy toward conventional models of economic growth and development.
- The sudden availability of financial support and other incentives for particular types of SSEOs can foster the emergence of unsustainable organizations that lack key assets and capabilities associated with human capital (for example, managerial skills and technical know-how) and social capital (for example, support networks, relations of trust).
- Core aspects of SSE related to democratic governance, active citizenship, collective action and environmental justice can be sidelined as attention focuses on service provisioning and social inclusion.
- State support and the scope for co-construction at different levels of governance can change significantly with the rotation of parties and leaders in power.

On balance, despite the upsurge in public policy discourse and initiatives promoting SSE over the past decade, state support remains inchoate and fragile. Locking in such support legally and fiscally and building strong intermediary organizations and networks that can advocate for SSE at different levels of governance are key for addressing these challenges.
It is also apparent that public policy for SSE is still focused primarily on the social dimension of sustainable development. The environmental dimension often assumes a back seat, notwithstanding important developments in certain countries—for example, enshrining the rights of nature in constitutional law in Ecuador and Bolivia (chapter 4); promoting sustainable agriculture in Cuba and Kerala, India; community-based forest management in Nepal; waste recycling in Brazil; and renewable energy in Germany.

Whether or not SSE can realize its transformative potential will depend crucially on whether governments recognize the environmental potential of SSE, which derives from the fact that it has a relatively light environmental footprint, has few incentives to externalize environmental costs and, therefore, can play a far more proactive role in positioning SSE to meet the increasing demand for environmental goods and services and enabling a process of green transition that is also fair and inclusive.

Box 5.4 Promoting SSE through public policies: Guidelines for local governments—Dakar

In Senegal, SSE has been promoted as a response to a growth context that failed to trickle down to provide broader social development gains. The Senegalese economy has been growing at an average annual growth rate of more than 6 percent in recent years (2016–2019), driven mainly by domestic demand, fueled by public spending and household income growth, including remittances from Senegalese workers abroad. Despite economic growth, unemployment and underemployment rates reached 16.9 percent and 27.7 percent respectively in 2019, with rates being higher in rural areas and for women. In 2019, the unemployment rates for women and men were 27.6 percent and 8.6 percent respectively. The majority of Senegalese citizens do not think they share the benefits of economic growth, and poverty is entrenched.

SSE has played a key role in addressing this situation, most notably in the form of housing cooperatives and health mutuals. In the context of rising costs of housing, the cooperative option has become an alternative for people who want to own a house. In the Dakar region, more than 600 housing cooperatives have been established. In addition, more than 100 health mutuals have been set up since 2012. They provide health insurance, filling the large gap in public health provision, and contribute to the improvement of health conditions of the population in both urban and rural areas.

Responding to the growth of the SSE sector and its benefits, the Senegalese government established SSE as a priority sector within the framework of the Emerging Senegal Plan, placing it as the second most important among five major initiatives. The government decided to promote and develop the SSE sector, noting that the productive and redistributive function of SSE can help disadvantaged and marginalized people share in the benefits of economic growth and consequently strengthen democratic society.

In June 2021, the Senegalese national parliament passed the SSE Framework Law, which introduced the official definitions of the terms used in the SSE sector, special taxes for the sector and the creation of a National SSE Council to promote SSE throughout the country. RACTES (Réseau des Acteurs et Collectivités de l’ESS—Network of SSE Actors and Communities) played a significant role in providing inputs to the lawmakers and lobbying to pass the SSE Framework Law. In particular, its recommendations on policies to promote SSE, drawn from UNRISD’s research on “Public Policies for Social and Solidarity Economy: The Experience of the City of Dakar” and “Guidelines for Local Governments on Policies for Social and Solidarity Economy,” have been adopted as Chapter IV. Mésures d’accompagnement et de promotion de l’ESS (SSE support and promotion measures) of the SSE Framework Law.

Sources: Diop and Samb 2021; Jenkins et al. 2021.
in certain sectors, involves practices that protect the environment and manage natural resources sustainably. Public policy can play a far more proactive role in positioning SSE to meet the increasing demand for environmental goods and services and enabling a process of green transition that is also fair and inclusive.13

Another crucial factor is the need for broad-based alliances of social and political forces that recognize that an enabling policy environment for SSE ultimately requires deeper changes in macroeconomic and fiscal policy, a shift from fragmented to universal social protection systems, and structural changes related to investment, production, exchange and consumption patterns, as proposed in this chapter.

2.4.3 Measuring corporate performance as if sustainability matters

New economic entities such as Benefit Corporations (B Corps), business models associated with stakeholder capitalism and the triple-bottom line, and sustainability standards of business performance are gradually being integrated into market structures and operations and can contribute to making the economy and society more sustainable. Such initiatives, however, confront a major challenge, namely, how to fundamentally promote decoupling, greater returns to labour and suppliers, and tax justice in contexts where the pressures for profit maximization, managerial hierarchy and shareholder interests remain intense. The result is that initiatives to improve Economic, Social and Governance (ESG) performance often constitute a fairly minimalist agenda, involving, for example, improvements in resource intensity rather than absolute reductions in GHG emissions, compliance with the minimum wage rather than paying a living wage and so forth. In a context where corporate sustainability is being institutionalized via a new standards regime, it is important to recognize that the methodologies used in the field of sustainability accounting, and the way that standards are interpreted, applied and reported, are themselves often flawed from the perspective of transformative change.

Corporate sustainability reporting has advanced in leaps and bounds since world leaders at the 1992 “Earth Summit” in Rio de Janeiro called upon the business community to assume responsibility for company activities that negatively impact people and the environment. Today, sustainability reports provide vast amounts of information and data on an ever-expanding portfolio of issue areas—from community support to wages, gender representation, carbon emissions, corruption and human rights. And influential standard-setting and other bodies are constantly revising guidance regarding appropriate indicators and reporting methods.

Such information, however, can leave the reader or analyst somewhat overwhelmed and confused. In addition to information overload, the data often provide little tangible evidence of where a company is positioned on a sustainability pathway and the trajectory of change. A four-year UNRISD project on Sustainable Development Performance Indicators (SDPI), conducted during 2019–2022, is examining ways in which corporate sustainability reporting can be reformed to allow stakeholders to better gauge performance and assess progress over time. An initial stocktaking of the quality of sustainability reporting identified several key concerns:

1. **Blind spots.** Current approaches tend to focus on “harm reduction”—reducing negative social and environmental impacts—rather than addressing structural or systemic conditions that reproduce those harms in the first place. These include, for example:
   - gender disadvantage in pay and promotion associated with lack of recognition and support for care-giving roles (see box 5.5);
   - skewed power relations within corporate structures and value chains that weaken the bargaining power of low-income stakeholders;
   - ownership and governance structures that privilege returns to shareholders and senior management that can result in extremely large CEO–worker pay gaps and wage levels well below the living wage;
   - profit shifting to tax havens;
   - the role of corporate political influence in shaping adverse public policy environments;
   - ongoing increases in carbon emissions despite reductions in resource intensity.
2. **Contextualization.** To assess how a company is faring in relation to a specific issue area, it is necessary to know what the normative end goal is. Assessment requires not only quantifying the extent of an impact, but also comparing performance to an agreed metric that defines what a sustainability threshold or fair allocation would be. Presenting quotients with a numerator that indicates the current level of performance and a denominator that indicates a norm makes it possible to assess progress in a meaningful way. Average workers’ pay, for example, could be calculated as a percentage of the living wage; the number of women in senior management could be assessed in relation to a norm approximating parity; and annual changes in levels of carbon emissions could be considered in relation to a science-based target compatible with the 1.5°C globally agreed norm.

3. **Time series data.** Corporate sustainability reports are usually produced annually and highlight information related to performance in one particular year, often with comparative data for the preceding year. Such data snapshots make it difficult to gauge performance trends over time, say, during the past five, ten or 20 years. While it is important to know, for example, what percentage of a company’s employees are currently covered by collective bargaining agreements, it is also necessary to know how collective bargaining coverage has changed over time. The same applies for many other indicators.

4. **Granular disclosure.** Data in the form of company-wide averages can mask significant variations in performance by jurisdiction, occupational category, affiliate or supplier. Data related, for example, to tax payments and where profits are booked, as well as the gender pay gap, freedom of association and carbon emissions, need to be more granular.

To address these concerns the SDPI project identified 35 indicators related to taxation, environmental, social and institutional aspects, which have been pilot tested. The project aims to lay a foundation for future work by UN agencies, standard-setting organizations and corporations themselves that will raise the bar so that sustainability reporting can effectively measure progress in relation to sustainable development.

**Box 5.5 Applying SDPI:**
**Gender equality in the workplace**

Combating gender inequality in the workplace requires that corporations direct far more attention to key structural issues that determine women’s disadvantage in the workplace and set meaningful normative targets for moving toward equality. First, there are significant shortcomings in the way the gender pay gap is measured, in particular due to underreporting and methodological inconsistencies. Relatedly, the unadjusted pay gap should be more heavily weighted as an indicator, as it reflects larger structural factors that influence women’s average earnings being lower than men’s. Further, more attention must be paid to women’s representation throughout the corporate hierarchy relative to men. Finally, as caregiving is a crucial structural constraint affecting women’s ability to earn equal pay and advance up the company hierarchy, company care policies must be much more comprehensive and address caregiving as a long-term lifecycle issue. Companies need to create a broad portfolio of measures to support employees with care responsibilities across the lifecycle.

* Utting and O’Neill 2020.

Source: McElroy 2019; UNRISD 2020a; Utting and O’Neill 2020
3. Transformative Social Policies and a Fair Fiscal Contract

Social policy and a fair fiscal contract play a key role in shifting the current development model toward social and climate justice. They are at the core of a new eco-social contract, benefiting economy and society, strengthening social cohesion and trust, and providing legitimacy and credibility to governments. Institutionalized, long-term, universal and human rights-based approaches to social protection that empower all segments of society to play a role in the development of their communities are key to reducing inequalities and building resilience in the face of future shocks and crises. Social protection schemes and public services can support climate change adaptation, just transitions and mitigate negative impacts of various types of crises.

A range of transformative social policies and institutions exist which curb inequalities, for example, efforts to extend protection across the lifecycle through universal child benefits and social pensions, social inclusion policies as well as extension of coverage of social protection toward informal and self-employed workers, basic income guarantees and minimum wage policies (see box 5.6). Integrated approaches with the potential for creating synergies between social policies and service delivery are of particular importance, for example, integrated care systems, and between social and environmental goals, for example, eco-social policies.

3.1 Rights-based social protection

One of the key instruments to address inequality, poverty and social exclusion is social protection. Social protection policies, broadly understood as social insurance, social assistance and labour market policies, protect people from adverse market effects and lifecycle contingencies (childhood, maternity, sickness, disability, old age) while playing important roles for production, reproduction and redistribution. According to the Universal Declaration of Human Rights (1948), social protection is a fundamental human right for all people. However, depending on their objectives, design and implementation, social programmes can reinforce inequalities and exclusions, for example, when public provision or cash transfers are targeted at the poor, while higher-income groups are covered by social insurance or private schemes which provide better benefits. They can also lack transformative impact, when social policies are too residual to address structural inequalities or to contribute to productivity and stability, or not implemented correctly due to institutional bias or a lack of acknowledgement of the role of informal institutions in a particular country context.

Countries with effective health and social protection systems in place that provide universal coverage are not only doing better in terms of economic and social outcomes (see chapters 3 and 4), but they have also been better prepared to respond to the Covid-19 crisis. Before the pandemic, 55 percent of the world’s population—about four billion people—did not have any form of social protection, but coverage with cash transfers has increased more than twofold during the Covid-19 pandemic. Many lessons have been learned regarding the usefulness of social protection as a crisis response as well as the advantages of having institutionalized systems with universal coverage in place that can be quickly activated in times of need (see chapters 3 and 4). These lessons

Social policy and a fair fiscal contract play a key role in shifting the current development model toward social and climate justice. They are at the core of a new eco-social contract, benefiting economy and society, strengthening social cohesion and trust, and providing legitimacy and credibility to governments.
need to feed into policy reforms to make social protection floors a reality for all. Scaled-up social protection systems need to be funded domestically through progressive fiscal systems; they must avoid entrenching gender or poverty stereotypes through conditionalities and income-based targeting; and they need to connect income transfer programmes with improved access to quality social services and decent work opportunities. Further expanding age-, disability- and gender-responsive social protection coverage, in particular to the most vulnerable people, including informal workers, the rural poor, women, children, older persons, migrants, refugees and persons with disabilities, is among the most critical interventions that will need to be resourced and strengthened to generate synergies across the SDGs. Social policies that are detrimental in terms of equity and sustainability, for example, energy subsidies that favour higher-income households, should be replaced by other instruments, although careful design of reforms is necessary as social gains associated with subsidy reform are not automatic.

### 3.2 Universal social services

Universal social services are a key instrument for well-being, development and social cohesion, and they lie at the core of the social contract. Chapter 3 has provided evidence on the recent history of downsizing and dismantling of public service provision, which has left many societies more unequal, less productive and less resilient in times of crisis, as the Covid-19 pandemic has shown.

Tax-financed public services such as health services, care and education not only improve capabilities and well-being but also are inherently redistributive and thus enhance equality.

Public health systems are more efficient and produce better social and environmental outcomes than private systems, for example, the per capita carbon footprint of market-dominated health care in the United States is more than three times greater than in Italy, France, Spain or Sweden. This is explained by greater macro-efficiency and lower expenditure shares of public health systems and to lower emissions related to spending, thanks to better allocation of resources and procurement practices. Commercialized health systems generate more duplication and waste as well as greater health inequality.

Health strategies need to be adapted for different contexts and groups. Intersecting inequalities have huge implications for health outcomes, as chapter 3 has shown, for example, for Black women,
Indigenous peoples, people living in remote or underserved areas, people affected by mental health issues and migrants.\textsuperscript{138} Health injustices such as discrimination and mistreatment of vulnerable groups need to be addressed through comprehensive approaches including resource allocation, investment in health staff, intercultural training, awareness raising and ethical standards,\textsuperscript{139} as well as integration of affected groups in the design of reform proposals. Inequalities make people more vulnerable and undermine public systems that are designed to protect the health and well-being of the population. Six out of seven adolescent HIV cases in sub-Saharan Africa are among girls, numbers that are rooted in inequalities of power, while two-thirds of African countries have been charging user fees for health at all levels. Addressing pandemics and health inequalities requires public provision of essential social services, curbing marginalization and discrimination and improving access to life-saving health technology (see Spotlight Winnie Byanyima).

Sustainable and holistic approaches to health require increases in the quantity and quality of fiscal resources for health policy spending beyond the current 6 percent of global annual spending, to address malnutrition, for example, by improving sanitation and hygiene infrastructure and ensuring access to clean water,\textsuperscript{140} and to mitigate the detrimental health effects of environmental and climate change and of unsafe living spaces and working conditions.

Access to quality education at all levels should be ensured regardless of background.\textsuperscript{141} Building a functioning education system with trained staff, skilled professionals and empowered citizens requires a holistic approach with strong capacities and sufficient resources at all levels, including primary, secondary and tertiary. Expansion of access to university education, as analysed in chapter 3, when based on fee-paying modules and private institutions, has shown some success in overcoming horizontal inequalities, but oftentimes it reinforces disadvantages related to class and income, which then intersect with other group identities.\textsuperscript{142}

Medium- and long-term investment strategies toward this goal may be incremental, dependent on each country’s educational profile. Ensuring a safe and accessible learning environment involves an integrated approach that engages actors across sectors, including government ministries, municipal service providers, labour unions, and child and gender advocates, as well as parents and students.\textsuperscript{143} Finally, access to health and education also requires affirmative action and proactive reaching out to disadvantaged communities as well as ensuring their agency, for example through co-production of services.\textsuperscript{144}

### 3.3 Inclusive labour market policies

Countries are implementing a range of policies to address labour market problems, depending on country context. More advanced countries with large shares of formal employment, which tend to have high coverage rates of unemployment insurance (so-called passive labour market policies), are more focused on reducing unemployment and increasing labour market participation and the efficiency of labour markets through active labour market policies (retraining, skills development and so forth). Some countries have introduced minimum wage policies or subsidies for temporary or low-income workers.

Countries in the global South often implement social assistance-type labour market policies targeted at poor adults of working age who cannot cover their basic needs. Typical programmes are public works programmes, employment guarantee schemes or employment programmes for young adults. Other important policies are those directed at the informal economy, for example, simplified taxation and social insurance schemes for micro-enterprises and self-employed workers such as the monotributo system that has expanded tax and social security coverage in several Latin American countries.\textsuperscript{145} Minimum wage policy has been an important tool to address labour market inequalities such as non-living wages, as the South African example demonstrates (see box 5.6). If social protection benefits are linked with minimum wages, as in Brazil’s social pension schemes or in India’s employment guarantee scheme, they can set an effective basic income floor for poor people.\textsuperscript{146}

Typical labour market problems such as unemployment, underemployment, insufficient wages, informal employment lacking social protection and fundamental rights at work, and increasing wage inequalities are related to development patterns, macroeconomic constellations and global trends such as technological processes (chapter 1). Addressing these problems requires integrated policies that promote productive and formal
employment as well as decent work as defined by the International Labour Organization. The challenge to overcoming labour market segmentation and further precarization of work through the rise of the gig economy, a phenomenon that has also affected high-income countries in the global North, has strengthened calls for decoupling social protection from formal employment (see box 5.7), a proposal that is also supported by business actors as part of a new social contract (see chapter 4). However, there are good reasons to maintain the link between labour and capital through social insurance, for example, with regard to financing social protection and workers’ bargaining power.

3.4 Creating just care systems

At the heart of our current system’s failure to deliver just outcomes is its devalorization of care (see chapter 2). Recognizing the centrality of care systems and rebuilding them with objectives of

### Box 5.6 South Africa’s national minimum wage policy

The adoption of a minimum wage for South Africa is an important advance in the social protection architecture of the country through progressive labour market reform. South Africa is an upper-middle-income country that also tops global rankings in income and wealth inequality (the Gini coefficient was 0.68 in 2017), and it has half of its population living below the national poverty line and a legacy of entrenched racial and gender-based inequalities that post-apartheid African National Congress governments have struggled to overcome. South Africa combines a relatively strong state role in social policy with a liberal economic approach: while it further expanded and institutionalized social policies in the democratic transition in line with new constitutional social rights, it adopted mainstream economic policies biased toward big capital, financial services and extractive industries. Promoting the country as a developmental state, rather than a welfare state, policy-making elites proclaim a conservative discourse against redistribution, rooted in assumptions about a supposed dependency culture that might result from social handouts. With an expressed preference for work over transfers to combat poverty, policy makers have nevertheless failed to tackle persistently high unemployment rates and labour market segregation. The labour market in South Africa is at the heart of a structural problem of constant production and reproduction of inequalities (62 percent of persons in the lowest income quintile are unemployed), a dynamic that one of the most comprehensive social grant systems that has been established in the global South (around 45 percent of South African households are beneficiaries of a social grant) fails to address.

In this context, the government initiated a reform process in view of implementing a national minimum wage policy which was grounded in both the country’s tradition of social dialogue and extensive consultations with experts. The aim was to systematically address poverty and the low wage structure in the labour market itself, in addition to post-market distribution measures. Unemployment rates exceeded 29 percent in 2019, and almost half of workers in wholesale and retail trade earn less then USD 213 per month. In 2019, the reform was implemented, and a National Minimum Wage Commission was created to monitor and adjust the minimum wage. As intended, wages at the lower end of the wage distribution have increased, compressing the wage gap without increasing unemployment in 2019. It has thus provided a wage floor for the most vulnerable workers, including women and Black South Africans, reducing vertical and horizontal inequalities which often cluster in highly unfavourable ways.

* Palma 2019; Plagerson et al. 2017; Seekings 2022.

Source: Francis and Valodia 2021

Minimum wage policy has been an important tool to address labour market inequalities. If social protection benefits are linked with minimum wages they can set an effective basic income floor for poor people.
equality, justice and sustainability is essential if we are to build economies that leave no one behind. Central elements of a new policy paradigm are, therefore, the redistribution of unpaid work in households, communities and the social economy, and the upgrading of paid care work in terms of wages, skill levels and working condition. The cross-sectoral nature of and the multiplicity of actors involved in care work requires an integrated model spanning sectoral divides between health, education, the labour market and social protection policies. For example, governments should aim to ensure universal access to quality early childhood care for all children (including pre-primary education, childcare centres, home care) and support for informal care provided by family, friends, neighbours and communities. Next, social insurance and social assistance programmes should be expanded to support providers and recipients of care. Further, labour markets should be reformed to allow for a better balance of paid work with unpaid care tasks. Reforms to the care economy must also take place at subnational levels, which are critical for care service delivery, especially the local level, the place where social policies meet the ground and engage with actors who participate in the provision of care. Alternative localized visions of care delivery that involve rethinking the roles of the state and communities also provide possibilities for transformation, though carry risks of further entrenching inequalities in care provision. From solidarity-based community aid networks, which expanded greatly during the Covid-19 pandemic, to co-production of services between local actors and the state, there are many lessons to be learned around how best to deliver care, and also empower those who provide it to influence policies and shift power from the state to citizens.

Addressing inequalities in care requires a five-pronged approach, known as the 5R Framework: recognizing, reducing and redistributing unpaid

Box 5.7 Social policy and employment: Decoupling or reconnecting?

In the context of neoliberal globalization and rapid technological change, we observe an accelerated process of delinking employment from social rights and social policy, which has been promoted as a model for a new social contract. While historically welfare states had tied social protection programmes to employment status and assumed that sustaining full employment was necessary to finance and sustain comprehensive social welfare systems, the neoliberal version of the social turn implied changing ideas about the employment-social policy nexus, with economic policy focusing on growth and social policy on poverty reduction (chapter 1). One of the big mistakes in this thinking was that growth was automatically believed to increase employment and jobs and social policy was minimized to a residual category (supporting those in need due to poverty, for example), delinked from employment. This ideational shift was soon reflected in an actual delinking of employment from social and labour rights through the growth of informal, precarious and non-standard jobs, a process which, with some exceptions and temporary turns, continues today.

The argument in favour of decoupling social policy from employment is supported not only by mainstream economists aiming to avoid market distortions they associate with labour regulations, but also by alternative economists, for example, those who advocate a basic income grant. The argument is that by decoupling social policy from employment it is possible to reduce and eliminate the coercive forces that propel individuals into the labour market and allow more flexible and creative ways of combining different types of work, leisure and capability development.

There are, however, good reasons to maintain the link between labour and capital through social insurance—for example, to keep employers responsible for financing social insurance schemes and social services, and to emphasize the productive contribution of informal workers, which can enhance their bargaining position in claiming support from business and the state. Best practices in extending social protection to informal workers therefore combines social insurance, social assistance, active labour market and economic inclusion policies, and public services. Employment should be put at the centre of economic policy, including labour standards and protections as well as robust social provisions in health, education, care, affordable housing and transport. The latter is reflected in a proposal for universal basic services that embodies transactions that are public, shared and largely decommodified, rather than private, individual and marketized.

*a Meagher 2022; UNRISD 2021a; b Hujo 2021b; c Standing 2009; UNRISD 2013; d Alfers et al. 2017; Alfers 2022; e Barca and Alfers 2021; Lund and Moussié 2018; f Gough 2021.*
Recognizing the centrality of care systems and rebuilding them with objectives of equality, justice and sustainability is essential if we are to build economies that leave no one behind.

care and domestic work, rewarding paid care work fairly and creating space for representation, both for caregivers (paid and unpaid) and receivers. First, due to social norms and gender stereotypes, unpaid care work is largely undervalued, which is evident in terms of working conditions and remuneration. Reversing these and recognizing care work and systems of social reproduction as of equal value to paid labour and systems of production is essential for building equitable and efficient care systems.

Second, there are many factors that increase the time necessary for care, such as poor infrastructure, and investments in these areas can reduce the time and drudgery of care. Third, as the burden of care is heavily weighted toward households, specifically women, redistributing care toward men and the state is essential to achieve socially just outcomes.

Forth, even when paid, care work is often poorly remunerated and lacks labour protections. Equitably and justly rewarding paid care work is therefore essential. Finally, the realm of care often carries with it many invisibilities, for caregivers—in particular, unpaid family caregivers and informal care workers, who often come from marginalized groups—as well as receivers, who are often denied their agency and autonomy. Representation is therefore critical for both groups to ensure that building a just care economy is inclusive and co-constructed.

While the inclusion of care in SDG 5.4 has been a milestone in the efforts of women’s movements and several UN agencies, including UNRISD, this time calls for a bolder approach, putting care at the centre of a new development paradigm. This approach has recently been championed by several organizations, notably the Economic Commission for Latin America and the Caribbean (ECLAC), the ILO and UN Women. While UNRISD (2016) has identified transformative care policies as a key innovation for achieving the SDGs, the ILO has emphasized the importance of care work and care jobs for the future of decent work; for positive health, economic and gender equality outcomes; and for the recovery from Covid-19. As stressed by both the ILO and the United Nations Inter-Agency Task Force on Social and Solidarity Economy, social enterprises can play a key role in positioning care

The Self-Employed Women’s Association’s (SEWA) experience of organizing informal sector women workers for over five decades in India has shown that, to address the multiple challenges these workers are facing, there is a need to strengthen their collective agency, bargaining power and leadership to help them fight against unjust working conditions and bring them voice, visibility and validity as workers.

– Reema Nanavaty
Director,
Economic and Rural Development,
Self-Employed Women’s Association (SEWA)
far more centrally in economic and social development. UN Women has published a Feminist Plan for Sustainability and Social Justice for the Covid-19 recovery, which puts care at the centre of economic recovery and transformation and positions care as a public good. The report suggests casting care expenditure as investment to empower community-based care networks, to build coalitions of change and to improve data on outcomes and policy efforts. ECLAC and member states represented in the Regional Women’s Conference in Latin America and the Caribbean are proposing to advance toward a society of care, where care is seen not as a cost but as an investment in social infrastructure with multiplier effects for growth and employment. A society of care would prioritize sustainability of life and care of the planet, guarantee rights of caregivers and care receivers, promote self-care and address the precarity of employment in care sectors.

3.5 A fair fiscal contract

The universalization of public social policies depends to a large degree on the availability of financial resources. UNRISD has advocated for more than two decades to integrate social policies and financing policies in order to achieve sustainable and fair outcomes. A new eco-social contract must go hand in hand with a fair fiscal contract that raises sufficient resources for climate action and SDG implementation and fairly distributes the financing burden within and between countries. A stable fiscal contract with voluntary tax compliance and high tax levels is an indicator for a stable social contract (see chapter 4). In addition to raising revenues and redistributing income, taxation has the potential to reprice public goods and bads (by taxing, for example, tobacco or applying lower tax rates to merit goods), and to enhance representation of tax payers in public affairs, which has an important impact on the quality of state-citizen relations.

In the age of neoliberal globalization, fiscal contracts have been undermined alongside social contracts in most countries, with big corporations and high-income earners decreasing their contributions. Taxes with greater potential for progressive redistribution have fallen victim to political and market pressures, as can be observed in recent cuts to personal income tax and corporate tax rates (see figure 5.1), while indirect taxes with regressive distributional impacts, such as value added tax, are expanding.

**Figure 5.1 Corporate tax cuts, 2001–2021**

![Figure 5.1 Corporate tax cuts, 2001–2021](image-url)
In addition to lower direct taxes, illicit financial flows (IFFs) by MNCs are estimated to deprive developing countries of USD 50 billion to USD 200 billion a year in fiscal revenues,\textsuperscript{164} while other estimates calculate that the combined global revenue losses from cross-border tax abuse by people with undeclared offshore assets and of multinational companies amount to some USD 483 billion a year.\textsuperscript{165} According to research, between 2010 and 2015 the amount of wealth in tax havens has increased over 25 percent, reaching record levels. This hidden wealth accounts for at least USD 7.6 trillion, equivalent to 8 percent of the global financial assets of households.\textsuperscript{166} A system of unitary taxation grouping profits of MNCs together, as well as global minimum effective corporate income tax rates on MNCs’ profits, as suggested recently by the European Commission as well as the OECD/G20 BEPS (base erosion and profit shifting) proposal, are potential measures to curb IFFs.\textsuperscript{167} These taxes could then be distributed across countries, prioritizing employment and productive physical assets over total sales.\textsuperscript{168} Other measures such as automatic exchange of financial information, beneficial ownership transparency, and country-by-country reporting have also been adopted in principle by the G20 countries, but implementation lags behind.\textsuperscript{169}

Despite some progress in overall tax performance in some countries, national fiscal contracts in the global South need strengthening, which requires both economic transformations and effective domestic resource mobilization strategies, which in turn are the outcome of contestation and bargaining.\textsuperscript{170} Taxation has the highest potential to contribute to demand growth, economic stability and greater equality when it targets high incomes (which are largely saved) and speculative activities.\textsuperscript{171} Tax-to-GDP ratios vary significantly across countries in the global South and within regions, a result of structural factors, historical legacies and differences in state capacity to strike favourable fiscal bargains.\textsuperscript{172} In Africa, in 2018, Seychelles (32.4 percent), Tunisia (32.1 percent) and South Africa (29.1 percent) had the highest tax-to-GDP ratios in a sample of 30 countries, while Nigeria (6.3 percent), Equatorial Guinea (6.3 percent), Chad (7.1 percent) and the Democratic Republic of the Congo (7.5 percent) had the lowest.\textsuperscript{173}

UNRISD research has revealed a range of factors that are conducive to increasing tax capacity and equity. These include political leadership and bargaining power vis-à-vis elites and big corporations, the design and marketing of reforms (including information campaigns), technological innovations (to improve tax enforcement and administrative efficiency), inclusive and transparent bargaining processes, a positive growth context, the extension of citizenship rights, and electoral competition.\textsuperscript{174} Many countries in the global South rely on revenues from natural resource sectors, such as mining or agriculture. When policy reforms related to rent capture or rent distribution from extractive industries or natural resource sectors have been linked with social policy, countries have benefited more from extractive industries, as seen in Bolivia and Mongolia, where mineral rents have been channeled into social policies such as child grants or universal pensions. However, increasing social spending, while a necessary condition, is not sufficient. Mineral-led development requires macroeconomic policies and productive strategies that foster diversification while safeguarding stability and environmental protection (chapter 4).\textsuperscript{175}

The need to strengthen the fiscal contract has become more urgent during the Covid-19 pandemic, and proposals including new taxes on wealth and excess profits are becoming more palatable.\textsuperscript{176} According to the OECD (2020), the pandemic pushed developing countries into a shortfall of USD 1.7 trillion for 2020 in addition to an existing gap of USD 2.5 trillion in annual financing to achieve the 17 SDGs by 2030.
Recent data show that during the first year of the pandemic, a record growth of ODA took place, increasing to its highest level ever in 2020, reaching USD161.2 billion. However, at the same time, the poorest developing countries spent 14 percent of revenue on debt interest payments, almost four times higher than developed countries, spending 3.5 percent, undermining their fiscal space.\(^{177}\)

Directing just 1.1 percent of total global financial assets (valued at USD 379 trillion) would be sufficient to fill the gap in financing the SDGs.\(^{178}\) Indeed, it is not merely reallocation of resources but the more intractable allocation of political action that is necessary here, in the form of a new multilateral agreement on financing the SDGs, debt relief and innovative financing solutions at national levels.

Finally, while fiscal contracts are the outcome of processes of contestation and bargaining, it should be noted that they are also an integral part of states’ commitments to dedicate a maximum available amount of financial resources to implement their human rights obligations.

The “maximum available resources” norm also applies internationally. All countries have an obligation to cooperate in meeting their economic and social rights obligations, and those in a position to do so have a duty to provide economic and technical assistance to less well-resourced countries for this purpose. At minimum, wealthier countries must refrain from constraining the fiscal space of poorer ones – for example, through loan conditions; or by enabling corporate tax avoidance, failing to provide agreed minimum levels of foreign aid or refusing to restructure or forgive foreign debts. When they do so, and people are deprived of their socioeconomic rights as a result, these countries breach their extraterritorial human rights obligations. (CESR and Christian Aid 2020:19)

In sum, transformative social policies that are based on a fair fiscal contract are key pillars of a new eco-social contract. Integrating social and fiscal policies can lead to greater policy coherence for achieving objectives such as social protection, reduction of inequalities and poverty, while fostering more productive and resilient economies. For example, bringing more people into formal employment increases social insurance contributions as a financing source for social protection and social services such as health. Reallocation of fiscal resources can free up financial resources for social or climate spending, for example, away from military spending or subsidies that benefit large companies or unsustainable industries such as fossil fuels.\(^{179}\) Careful analysis of the incidence of fiscal policies, assessing both social spending and financing policies and how they impact on different social and income groups, is necessary to move toward a fair fiscal system.\(^{180}\) Successful fiscal bargains at the national level require bringing economic elites back into the social contract (see chapters 3 and 4). To achieve this goal, it is necessary to change elite perceptions and preferences and to enable the state to deliver high-quality services that benefit the entire population, while also increasing transparency and combating corruption and waste.

4. Reimagining Multilateralism for a New Eco-Social Contract

Transforming economies and societies through alternative economic approaches and progressively financed transformative social policies will go a long way in moving toward more egalitarian, just and sustainable societies. However, in a deeply integrated world where transnational issues are becoming more and more important, national policy reforms will only take us so far. This is especially true given the constrained policy space many countries and actors have in the current global economic system due to asymmetric power structures and unequal access to resources, finance and technology. Lack of policy space at the national level combined with the skewed nature of the global economic system that puts profits above people and planet can result in policy incoherence, where policies in one area contradict or undermine policies in another.\(^{181}\) The third pillar of our proposed new development model envisages a reimagined global governance system, grounded in renewed multilateralism and strengthened solidarities, recognizing the interdependencies of all people and between humans and nature.\(^{182}\) This global regime should create an enabling environment for coherent policies for security, peace, human
The multiple interconnected crises that mark our world today are to a large extent the result of these changes in global economic governance, which allowed private capital and financial elites to regain political power and to shape and use the multilateral system for their own interests.

The UN Secretary-General has recently proposed a new roadmap for reforming the United Nations and the multilateral system. In *Our Common Agenda*, António Guterres underlines the importance of investing in prevention and resilience, the protection of our planet, and rebuilding equity and trust at a global scale through solidarity and a renewed social contract. His call resonates with this report and different voices across civil society and social movements demanding a new social contract that is more inclusive, just and in harmony with nature (chapter 4). This said, in the design of a new networked multilateralism, it will be imperative to recognize the different power resources stakeholders own as well as intersecting inequalities that might affect them. Feminist groups call for the co-production of policies as well as more equal and meaningful participation of less powerful actors such as civil society or those representing marginalized and vulnerable groups. This is considered a necessary step to rebalance power vis-à-vis corporate actors that have accumulated disproportionate amounts of wealth and power over the last decades, and who often fail to respect human rights, tax law as well as social and environmental standards in their operations.

In this report, we have suggested a range of principles which could guide these processes of creating new eco-social contracts at multiple levels. The following section outlines some key reform steps in global governance necessary to support the eco-social transformation, to overcome inequalities, strengthen solidarities and values, and rebalance asymmetric power relations.

### 4.1 Reining in neoliberal hyperglobalization: Rules and regulations for economic, social and climate justice

The current global trade, investment and financial governance regime has been identified as a driver of crises and inequalities rather than a shock absorber,
This is partly due to how global economic governance was shaped during the neoliberal era, allowing financialized hyperglobalization to flourish and undermining sustainable economic models. This served as an obstacle to economic diversification and structural change, greater independence of the global South from external debt and aid, greater equality along GVCs, access to essential technology for developing countries, and accountability of MNCs regarding tax payments and respect of workers’ rights and environmental standards. With the launch of the Uruguay Round of trade negotiations in the mid-1980s, previous national regulations and instruments of industrial policy became violations of private property rights and liberal trade norms. Intellectual property rules have strengthened monopoly power and kept competitors out, while WTO rules and further liberalization rounds, as well as circumvention of national courts through specialized investor–state dispute settlements, have hollowed out equality principles of the multilateral trading system, penalizing states that exercise their regulatory power to protect rights.

UN organizations, experts and civil society organizations (CSOs) have developed concrete proposals for reforming the system.

### 4.1.1 Economic governance and global public goods

According to the Geneva Principles for a Global Green New Deal, “renewed multilateralism is required to provide the global public goods needed to deliver shared prosperity and a healthy planet, to cooperate and coordinate on policy initiatives that demand collective action, to mitigate common risks, and to ensure that no nation’s pursuit of these broader goals infringes on the ability of other nations to pursue them.” Concretely, they recommend a multilateral framework that ousts austerity and promotes public investment, green industrial policies, raising wages in line with productivity, regulation of private finance to contribute to social goals and curtailing restrictive business and predatory financial practices.

Regarding the promotion of health as a global public good, national health policies can be strengthened through enabling poorer countries’ access to pharmaceuticals, health technology and vaccines, a demand which has received much attention during the recent Covid-19 pandemic (see Spotlights by Jayati Ghosh and by Winnie Byanyima) and which requires reforms in the global governance of intellectual property rights (IPR), such as proposed Trade-Related Aspects of Intellectual Property Rights (TRIPS) waivers and technology transfers. Indeed, IPRs are a major source of rents captured by big MNCs in the age of hyperglobalization.

Further proposals exist to reduce inequalities associated with MNCs and GVCs, which should commit to basic standards for workers and the environment across different locations rather than exploiting lower standards in the global South to the detriment of local populations and the environment. Concrete proposals on how to reform the commodity trading sector, which has huge implications for how benefits and costs are distributed along GVCs (see chapter 2), have been elaborated in a project on local lifeworlds along the copper value chain (see box 3.3). They include more state regulation (for example, the creation of central market authorities akin to national financial sector oversight institutions), increased transparency and information sharing beyond voluntary initiatives such as the Extractive Industry Transparency Initiative, ending of minimalist tax policies in host countries where MNCs and global commodity trading companies have their headquarters (for example, through establishing a minimum corporate tax level at international level) and involving producer countries in political debates in trading countries.

Curtailing rent-seeking opportunities, tax evasion and capital flight for rich corporations (and individuals) can also contribute to curbing economic inequalities and increasing the labour share in the economy, which is an important step in rebalancing the unequal relationship between capital and labour. Another driver of inequality in labour markets is the emergence of technology-driven platform jobs, which demands new forms of regulation at national, regional and global levels. Workers’ rights are not only determined by national governments but are also shaped by powerful MNCs with dominant positions in GVCs (see section 5.3 and chapter 3), which has led to the development of several instruments such as the 2011 UN Guiding Principles on Business and Human Rights, the 2000 UN Global Compact, the OECD Guidelines for Multinational Enterprises revised in 2011, the ISO 26000 Guidance Standard
on Social Responsibility launched in 2010, and
the ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, revised in 2017.\textsuperscript{192} As a common shortcoming is the voluntary character of the listed instruments, current efforts concentrate on the negotiation of a binding UN treaty on business and human rights.\textsuperscript{193}

Finally, despite the power asymmetries between governments and big corporations (see chapter 3), a range of proposals have been put forward on how to improve market regulation in the public interest. These include the creation of public credit rating agencies and a global competition authority, legislation to prevent private creditors from suing governments, the introduction of capital controls, promotion of central bank coordination to better support the sustainability transition, and price stability for critical goods to cushion negative impacts of decarbonization on low-income groups, among other measures.\textsuperscript{194} In combination with measures to strengthen access to finance and technology for sustainable investments at national and international levels—for example, through strengthening public development banks or new global financing mechanisms, creating technology access pools (for example for health technology), eliminating trade restrictions related to climate measures, and implementing international taxes and minimum tax thresholds, as discussed in this chapter—these reforms can drive the necessary changes in economic governance with tangible benefits for global South countries.

4.1.2 Migration

More binding commitments by richer countries are also required on the rights of migrants and refugees. This is a contentious and highly politicized policy field that, despite its potential for reducing inequalities and contributing positively to development in sending and receiving countries (see chapter 1), has been guided by security-focused approaches shaped by anti-migrant or even xenophobic discourses. The securitized, managerial approach to migration policy that has dominated global migration governance over the last decades is in line with broader neoliberal agendas on market liberalization above and beyond the protection of social and economic rights.\textsuperscript{195}

What is urgently needed is to strengthen the rights-based approach to migration governance: under international human rights law, all migrants are entitled to the respect, protection and full enjoyment of their human rights, regardless of their migrant status. Legal instruments, such as the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families (1990), ILO conventions (No. 97 migration for employment, 143 on migrant workers, 189 on decent work for domestic workers) and recommendations (R202 on social protection floors, R204 on the informal economy), as well as international law on refugees, labour rights and humanitarian action, protect and promote the rights of migrants and refugees. However, conventions related to labour migration, for example, have the lowest rates of ratification of core human rights conventions, and implementation of these rights in practice remains a challenge in most countries. In the past, governments were reluctant to agree to more binding supranational rules and agreements on migration, especially labour migration, preferring voluntary coordination mechanisms such as the Global Forum on Migration.\textsuperscript{196}

Following the adoption of the New York Declaration for Refugees and Migrants by the UN General Assembly in September 2016, two global compacts were adopted in 2018: the Global Compact for Safe, Orderly and Regular Migration (GCM) and the Global Compact on Refugees.\textsuperscript{197} The GCM, the first intergovernmentally negotiated migration agreement, is a non-binding document which aims...
to promote international cooperation on migration, in line with SDG 10.7 in which UN member states committed to cooperate internationally to facilitate safe, orderly and responsible migration (see chapter 1). Every four years, starting in 2022, the International Migration Review Forum will be the platform to share progress on the implementation of the compact, with preceding regional processes feeding into it.

The agreement on the two global compacts, and in particular the GCM, are important milestones for global migration governance, creating a much-needed multilateral platform for coordination, exchange and mutual learning. However, it remains to be seen if another set of non-binding agreements and declarations of intent are sufficient to achieve structural changes in national migration policies, in particular regarding human rights-based claims such as the right to global mobility and the rights of labour migrants regardless of their status. In a context of highly different national, bilateral and regional approaches to migration as well as increasing resource constraints in post-Covid-19 times, questions remain about the implementation and effectiveness of GCM commitments and its accountability mechanisms.

4.2 Addressing power asymmetries in multilateral governance

4.2.1 Promoting the interests of the global South

The multilateral system needs to provide clearer benefits for developing countries instead of trying to remedy the fallout of a system that is inherently flawed, producing and reproducing inequalities within and between countries, leading to periodic crises and destroying the environment. As has been analysed extensively in this report, the current system has led to further concentration of income, wealth and power in the global North, while most global South countries, with some notable exceptions in Asia, remain dependent on asymmetric financial and trade relations. The reforms in the international trade, finance and investment regimes suggested above would increase policy space and allow developing countries to implement policies to support their social and economic development, including countercyclical macroeconomic and fiscal policies and sectoral policies. Transfers of knowledge, technology and finance (for example, reallocating and issuing new special drawing rights by the International Monetary Fund (IMF) as well as debt relief) and less policy conditionality are necessary measures to equalize the playing field and redress historical injustices. Efforts to decolonize knowledge (box 4.1), policy practice and international relations need to tackle the implicit or explicit assumption in various donor and academic discourses that developing countries are problems to be solved. It is often argued that state fragility, bad governance or neopatrimonialism undermine the legitimacy and capacity of governments in the global South to design and implement effective development strategies, leading to the conclusion that development can only be achieved by applying best practices and models endorsed by the donor community or Northern scholars. This approach does not only ignore past and current structural drivers of underdevelopment rooted in colonialism, imperialism, slavery and various forms of exploitation and oppression exercised by today’s rich countries, but it has also led to “maladjusting” states in the global South through reforms that have undermined state capacity and development outcomes.

One way of addressing these asymmetries is by invigorating the principle of equality of all member states in the multilateral system by shifting power back from IFIs—where decisions are dominated by countries with the highest capital quotas, with the United States currently holding 16.5 percent of voting shares in the IMF board of governors—toward agencies where each country has an equal vote. This would also require better funding of UN agencies and a reduced dependence by some agencies on private sector funding.

Developing countries need to have greater impact in international policy setting forums, which is especially important in view of the international climate response. While enhanced global cooperation and action is urgently needed, this should be accomplished without undermining governments’ policy space and ability to pursue their development agendas (see Spotlight by Vicente Paolo Yu and section 4.2 above): this requires, for example, special and differential treatment in international trade agreements and negotiations; prohibiting unilateral trade protectionism as environmental or climate change response measures; ensuring fairer treatment for developing country subsidies that support diversification into climate-adapted industrial, energy and other economic sectors; and
Developing countries need to have greater impact in international policy setting forums, which is especially important in view of the international climate response.

avoiding “green” conditionalities on the provision of financial support to developing countries.

Regarding social policy, we need a strategic shift in donor approaches. Aid-funded policies, including social protection strategies promoted by multilateral organizations, should be diversified and move away from promoting targeted cash transfers as a silver bullet, toward investments in public social services and strengthening of long-term public social insurance schemes and productive employment, which is usually the preferred strategy of governments in the global South (see chapter 3).

Realizing the human right to social security and basic services requires new funding sources, which is a key element of a new fiscal contract. While domestic funding through progressive taxes is the high road option, global bargains can support national policies if they are well aligned with recipient countries’ strategies. At the global level, a Global Fund for Social Protection has been proposed by human rights advocates and has recently been adopted by the ILO constituencies and endorsed in the Our Common Agenda report of the UN Secretary-General. According to the Special Rapporteur on extreme poverty and human rights, Olivier De Schutter, a global fund for social protection should be set up to increase the level of support to low-income countries, thus helping them both to establish and maintain social protection floors in the form of legal entitlements, and to improve the resilience of social protection systems against shocks. Such a fund is considered affordable, whether funding comes from ODA or from other sources, including unused or new special drawing rights or international taxes.

4.2.2 Strengthening civil society’s voice in multilateralism

Strong civil society participation and advocacy work has played a key role in influencing and shaping the agendas and policies of the entire multilateral system. Civil society actors, including NGOs, experts, academics, independent commissions and other individuals engaging with the United Nations on a regular basis have been called the third United Nations, next to the first United Nations (member states) and the second United Nations (the UN secretariat and agencies). While national governments have a key responsibility for implementation of the SDGs and mobilizing sufficient resources for it, it is the interface and the power relations between the three United Nations, and subsets within these groups, that determine to what extent an agenda such as the 2030 Agenda for Sustainable Development can be made reality.

The role and impact of global civil society have increased over the last decades, aided by the opening of spaces within the United Nations and increased transparency in some global institutions which makes accessing information easier: “Because of public pressure, commitment and effective lobbying, the presence and influence of civil society in multilateral discussions have grown exponentially, from roughly 100 NGOs in the 1970s to 4000 in 2013.” Access to negotiations has been opened up for the nine “major groups” (women, children and youth, Indigenous peoples, NGOs, local authorities, workers and trade unions, business and industry, scientific and technological community, and farmers) as they have become acknowledged partners in the 2030 Agenda, though their role is limited. Sustained and concerted civil society advocacy and engagement at global, regional and national levels has played a crucial role in promoting the rights of marginalized groups such as migrants, ensuring migrants’ rights remain on the agenda in global migration policy processes. Indeed, strong bottom-up participation by CSOs is critical in providing voice to migrants at all levels of decision making. Human rights advocates and civil society actors have also been instrumental in promoting the rights of Indigenous peoples, of women and
LGBTIQ+ groups, and of children and older persons and have successfully lobbied for putting inequality, climate change and economic justice visibly onto UN agendas, while holding governments to account on SDG progress.²¹¹

At the same time, civil society actors are struggling to have meaningful and qualitative participation due to a number of constraints. One is the rise of the business sector as an accepted partner in the United Nations, pushing for its corporate interests, for example, through public–private partnerships.²¹² Given the power of big business, there is a risk that corporate influence overrides the progressive trends of not-for-profit NGOs.²¹³ While private business actors often get a privileged seat at the negotiation table, which is visible in the changes in global governance in their favour, CSOs struggle to make their voices heard in what are often very restricted opportunities in formal UN processes: NGOs with Economic and Social Council (ECOSOC) consultative status have, for example, guaranteed access to Human Rights Council sessions but usually only 90 to 120 seconds of speaking time. While this right can also be extended to representatives of communities without consultative status and even individual petitioners, merely appearing at a UN forum does not suffice for effective advocacy.²¹⁴ In other decision-making forums, the participation of civil society or experts can be even more constrained, reduced to consultations without clear accountability to reflect civil society positions in final decision making. Overall, the space for CSO participation and influence differs from forum to forum, with some processes restricting CSO participation to making statements or providing written inputs, to processes where CSOs can make more concrete proposals which can be taken up in final negotiation texts, sometimes on the condition that they are supported by member states.

Civil society participation at local, national and global levels is key for creating a new eco-social contract that inspires trust and promotes the well-being of people and planet. In a global context where civic space is increasingly constrained (see chapter 2) and backlash against democracy and human rights gaining ground, widening meaningful participatory space for NGOs in the multilateral system is of paramount importance.

4.3 Strengthening solidarities and values

“In a context of converging crises propagated by greed, consumerism, nationalism, exploitation and systemic discrimination, more and more people are clamouring to re-programme our economies based on a radically different set of values, centred on human wellbeing and flourishing within planetary boundaries” argues the Center for Economic and Social Rights and Christian Aid (2020:8). In a similar vein, this report argues that in order to move toward global social, economic and ecological justice, we need to rethink the fundamental values that guide our economies and societies and strengthen solidarity structures at all levels of human interaction. The often repeated slogan during the Covid-19 pandemic that no one is safe until everyone is safe is a strong reminder of the interconnectedness of human existence and our mutual dependence within families, communities and societies and with regard to our natural environment.

The often-repeated slogan during the Covid-19 pandemic that no one is safe until everyone is safe is a strong reminder of the interconnectedness of human existence and our mutual dependence within families, communities and societies and with regard to our natural environment.
During neoliberal globalization, while economic interdependencies have increased at the global level in asymmetric ways, solidarity structures and communitarian values that strengthen deep community relations and a life in harmony with nature, such as those presented in chapter 4, have been dismantled and undermined. Instead of “social” security, multi-pillar social risk management was promoted through market mechanisms complemented by some basic state guarantees, often resulting in a disruption of informal support systems without replacing these with reliable alternatives. Solidarity-based social insurance schemes, those that pool risks and finance defined benefits by bringing together high- and low-income earners as well as enterprises and the state into one scheme, were considered inefficient and unsustainable, with many countries replacing them with private, individualized insurance schemes. Easy access to credit for vulnerable groups, including micro-finance, was touted as part of risk management at the household level, though in practice, it resulted in increasing vulnerabilities and inequalities due to the incapacity of low-income households to serve market debt in times of crisis (chapter 2). Increasing fragmentation happened also within social services, with higher income groups opting out of public services and increasingly relying on private commercialized services (see chapters 2 and 3). Finally, increasing reliance on social assistance schemes such as conditional cash transfers resulted in a separation of poor and vulnerable groups from the rest of society, instead of addressing the root causes of inequalities, poverty and exclusion.

A first lesson from these experiences of dismantling solidarity-based social contracts and substituting them with new contracts reflecting the market-based ideology is that we need to bring solidarity principles back into public policy, including social and fiscal policy (see section 3 above). Strengthening solidarity principles within universal social systems and tax policy is an important step toward overcoming vertical and horizontal inequalities and promises to strengthen social cohesion and social peace. A second task is to reinvigorate solidarity principles in...
in international cooperation. According to the proposal for a rights-based economy, governments should cooperate internationally to realize rights and reduce inequalities across borders. The human rights framework promotes values such as dignity, equity, solidarity, accountability and justice which provide powerful guidance for promoting economic justice. International solidarity can be expressed in multiple forms, institutionalized and informal, and will involve all actors, from state to business to civil society. It concerns reaching the goal of committing at least 0.7 percent of donor countries’ GDP to ODA as well as a massive transfer of technology from rich to poor countries to accelerate the sustainability transition and promote global health. It is also increasingly expressed in regional cooperation and horizontal global relationships, for example, between communities or cities of different regions or continents. Considering different contexts and capacities as well as historical injustices such as colonialism or environmental destruction will be important in this process, in line with the principles we have laid out for building a new eco-social contract (chapter 4). A third task is to strengthen alternative economic or development approaches which are guided by solidarity and values such as equity, justice, harmony with nature, recognition and self-determination, from SSE to Buen Vivir.

Rethinking the normative foundations of our societies is an ambitious project and an essential step in building a new eco-social contract (see box 5.8). It is likely to be a contentious process which itself needs to be built on clear procedural values such as trust, mutual respect, transparency and open-mindedness toward the positions of others. A reformed multilateral system and strengthened international solidarity require enlightened politicians who transcend narrow and short-term national interests and recognize the benefits of working together in pursuit of common interests to the benefit of people and planet. However, it will only be stable and impactful if it is built from the bottom up and is legitimized by the people, as we have suggested for the process of constructing a new eco-social contract. For this to happen, we need to ensure broad-based and meaningful participation by civil society actors, engage with justice movements and empower weaker stakeholder groups as well as the countries of the global South.

For global governance to facilitate the systemic changes that are needed, we need new rules and norms to rein in hyperglobalization, as outlined in this chapter, and strengthen a rights-based multilateral order that provides support for policy space and implementation of alternative economic models and transformative social policies for triggering an eco-social turn.

5. Overcoming Inequalities: Policy Recommendations

In this report we have associated rising inequalities, multiple crises and the breakdown of the social contract with policy choices in the age of neoliberal hyperglobalization that have had detrimental impacts on sustainable development and social justice. These policy choices have reinforced systemic contradictions that were already visible during the post-war era of coordinated or managed capitalism—the undervaluation and exploitation of non-market spheres such as unpaid work and the natural environment and the asymmetries and exploitative structures between so-called developed and developing countries in a hierarchical global economic system. While sections 2–4 in this chapter have laid out a new development approach for transformative change and sustainable, inclusive development, this section presents an overview table summarizing key policy recommendations for reducing inequalities (table 5.1). Equality is a cross-cutting issue and all policies should be
## Table 5.1 Policy recommendations for reducing inequalities

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Recommendations</th>
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<tbody>
<tr>
<td><strong>Universal social policies</strong></td>
<td>Universal social policies are a key instrument for well-being, development and social cohesion, and lie at the core of the social contract. They guarantee free and universal access to services necessary for the health and well-being of all, including health, education, and social protection programmes. They promote social mobility and reduce economic insecurity associated with lifecycle contingencies and market risks.</td>
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<tr>
<td>→ <strong>health</strong></td>
<td>Access to health for all must be ensured, and care must be adapted to contexts and population groups and sustained across the life course; reforms must address disparities in access to and quality of care that affect underserved or stigmatized groups, such as women, older persons, racial minorities, and LGBTIQ+ persons. To maximize the benefits of reforms in health and address the social determinants of health, reforms in other sectors such as nutrition, transport, water and sanitation, housing, labour markets and education must be made.</td>
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<tr>
<td>→ <strong>education</strong></td>
<td>Access to quality education at all levels must be ensured for all. However, provision of free education is not sufficient to address inequalities unless a systems approach is taken to ensure schools are safe and accessible, and address other factors that may affect access, such as discrimination, gender inequality, spatial segregation, disparities in access to technology, and economic disadvantages.</td>
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<tr>
<td>→ <strong>social protection</strong></td>
<td>Social protection programmes (child allowances, pensions, social assistance, unemployment benefits, maternity benefits, etc.) must be universally accessible and adapted to the current moment, taking into account the changing world of work and shifting family structures.</td>
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<tr>
<td><strong>Fiscal policies</strong></td>
<td>Fiscal policies are a key instrument for stabilization, redistribution and social investment. Revenue policies such as taxation as well as expenditure policies such as social protection need to be designed in ways that reduce vertical and horizontal inequalities. They can also provide incentives for green transitions, structural change and alternative economic approaches such as SSE.</td>
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<tr>
<td>→ <strong>progressive tax reform</strong></td>
<td>Implementing progressive tax policies at corporate and individual levels, moving away from indirect taxes and introducing wealth and inheritance taxes are essential for ensuring the fiscal space to fund equality-enhancing public expenditure and reduce extreme wealth and income disparities. Green tax instruments raise funds while simultaneously providing incentives for more sustainable consumption and production patterns. International solidarity taxes as well as minimum global tax rates for MNCs can further enlarge fiscal space of developing countries and contribute to equality.</td>
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<tr>
<td>→ <strong>addressing tax avoidance</strong></td>
<td>Implementing policies to reduce tax avoidance and evasion are essential to increase fiscal space and reduce wealth concentration, and also help to address the imbalance in flows of financial resources to high-income countries, where most tax havens and freeports are located. This can be achieved through the implementation of a global financial transaction tax, transparency reforms to access data, and information on the top tier of the wealth and income distribution, both at company and individual levels. These reforms will require international collaboration as well as the strengthening of national tax systems.</td>
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<tr>
<td>→ <strong>countercyclical approach</strong></td>
<td>Countercyclical policies such as automatic stabilizers (tax-transfer systems that strengthen demand in times of economic downturns and avoid overheating in times of booms) and access to liquidity in times of financial or balance-of-payments crises (domestic and international) is important to stabilize markets and avoid large-scale bankruptcies and social costs.</td>
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### Table 5.1 Policy recommendations for reducing inequalities (continued)

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<th>Sector</th>
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<td>Universal social policies</td>
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<td>Fiscal policies</td>
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<td>Labour market and employment policies</td>
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<td>Food systems sovereignty and nutrition policies</td>
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<td>Anti-discrimination policies and affirmative action</td>
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<td>Democratic governance and access to rights</td>
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<td>Global governance reforms and global redistribution</td>
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- **Labour market and employment policies**: Labour policies must be rights-based and productive, guaranteeing fundamental labour rights, social protection, decent wages, safe working conditions, rights to organize and lifelong learning for all workers. Anti-discrimination protections to address discrimination in hiring practices, ensure equal pay, and stop workplace harassment must be put in place to ensure a safe, equitable and inclusive working environment. Provisions for caregivers such as paid parental leave and flexible hours must be provided. Legal protections are needed to protect informal and independent workers, coupled with access to social protection floors and economic inclusion policies to ensure these workers are not left behind.

- **Business and market regulation**: Regulation of business and markets is crucial to prevent market concentration and monopolistic or oligopolistic structures, excessive profit accumulation to the detriment of wage shares, as well as inequalities at the firm level, for example between CEO and average workers’ earnings, or between men and women. Strengthening trade unions and collective bargaining is not only important for workers’ rights, but also for macroeconomic stability and more equalized capital-labour shares. Inequalities often spiral up along GVCs, requiring international binding standards and regulations, especially for MNCs and highly unregulated sectors such as the gig economy, internet firms, extractive industries, commodity traders and parts of the financial sector. New ways of sustainability reporting by companies can provide incentives for better valuing social and environmental investment and increase transparency and comparability. Alternative business models such as SSE that promote shared and democratized ownership structures should be supported and scaled up.

- **Socially sustainable environmental policies**: Policies that address pollution, resource depletion, loss of biodiversity, and climate change, while important for every person and country, will help to prevent already disadvantaged groups from being disproportionately affected by environmental degradation.

  → **equitable decarbonization**: Differentiated responsibility must be taken into account in transitioning to clean energy, with global North countries addressing unsustainable resource consumption habits and making a radical transition to sustainable production. Less developed countries should be supported in developing and adopting climate adapted development practices, through technology and knowledge exchange, and financial support.

  → **just transitions**: Policies to address job loss and other negative externalities of decarbonization must be implemented to ensure no one is left behind in the transition to clean energy.

  → **eco-social policies**: Eco-social policies combine social and environmental goals, providing a good example for integrated policies. Examples are cash transfers supporting ecological activities or public employment programmes creating green infrastructure. Eco-social policies are a promising approach in emergency responses, for example regarding the recent Covid-19 pandemic (green fiscal stimulus), natural disasters or other humanitarian emergencies.
Table 5.1 Policy recommendations for reducing inequalities (continued)

<table>
<thead>
<tr>
<th>Urban policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>To address spatial inequalities that play out in urban spaces, efforts are necessary to make cities inclusive, accessible, effective and green. Alternative economic models which center local actors, their needs and the environment such as SSE have a key role to play in this as well.</td>
</tr>
<tr>
<td>→ inclusive infrastructure and services</td>
</tr>
<tr>
<td>State investment in public infrastructure and public services, including housing, green spaces, cultural and educational institutions, public transport and roads, energy, etc., is necessary to ensure equal access to quality services, regardless of neighbourhood. This should be done in an inclusive, accessible and green way, with particular emphasis on areas that have historically experienced divestment or state neglect.</td>
</tr>
<tr>
<td>→ sustainable urban growth</td>
</tr>
<tr>
<td>Policies must be put in place to ensure that urban growth is environmentally sustainable and does not place residents in areas of heightened risk to natural disasters. Fostering innovation and turning to new technologies and nature-based solutions can capitalize on the potential environmental benefits of increased urbanization.</td>
</tr>
<tr>
<td>→ participatory governance</td>
</tr>
<tr>
<td>Local actors should be included in local policy-making processes, and feminist and youth-centred approaches to urban planning should be privileged. Further, local governments should be included in national and international decision-making processes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender equality policies</th>
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<tbody>
<tr>
<td>Gender equality-enhancing policies can provide women with access to decent work, social protection and social services and ensure gender-inclusive public institutions (including political representation). Applying a gender lens can help to assess all policies with regard to their differentiated impacts on genders, avoiding unintended effects or reinforcement of existing inequalities or stereotypes. Gender equality policies need to be based on an intersectional approach to uncover compounding disadvantages and discriminations based on different categories such as gender and race or ethnicity.</td>
</tr>
<tr>
<td>→ care policies</td>
</tr>
<tr>
<td>Care policies that bridge sectoral divides, have a strong gender and human rights perspective, and guarantee rights, agency and well-being of caregivers and receivers, are effective instruments to promote gender equality. They need to be accompanied by policies that support a change in social norms regarding the distribution of unpaid care work in the household and community.</td>
</tr>
<tr>
<td>→ quotas</td>
</tr>
<tr>
<td>Quota systems in educational institutions, economic governance and political office can ensure greater participation for women and a heightened role in decision-making processes. Addressing the gender pay gap and providing for greater gender balance within corporate structures is crucial. Increasing the number of women in political positions tends to lead to more policies to reduce gender inequality.</td>
</tr>
<tr>
<td>→ land rights</td>
</tr>
<tr>
<td>Expanding access to land rights for women can provide women with more economic independence, a greater role in political decision making, and reduce incidents of violence against women, in particular if combined with broader reforms aiming to change social norms, fostering women’s voice and increasing support for families.</td>
</tr>
</tbody>
</table>
### Table 5.1 Policy recommendations for reducing inequalities (continued)

<table>
<thead>
<tr>
<th>1. <strong>Universal social policies</strong></th>
<th>2. <strong>Gender equality policies</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Fiscal policies</strong></td>
<td><strong>Food systems sovereignty and nutrition policies</strong></td>
</tr>
<tr>
<td><strong>Labour market and employment policies</strong></td>
<td><strong>Anti-discrimination policies and affirmative action</strong></td>
</tr>
<tr>
<td><strong>Business and market regulation</strong></td>
<td><strong>Democratic governance and access to rights</strong></td>
</tr>
<tr>
<td><strong>Socially sustainable environmental policies</strong></td>
<td><strong>Global governance reforms and global redistribution</strong></td>
</tr>
<tr>
<td><strong>Urban policies</strong></td>
<td></td>
</tr>
</tbody>
</table>

- **Food systems sovereignty and nutrition policies**
  To ensure sustainable and just food systems in the face of globalization will require implementing protections for smallholder and Indigenous farmers, incentivizing sustainable farming practices, market regulations to ensure food remains affordable and accessible for all, heightened labour regulations for workers safety and fair treatment, stricter environmental regulations, implementation of fair trade policies and incentives, and protections for local communities facing externalities of the agricultural industry such as displacement, pollution and other environmental impacts. Protection against land grabs and privatization/commercialization of land, in particular of communal land, land reforms that lead to more equal land distribution or restitution of land rights (to communities or Indigenous peoples) and policies supporting small farmers’ seed and food sovereignty will also have positive impacts on food systems, nutrition, eco-systems and livelihoods. There is also a need to generate awareness around sustainable food choices and shift consumption and dietary preferences to locally grown and less resource-intensive food.

- **Anti-discrimination policies and affirmative action**
  Policies that address horizontal inequalities associated with race, ethnicity, resident status, sexual orientation, gender identity, religion, disability or age are necessary complements to universal rights and entitlements, as they have the capacity to overcome stratification within universalism. Universal approaches are a necessary condition to garner broad-based political support, sustainable financing and solidarity across the population, while specific policies such as affirmative action, quotas, legal reforms, awareness raising and training address discrimination and disadvantage related to group-status. Ethnic, racial and religious minority groups should enjoy protections of their cultural, religious and language rights and be represented in political and cultural life, promoting social cohesion and inclusion and the enrichment of societies.

- **Democratic governance and access to rights**
  Policies that strengthen democratic governance and access to rights, and that empower all members of society, including migrants regardless of status, children and youth, or other groups which are not fully exercising citizenship rights, are essential for inclusive and equitable societies.

- **Fair institutions**
  Institutions that promote equality and equity should be transparent, inclusive and accountable to the public; equipped with enough resources to fulfil their mandate, for example delivering high-quality services to the population, and guaranteeing decent work conditions and continuous learning for their staff; adequately designed and governed to avoid reproduction of inequalities in implementation processes, ensuring that interactions between bureaucrats and beneficiaries are fair and empowering; grounded in common principles and values such as human rights, democracy and sustainable development; shielded from undue political interference from political leadership, private interests or the corporate sector, while establishing good relationships and communication channels; and exemplary in their use of internal equality and empowerment policies regarding gender, minorities, age, work status, wage differentials and worker participation.
Table 5.1 Policy recommendations for reducing inequalities (continued)

- Universal social policies
- Fiscal policies
- Labour market and employment policies
- Business and market regulation
- Socially sustainable environmental policies
- Urban policies
- Gender equality policies
- Food systems sovereignty and nutrition policies
- Anti-discrimination policies and affirmative action
- Democratic governance and access to rights
- Global governance reforms and global redistribution

Global governance reforms and global redistribution

Reforms in global governance is needed to address inequalities between countries, taking into account the specific situation of each country and distributing costs and benefits in a fair way. Reducing power asymmetries between countries requires a strengthened multilateral system that is empowered and equipped to act on behalf of the global commons, promote the values of the United Nations, and support the national-level delivery of commitments such as the SDGs. Aid policies should be clearly aligned with strategies of recipient governments instead of promoting global policy blueprints or interests of donor countries. Overcoming siloes in the work of multilateral or bilateral actors, for example by applying nexus approaches such as the humanitarian-development-peace approach, is important to improve policy coherence and link short-term with long-term policies.

Increasing the spaces for participation of civil society and strengthening their influence relative to private actors is essential to ensure global decisions are made for the benefit of the many, not the few. Similarly, the voice of global South governments must be increased relative to the North in global policy forums and their policy space at national level be increased. This can be achieved by avoiding policy conditionality, promoting debt relief, and changing global rules that protect leading global companies, often headquartered in the global North, facilitating market concentration and entry barriers.

Reinvigorating a rules-based international order promises to curb inequalities, increase stability and open policy space for sustainable development. Reforms of the global trade, finance and investment regimes are needed to rein in financialized hyperglobalization, promote global public goods (for example access to vaccines, health and climate-friendly technology), improve access of developing countries to finance, technology and knowledge, and protect human rights and the environment. Transnational business activities need to comply with international human rights law and environmental standards, while migration governance requires binding commitments to protect migrants’ rights and facilitate international mobility. International rules and regulations need to be monitored at global and national levels, with concrete accountability mechanisms and enforcement of rules.
evaluated in view of their impacts on equality, taking an intersectional, dynamic and power-oriented approach (chapter 3).

5.1 Where there’s not a will

In recent decades, inequality and crises have increased and compounded to create a situation that can seem insurmountable. However, as this chapter has laid out, there are a great number of possibilities for charting a new and more sustainable, just and equitable path ahead, from new development paradigms to reimaged governance systems to countless policy reforms that can reduce inequality. However, mobilizing the political will to implement these is another story. Those in power harness their influence to limit possibilities for progressive change. This section will explore ways to place checks on elite power and rein in political inequalities, paving the way for reduced inequality and greater social and environmental justice.

Many have argued for the importance of implementing reforms in electoral systems, in particular around campaign financing to limit the ability of elites to influence politicians. Further, electoral reforms that address inequalities in representation and voter disenfranchisement are needed to ensure all votes have equal weight. However, this might not be enough to improve the representation of women and minority groups in elected office, and additional measures such as quotas could be instated. Data show that quotas for women in office have a direct correlation with progressive change in the areas of women’s rights, public health and poverty alleviation, while chapter 4 has argued that these reforms can be improved by simultaneously working toward changing social norms and public attitudes toward gender equality. Getting even deeper to the heart of elite economic dominance, quota systems that ensure a percentage of seats in parliamentary assemblies are set aside for representatives from disadvantaged or minority socioeconomic groups has vast potential to shift power asymmetries and move forward progressive change.

Another realm of important reforms involves ensuring access to factual information, in particular by reducing elite control of media to guarantee independent and quality information (see Spotlight by Anya Schiffrin). On the flip side, several of the cases explored in this section reveal that elites also have skewed perceptions of inequality and redistribution, while the public is exposed to competing sources of information and misinformation, often unable to correctly assess the personal implications of policy proposals. It is therefore important that governments and NGOs invest in communications strategies to address this.

The achievement of proposals [to democratize vaccine access] is held back by constraints that are mainly political, reflecting the significant lobbying power that large corporations have with states across the world. But such constraints are binding only if citizens do not apply sufficient counterpressure on their governments. This is necessary not only to ensure the vaccine equity that is essential to deal with the Covid-19 pandemic, but also to achieve the international solidarity that is a minimum requirement for humanity to address other existential threats such as that posed by climate change.

– Jayati Ghosh
Professor, University of Massachusetts Amherst
Income and wealth accumulation is the key driver of political inequality, and therefore implementing progressive fiscal policy will go a long way to reducing it. This includes progressive tax policies (including wealth, excess profit and inheritance tax) and improved tax governance (reducing tax avoidance and evasion), which can result in more equal distributional outcomes and more fiscal space for governments to fund equality-enhancing public expenditure. These need to be combined with reforms of global tax governance and instruments, for example, elimination of tax havens and IFFs, implementation of a global financial transaction tax, transparency reforms to access data, and information on the top tier of the wealth and income distribution (table 5.1).

Business and market regulation is crucial to prevent market concentration and monopolistic or oligopolistic structures, excessive profit accumulation to the detriment of wage shares, labour violations and environmental degradation, as well as inequalities at the firm level, for example, between CEOs’ and average workers’ earnings, between racial and ethnic groups, or between men and women (table 5.1). To reduce inequalities along GVCs, international binding standards and regulations, especially for transnational corporations and highly unregulated sectors such as the gig economy and Internet firms, are required. Alternative business models such as the SSE that promote shared and democratized ownership structures should be supported and scaled up, and new approaches to assess sustainable business performance be promoted.224

Essential for bringing these changes about, and for reducing not only political inequalities but inequalities in other dimensions, is support for and protection of democratic CSOs.225 Alliance building is essential to effectively harness the power of the many to rein in the influence of the few who are working only for their own benefit. As chapter 4 explored, such alliances take a very different form today than they did in the past, adapting and changing in the face of evolving economic systems, shifting identities, new forms of politics, new conceptions of class, a transformed world of work and reimagined notions of family and community. For example, forms of collective resistance are emerging among digital workers, who are making use of social media to organize strikes and protests and establish unions or alliances as well as mobilizing legal mechanisms to lobby for their rights.226 New forms of collaboration are emerging among marginalized groups as they apply various strategies to adapt to a rapidly changing environment while stabilizing their livelihoods. For example, small fishers in India have developed innovative strategies to increase their capital base for investments227 or informal workers in India and Thailand co-produce social services as a way to change their relations with state and market providers.228 Domestic workers in Paraguay and Uruguay have built networks of different types of actors to mobilize for better wages and working conditions.229 Alliances between trade unions and other workers’ associations have increased minimum wages, improved occupational safety and health, and made advances in other forms of labour legislation through the use of social dialogue mechanisms and the constructive contribution of experts in countries such as Colombia and South Africa.230 As explored in chapter 2, the age of mass protest has created new social movements and brought about considerable progress in many areas, often leading to meaningful policy change but also prompting large-scale cultural reckonings with previously less discussed social ills such as racism, sexism and extreme wealth concentration. Finally, creating institutional links between civil society, organized interest groups and the political system, for example with political

Alliance building is essential to effectively harness the power of the many to rein in the influence of the few.
parties or local governments, has been conducive to policy change in the past and is likely to be an effective strategy in the future.\footnote{231}

6. Shifting Power for a New Eco-social Contract

This report has laid out a new development model for a new eco-social contract, informed by seven principles, which consists of three key pillars—alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations, transformative social policies based on a fair fiscal compact, and reformed and strengthened multilateralism and solidarities—and is enabled by 11 policy platforms for reducing inequalities (see figure 5.2).

The key question is then how to arrive at the political support and financial means to put these suggestions into practice. Recent research has shown that reduction of inequality and exclusion is supported when policies lead to visible results, when policy design and process build long-term solidarity and when policy implementation is credible and not easily reversible.\footnote{232} UNRISD research has shown that a combination of progressive leadership inspired by the common good and public interest, and grassroots pressure from below by progressive social movements and CSOs and supported by multilateral organizations and frameworks, can go a long way toward more sustainable and inclusive development approaches.\footnote{233} Learning from successful past experiences in fighting inequality, including which policies and political strategies have worked, provides lessons for future struggles:\footnote{234} while key pillars of equality-enhancing strategies are public services, taxation and workers’ rights (as measured in the Commitment to Reducing Inequality Index),\footnote{235} transformative change will not happen without strong pressure from below and redistribution of power. In the words of Ben Phillips (2020:85), “reversing rising inequality is not just about changing the rules but about changing who gets to make the rules.” According to Phillips, overcoming deference and defying authority when necessary, building power together through collective organizing and broad-based coalitions, and creating a new story to shift attitudes and norms are essential elements in this endeavour. In a world where economic wealth and power are more and more concentrated, democracies are under threat and global challenges are mounting, determined, smart and coordinated action is needed more than ever before.

People around the world are demanding new social contracts to heal a divided world.\footnote{236} Preceding chapters in this report aimed to improve understanding about the interconnectedness between specific policy choices, multiple crises and intersecting inequalities and the vicious circles created by them. They have shed light on the crises and challenges of current times and identified the long-term trends that shape our opportunity and decision space, from demographic and technological change to shifting global power structures (chapters 1 and 2). They have unpacked how income and wealth inequalities intersect with group characteristics such as gender or race, creating a hierarchical system sustained by dominant groups and elite power (chapter 3). This system works to the detriment of disadvantaged and vulnerable persons

Ordinary people should be front and centre in developing green climate policies. People have a range of resources and creative potential to influence the process: as voters, as wealth owners, as consumers, as citizens and as holders of knowledge.

– Kumi Naidoo
Advisor, Community Arts Network (CAN) and Green Economy Coalition
Figure 5.2 A new development model for social, economic and environmental justice

7 Principles for building a new eco-social contract

1. Alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations
2. Transformative social policy underpinned by a fair fiscal contract
3. Reformed and strengthened multilateralism and solidarities

3 Pillars of a new development model that promotes justice, equality, sustainability and resilience

11 Policy platforms for reducing inequality

- Universal social policies
- Food systems sovereignty and nutrition policies
- Labour market and employment policies
- Gender equality policies
- Fiscal policies
- Anti-discrimination policies and affirmative action
- Business and market regulation
- Democratic governance and access to rights
- Socially sustainable environmental policies
- Global governance reforms and global redistribution
- Urban policies
and the natural environment and is distorting states and markets. It has resulted in unsustainable production and consumption patterns and triggered a crisis of social and environmental reproduction which undermines future resilience, sustainability and social cohesion.

Future strategies and reform proposals need to be grounded in rigorous analysis, pluralistic knowledge and evidence, learning from past experiences and crafting solutions that are appropriate and feasible for specific contexts and which can endure over time. This report aims to contribute to this process, while not pretending to have all the answers. Rather, it aims to create openings for alternative interpretations of current problems and new approaches to overcome them.

Despite a challenging context, solutions exist, many of which have proven their effectiveness in real-world contexts, as demonstrated in this report. Power asymmetries and inequalities are daunting, but there are also countless examples of ways those at the bottom have successfully pushed back and shifted power away from the top. However, policies and strategies that have worked in one country might not be applicable or transferable to different contexts, or they may need to be adapted to national conditions. Importantly, instead of applying blueprints, we have to find and test alternative solutions by tapping into the creativity, imagination and skills of experts, entrepreneurs, political leaders, citizens and holders of traditional knowledge and wisdom. These new policies and institutional reforms need to reflect the values and goals agreed upon in new eco-social contracts, supported by an expanding community of ideas and actors that transcends silos and is collectively committed to a vision for the future grounded in the universal principles of justice, equality and sustainability.
Endnotes

2. UNCTAD 2021.
8. UNRISD 2016.
9. UN 2022a.
15. UNCTAD 2019.
23. McAfee 2012.
26. The Green Economy Coalition (GEC), an alliance of trade unions, businesses, NGOs, UN agencies and citizen’s groups, has set out to make green economy approaches more transformative and rooted in local experiences. They call for new measuring and governing for nature and well-being, a reformed financial system serving the needs of society, a low-carbon revolution in all economic sectors, tackling inequality and valuing nature (GEC n.d.).
32. Xiaobei et al. 2022.
36. Schneider et al. 2010.
Dalziel and Cameron 2021; Feigl 2017.

Monkelbaan 2021; Laurent 2021.

CESR and Christian Aid 2020; Ampofo-Anti and Saba 2022.


JTRC 2019.

Krause et al. 2022; Clarke and Lipsig-Mummé 2020.


Arbeitsagentur 2021; Regionalstatistik Ruhr 2021

Cock 2018; van Niekerk 2021.

Krause et al. 2022; Clarke and Lipsig-Mummé 2020.


Arbeitsagentur 2021; Regionalstatistik Ruhr 2021

Cock 2018; van Niekerk 2021.

Krause et al. 2022; Clarke and Lipsig-Mummé 2020.


Arbeitsagentur 2021; Regionalstatistik Ruhr 2021

Cock 2018; van Niekerk 2021.

Krause et al. 2022; Clarke and Lipsig-Mummé 2020.


Arbeitsagentur 2021; Regionalstatistik Ruhr 2021

Cock 2018; van Niekerk 2021.

Krause et al. 2022; Clarke and Lipsig-Mummé 2020.


Arbeitsagentur 2021; Regionalstatistik Ruhr 2021

Cock 2018; van Niekerk 2021.
This may include, for example, financial and fiscal support, public procurement and laws and regulations governing economic organizations which make it far easier to establish a private company than a cooperative.

Representing SSE actors and interests, intermediary SSE bodies mediate between SSE actors and government. They advocate SSE values, educate policy makers on SSE, help SSEOEs navigate the policy environment and negotiate on their behalf (Jenkins et al. 2021). Such intermediary bodies are often associations or federations representing particular sectors such as cooperatives and informal economy workers, for example, the Japanese Consumers’ Cooperative Union and Homenet Philippines, respectively. They may also constitute broad coalitions or networks of SSE and civil society actors such as the Chantier de l’économie sociale in Quebec, the Cámara Nacional de Economía Social Solidaria in Costa Rica and the Foro Brasileño de Economía Solidaria (FBES).
In the case of the World Health Organization (WHO), for example, only 20 percent of its funding derives from member states contributions (WHO n.d.). Many UN agencies are entirely funded through voluntary contributions or project funds, for example research and training institute such as the UN Institute for Training and Research (UNITAR), UNRISD, or the World Food Programme (WFP). 

Morena 2022.

De Schutter 2021; De Schutter and Sepulveda 2012.

ILO 2021b.

UN 2021b.

Jolly 2009.

Koehler 2015.


Koehler 2015.

Hennebry et al. 2019.

Piper and Rother 2020.


Zumach 2015; Women’s Major Group 2022.

Koehler 2015.

Constantinou 2022.

Holzmann and Jorgensen 2000.

CESR and Christian Aid 2020.

See also UNRISD (2019).

Cagé 2020; Dahl 2006.

Bush 2011.

Clayton 2021; Hughes et al. 2017; Paxton et al. 2020; Wängnerud 2009.

Cagé 2020.

Parmigiani 2022.


Utting and O’Neill 2020.

Stewart 2011.

Meagher 2022.


Alfers 2022.

Rojas Scheffer 2022.
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TNI (Transnational Institute) and TUED (Trade Unions for Energy Democracy). 2021. Energy Transition or Energy Expansion? New York and Amsterdam: TNI and TUED.


### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ANC</td>
<td>African National Congress</td>
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<td>BEE</td>
<td>Black Economic Empowerment</td>
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<td>CCT</td>
<td>Conditional cash transfer</td>
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<td>CSO</td>
<td>Civil society organization</td>
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<td>ECLAC</td>
<td>Economic Commission for Latin America and the Caribbean</td>
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<td>ECOSOC</td>
<td>Economic and Social Council</td>
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<td>EGND</td>
<td>European Green New Deal</td>
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<td>FDI</td>
<td>Foreign direct investment</td>
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<td>FSU</td>
<td>Former Soviet Union</td>
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<td>GCM</td>
<td>Global Compact for Safe, Orderly and Regular Migration</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>GHG</td>
<td>Greenhouse gas</td>
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<td>GM</td>
<td>Genetically modified</td>
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<td>GND</td>
<td>Green New Deal</td>
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<td>GVC</td>
<td>Global value chain</td>
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<td>ICT</td>
<td>Information and communication technology</td>
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<td>IDPs</td>
<td>Internally displaced persons</td>
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<td>IFFs</td>
<td>Illicit financial flows</td>
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<td>IFI</td>
<td>International financial institution</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IOM</td>
<td>International Organization for Migration</td>
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<td>IPs</td>
<td>Indigenous peoples</td>
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<td>IPR</td>
<td>Intellectual property rights</td>
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<td>ITUC</td>
<td>International Trade Union Congress</td>
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<td>LDCs</td>
<td>Least developed countries</td>
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<td>LECZ</td>
<td>Low-elevation coastal zone</td>
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<tr>
<td>LGBTIQ+</td>
<td>Lesbian, gay, bisexual, transgender, intersex, queer</td>
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<td>MENA</td>
<td>Middle East and North Africa</td>
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<tr>
<td>MNC</td>
<td>Multinational corporation</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<td>ODA</td>
<td>Official development assistance</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PSNP</td>
<td>Productive Safety Net Programme</td>
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<td>PT</td>
<td>Partido dos Trabalhadores</td>
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<tr>
<td>R&amp;D</td>
<td>Research and development</td>
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<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SDPI</td>
<td>Sustainable Development Performance Indicators</td>
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<td>SIDS</td>
<td>Small island developing state</td>
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<tr>
<td>SOGIESC</td>
<td>Sexual orientation, gender identity and expression, and sex characteristics</td>
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<td>SPC</td>
<td>Sustainable production and consumption</td>
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<td>SSE</td>
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<td>SSEOEIs</td>
<td>Social and solidarity economy organizations and enterprises</td>
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<td>TRIPS</td>
<td>Trade-Related Aspects of Intellectual Property Rights</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNEP</td>
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<td>United Nations High Commissioner for Refugees</td>
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<td>UPSNP</td>
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<td>WTO</td>
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<td>ZCCM</td>
<td>Zambia Consolidated Copper Mines</td>
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### List of boxes

<table>
<thead>
<tr>
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<th>Title</th>
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</tr>
</thead>
<tbody>
<tr>
<td>O.1</td>
<td>Transformative adaptation in coastal cities: Lessons from Ho Chi Minh City and Jakarta</td>
<td>9</td>
</tr>
<tr>
<td>O.2</td>
<td>Universities and social inequalities in the global South</td>
<td>14</td>
</tr>
<tr>
<td>O.3</td>
<td>Renegotiating social contracts in the aftermath of the Estallido Social (social outburst) in Chile</td>
<td>18</td>
</tr>
<tr>
<td>O.4</td>
<td>Promoting SSE through public policies: Guidelines for local governments—Dakar</td>
<td>23</td>
</tr>
<tr>
<td>1.1</td>
<td>The social contract: The origins of the idea</td>
<td>43</td>
</tr>
<tr>
<td>1.2</td>
<td>Approaching inequality from a justice perspective</td>
<td>44</td>
</tr>
<tr>
<td>1.3</td>
<td>Useful concepts: A multidimensional approach to inequality and power</td>
<td>45</td>
</tr>
<tr>
<td>1.4</td>
<td>UNRISD’s definition of transformative change</td>
<td>46</td>
</tr>
<tr>
<td>1.5</td>
<td>Hyperglobalization</td>
<td>51</td>
</tr>
<tr>
<td>2.1</td>
<td>Understanding crisis</td>
<td>89</td>
</tr>
<tr>
<td>2.2</td>
<td>Transformative adaptation in coastal cities: Lessons from Ho Chi Minh City and Jakarta</td>
<td>98</td>
</tr>
<tr>
<td>2.3</td>
<td>Assessing the impact of childcare expansion in Mexico: Time use, employment and poverty</td>
<td>103</td>
</tr>
<tr>
<td>2.4</td>
<td>Renegotiating social contracts in the aftermath of the Estallido Social (social outburst) in Chile</td>
<td>108</td>
</tr>
<tr>
<td>3.1</td>
<td>Why economists have neglected inequality</td>
<td>151</td>
</tr>
<tr>
<td>3.2</td>
<td>Measuring economic inequality</td>
<td>158</td>
</tr>
<tr>
<td>3.3</td>
<td>Gender implications of transformations of the copper value chain in Zambia</td>
<td>162</td>
</tr>
<tr>
<td>3.4</td>
<td>Protecting and supporting vulnerable groups through the Covid-19 crisis</td>
<td>166</td>
</tr>
<tr>
<td>3.5</td>
<td>The crisis of maternal mortality among Black women in the United States</td>
<td>175</td>
</tr>
<tr>
<td>3.6</td>
<td>Decoloniality: Making room for knowledge toward a new eco-social contract</td>
<td>235</td>
</tr>
<tr>
<td>4.2</td>
<td>Constitutional reform in Brazil and South Africa</td>
<td>237</td>
</tr>
<tr>
<td>4.3</td>
<td>A new eco-social contract to address historical injustices faced by Indigenous peoples</td>
<td>240</td>
</tr>
<tr>
<td>4.4</td>
<td>Expansion of social protection in Ethiopia and Botswana</td>
<td>242</td>
</tr>
<tr>
<td>5.1</td>
<td>The degrowth movement</td>
<td>277</td>
</tr>
<tr>
<td>5.2</td>
<td>Just transition in South Africa: Successes and challenges</td>
<td>279</td>
</tr>
<tr>
<td>5.3</td>
<td>Industrial policy and Black Economic Empowerment In South Africa</td>
<td>284</td>
</tr>
<tr>
<td>5.4</td>
<td>Promoting SSE through public policies: Guidelines for local governments—Dakar</td>
<td>288</td>
</tr>
<tr>
<td>5.5</td>
<td>Applying SDPI: Gender equality in the workplace</td>
<td>290</td>
</tr>
<tr>
<td>5.6</td>
<td>South Africa’s national minimum wage policy</td>
<td>294</td>
</tr>
<tr>
<td>5.7</td>
<td>Social policy and employment: Decoupling or reconnecting?</td>
<td>295</td>
</tr>
<tr>
<td>5.8</td>
<td>From research to action: Rethinking values for a new eco-social world—The People’s Summit</td>
<td>306</td>
</tr>
</tbody>
</table>
### List of figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1</td>
<td>Global wealth distribution</td>
<td>3</td>
</tr>
<tr>
<td>0.2</td>
<td>Global trends</td>
<td>4</td>
</tr>
<tr>
<td>0.3</td>
<td>Crises and inequality</td>
<td>7</td>
</tr>
<tr>
<td>0.4</td>
<td>Global income inequality within and between countries, 1920–2020</td>
<td>13</td>
</tr>
<tr>
<td>0.5</td>
<td>A new development model for social, economic and environmental justice</td>
<td>21</td>
</tr>
<tr>
<td>1.1</td>
<td>Economic globalization and labour income share, 2004–2019</td>
<td>52</td>
</tr>
<tr>
<td>1.2</td>
<td>ICT indicators by level of development, 2020 or most recent available year</td>
<td>54</td>
</tr>
<tr>
<td>1.3</td>
<td>Gender gap in Internet use by level of development, 2019</td>
<td>54</td>
</tr>
<tr>
<td>1.4</td>
<td>Global dependency ratios, 1950–2050</td>
<td>56</td>
</tr>
<tr>
<td>1.5</td>
<td>Forcibly displaced people worldwide, 1980–2021</td>
<td>59</td>
</tr>
<tr>
<td>1.6</td>
<td>International migrant stock and its percentage of world population, 1990–2020</td>
<td>59</td>
</tr>
<tr>
<td>1.7</td>
<td>Growth of urban population, 1950–2050</td>
<td>60</td>
</tr>
<tr>
<td>1.8</td>
<td>World nuclear forces in 2022 (inventory of nuclear weapons)</td>
<td>64</td>
</tr>
<tr>
<td>2.1</td>
<td>Proportion of countries experiencing a banking crisis by year, 1800–2016</td>
<td>91</td>
</tr>
<tr>
<td>2.2</td>
<td>Commodity terms of trade and poverty reduction in Latin America, 2000–2014</td>
<td>93</td>
</tr>
<tr>
<td>2.3</td>
<td>Global carbon inequality, 2019</td>
<td>97</td>
</tr>
<tr>
<td>2.4</td>
<td>Weather-related disasters and internal displacement in 2020</td>
<td>98</td>
</tr>
<tr>
<td>2.5</td>
<td>Women’s and men’s share of care work by region and income group, latest available year</td>
<td>103</td>
</tr>
<tr>
<td>2.6</td>
<td>Countries moving in an authoritarian direction or a democratic direction, 1975–2021</td>
<td>106</td>
</tr>
<tr>
<td>2.7</td>
<td>Quarterly civilian anti-government protests by region, 2009–2019</td>
<td>107</td>
</tr>
<tr>
<td>2.8</td>
<td>Share of people who believe their countries are governed according to the interests of powerful groups, 2020</td>
<td>110</td>
</tr>
<tr>
<td>2.9</td>
<td>Revenues of top 50 firms (as percent of GDP) in Latin America, selected countries, 2019</td>
<td>111</td>
</tr>
<tr>
<td>2.10</td>
<td>Percentage change in global hours worked during Covid-19 crisis, relative to 2019:Q4</td>
<td>114</td>
</tr>
<tr>
<td>2.12</td>
<td>Crises and inequality</td>
<td>119</td>
</tr>
<tr>
<td>3.1</td>
<td>Conceptual framework</td>
<td>149</td>
</tr>
<tr>
<td>3.2</td>
<td>Protests for economic justice/against austerity, 2006–2020 (by country income groups)</td>
<td>150</td>
</tr>
<tr>
<td>3.3</td>
<td>Global income inequality within and between countries, 1920–2020</td>
<td>153</td>
</tr>
<tr>
<td>3.4</td>
<td>Global wealth distribution</td>
<td>154</td>
</tr>
<tr>
<td>3.5</td>
<td>Public and private wealth, 1970–2020 (selected countries)</td>
<td>155</td>
</tr>
<tr>
<td>3.6</td>
<td>Inequality before and after fiscal policy</td>
<td>159</td>
</tr>
<tr>
<td>3.7</td>
<td>Redistributive impact of direct taxes and cash transfers, 2007</td>
<td>159</td>
</tr>
<tr>
<td>3.8</td>
<td>Domestic material consumption per capita, 2000 to 2019 (metric tonnes per capita)</td>
<td>160</td>
</tr>
<tr>
<td>3.9</td>
<td>Global Human Development Index with and without Covid-19</td>
<td>165</td>
</tr>
<tr>
<td>3.10</td>
<td>Proportion of children and youth who did not complete primary, lower secondary and upper secondary school, 2000 to 2020</td>
<td>169</td>
</tr>
<tr>
<td>3.11</td>
<td>Evolution of gross enrolment ratio in tertiary education by world regions, 1970–2014</td>
<td>170</td>
</tr>
<tr>
<td>3.12</td>
<td>Labour market returns to education by gender, Chile, 2017</td>
<td>171</td>
</tr>
<tr>
<td>3.13</td>
<td>Labour market returns to education by gender, Peru, 2017</td>
<td>171</td>
</tr>
</tbody>
</table>
Figure 3.14 Maternal mortality ratio, 2000–2017 (deaths per 100,000 live births) 172
Figure 3.15 Under-five and neonatal mortality rates, 2000–2020 (deaths per 100,000 live births) 173
Figure 3.16 Global inequalities in labour market outcomes, 2019 179
Figure 3.17 Declines in employment rate during Covid-19 pandemic, 2019–2020 179
Figure 3.18 Affluence bias around the world 182
Figure 3.19 Impact of preferences of 90th percentile on policy compared with 10th and 50th percentiles 183
Figure 3.20 Most important national goals according to Brazilian and South African elites 185
Figure S.1 People's pathways to climate justice 268
Figure 5.1 Corporate tax cuts, 2001–2021 297
Figure 5.2 A new development model for social, economic and environmental justice 316

List of tables
Table 1.1 Metrics of global power: GDP, population, military expenditure (percent of world total) 63
Table 2.1 Revenues from hydrocarbons and mining as a share of total revenues in Latin America, 2007 and 2017 92
Table 3.1 Per capita income of low- and middle-income countries as a percentage of high-income countries, 1962 to 2021 157
Table 3.2 Effective social protection coverage by population group, global and regional estimates, 2020 or latest available year 176
Table 5.1 Policy recommendations for reducing inequalities 308

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Shifting Power for a New Eco-Social Contract

There is perhaps no stronger evidence of the pressing need to redesign our global system than the fact that a global health crisis doubled the wealth of the 10 richest men in the world while sending upwards of 120 million people into extreme poverty. This UNRISD Flagship Report shows how inequalities and crises reinforce and compound each other, leading to extreme disparity, vulnerability and unsustainability. It argues that this is not the result of a broken system but one in which inequality and injustice are built in by design. The social contract has unravelled to the great detriment of people and planet.

The report associates the multiple crises and increasing inequalities we are facing with policy choices promoted during the age of neoliberal hyperglobalization. It unpacks the implications for sustainable development and for disadvantaged social groups through the lenses of intersectionality and power.

To address inequality, break the cycle of multiple and interlocking crises, and work toward a more equal, just and sustainable future, the report proposes the creation of a new eco-social contract and a policy approach based on alternative economies, transformative social policies, and reimagined multilateralism and strengthened solidarities.