



# Key messages

## Human Development Report 2019

### ‘Inequalities in human development in the 21st century’

#### **The Report in 100 words**

Despite substantial gains in health, education and living standards, the basic needs of many remain unmet while a next generation of inequalities opens, pushing the wealthiest ahead.

Inequalities are deeply rooted in our societies, economies and politics. Birthplace and parental income determine many lives. Inequalities can start early, grow, and may be passed across generations.

But action is possible. It requires more than redistribution. It requires decoupling political and economic power and levelling the economic playing field. It also requires continuing action to close the gaps in basic deprivations while reversing the growing next generation of inequalities in human development.

#### **About the report: Beyond Income, Beyond Averages, Beyond Today**

This report looks at inequalities in human development with a new lens. It assesses what inequalities are becoming important today, how they differ around the world and among population groups, and how they are changing.

People's discontent with inequality is linked to perceptions of unfairness in their societies. The depth of inequality must be assessed beyond income, beyond averages (and summary measures of inequality) and beyond today.

**Beyond income:** Any comprehensive assessment of inequality must consider income and wealth. But it must also go beyond dollars and rupees to understand differences in other aspects of human development and the processes that lead to them. There is economic inequality, of course, but there are also inequalities in key elements of human development such as health, education, dignity and respect for human rights. And these might not be revealed by considering income and wealth inequality alone.

**Beyond averages:** Too often the debate about inequality is oversimplified, relying on summary measures of inequality and incomplete data that provide a partial—sometimes misleading—picture, both in the sorts of inequality to consider and the people affected. The analysis must go beyond averages that collapse information on distribution to a single number and look at the ways inequality plays out across an entire population, in different places and over time. For every aspect of human development, what matters is the entire inequality gradient (the differences in achievements across the population according to different socioeconomic characteristics).

**Beyond today:** Much analysis focuses on the past or on the here and now. But a changing world requires considering what will shape inequality in the future. Existing—and new—forms of inequality will interact with major social, economic and environmental forces to determine the lives of today's young people and their children. Two seismic shifts will shape the 21st century: Climate change and technological transformations. The climate crisis is already hitting the poorest hardest, while technological advances such as machine learning and artificial intelligence can leave behind entire groups of people, even countries—creating the spectre of an uncertain future under these shifts.

## **There are five main findings:**

**First, while many people are stepping above minimum floors of achievement in human development, widespread disparities remain.**

The first two decades of the 21st century have seen remarkable progress in reducing extreme deprivations, but gaps remain unacceptably wide for a range of capabilities—the freedoms for people to be and do desirable things such as go to school, get a job or have enough to eat.

The Human Development Index shows impressive improvement on average, reflecting dramatic improvements in achievements such as life expectancy at birth, driven largely by sharp declines in infant mortality rates.

Yet progress is bypassing some of the most vulnerable even on the most extreme deprivations — so much so that the world is not on track to eradicate them by 2030, as called for in the Sustainable Development Goals.

Some 42 percent of adults in low human development countries have a primary education, compared with 94 percent in very high human development countries. There are gaps at all education levels. Only 3.2 percent of adults in low human development countries have a tertiary education, compared with 29 percent in developed countries.

In access to technology developing countries have 67 mobile phone subscriptions per 100 inhabitants, half the number in very high human development countries. For access to broadband, low human development countries have less than 1 subscription per 100 inhabitants, compared with 28 per 100 inhabitants in very high human development countries.

## **Second, a new generation of severe inequalities in human development is emerging, even if many of the unresolved inequalities of the 20th century are declining.**

Under the shadow of the climate crisis and sweeping technological change, inequalities in human development are taking new forms in the 21st century. Inequalities in capabilities are evolving in different ways. Inequalities in basic capabilities— linked to the most extreme deprivations—are shrinking, in some cases quite dramatically, such as global inequalities in life expectancy at birth. Many people at the bottom are now reaching the initial stepping stones of human development.

At the same time, inequalities are increasing in enhanced capabilities—which reflect aspects of life likely to become more important in the future, because they will be more empowering. People well empowered today appear set to get even farther ahead tomorrow.

There is evidence for divergence across a wide range of enhanced capabilities. The proportion of the adult population with tertiary education is growing more than six times faster in very high human development countries than in low human development countries, and fixed broadband subscriptions are growing 15 times faster.

### **Third, inequalities in human development can accumulate through life, frequently heightened by deep power imbalances.**

They are not so much a cause of unfairness as a consequence, driven by factors deeply embedded in societies, economies and political structures.

Tackling inequalities in human development means addressing these factors. Genuine improvement will not come from trying to fix disparities only when people are already earning very different incomes—because inequalities start at birth, often even before, and can accumulate over people’s lives.

Parents’ incomes and circumstances affect their children’s health, education and incomes. Health gradients—the disparities in health across socioeconomic groups—often start before birth and can accumulate at least up to adulthood, if not counteracted. Children born to low-income families are more prone to poor health and lower education. Those with lower education are less likely to earn as much as others, while children in poorer health are more likely to miss school. And when children grow up, if they partner with someone who has similar socioeconomic status, inequalities across generations can persist.

Some groups of people are systematically disadvantaged in many ways. These groups might be defined by ethnicity, language, gender or caste—or simply by whether they live in the north, south, east or west of a country. There are many examples of such groups, but undoubtedly the largest worldwide is women.

Gender disparities are among the most entrenched forms of inequality everywhere. Because these disadvantages affect half the world, gender inequality is one of the greatest barriers to human development. Girls around the world have been catching up on some of the basics, such as enrolment in primary school. But there is less to celebrate about progress beyond these fundamentals. Inequality is still sharp in the power men and women exercise at home, in the workplace or in politics. At home women do more than three times as much unpaid care work as men. And although in many countries women and men vote equally, they do not share equally in political power. The higher the power, the larger the gap from parity, rising to 90 percent in the case of heads of state and government.

Social and cultural norms often foster behaviour that perpetuates such inequalities. Norms—and a lack of power—both have an impact on all forms of gender inequality, from violence against women to the glass ceiling. This Report presents a new social norms index that looks at the links between social beliefs and gender equality in multiple dimensions. Globally only 1 man in 10 (and 1 woman in 7) did not show some form of clear bias against gender equality.

And there is backlash, as the proportion of people biased against gender equality has grown over the last few years.

#### **Fourth, assessing inequalities in human development demands a revolution in metrics.**

Good policies start with good measurement, and a new generation of inequalities requires a new generation of measurement. Clearer concepts tied to the challenges of current times, broader combinations of data sources, sharper analytical tools—all are needed.

Ongoing innovative work suggests that income and wealth may be accumulating at the top in many countries much faster than one could grasp based on summary measures of inequality. Making these efforts more systematic and widespread can better inform public debates and policies. Metrics may not seem a priority, until one considers the continuing hold of such measures as gross domestic product since its creation in the first half of the 20th century.

A new generation of metrics is needed to fill the many data gaps to measure these different inequalities and, more generally, to go systematically beyond averages. This starts with gaps in some of the most basic statistics, with many developing countries still lacking in vital registration systems.

Innovative work—some experimental—is unfolding, led by academics, multilateral organizations and even a few governments, to make more systematic and comparable use of statistics on income inequality. But data sources remain only partially integrated, and coverage remains very limited. The distributional national accounts methodology is still in its infancy, and many of its assumptions have been challenged. Still, as long as it remains fully transparent and improvements continue to be made, it could integrate, in an overarching agenda, the combination of data from the System of National Accounts, household surveys and administrative data to provide new perspectives on the evolution of the distribution of income and wealth.

#### **Fifth, redressing inequalities in human development in the 21st century is possible—if we act now, before imbalances in economic power translate into entrenched political dominance.**

Improvements in inequality for some basic capabilities show that progress is possible. But the record of progress in basic capabilities in the past will not respond to people's aspirations for this century.

Doubling down on reducing inequalities in basic capabilities further, while needed, is not enough. If enhanced capabilities are indeed associated with more empowerment, ignoring the gaps that are opening up in them can alienate policymakers from people's agency—their ability to make choices that fulfil their aspirations and values.

Only by turning attention towards tackling a new generation of inequality in enhanced capabilities, many of which are only just beginning to emerge, will it be possible to avoid further entrenchment of inequalities in human development over the course of the 21st century.

Much can be done to redress inequalities in human development with a dual policy objective. First is to accelerate convergence in basic capabilities while reversing divergences in enhanced capabilities and eliminating gender- and other group-based inequalities. Second, to jointly advance equity and efficiency in markets, increasing productivity that translates into widely shared growing incomes— redressing income inequality.

## **What can governments do? Pre, In and Postmarket Options**

Government action cannot be based on policies in isolation or thinking that a single silver bullet will solve everything.

The redistribution of income, which often dominates the policy debate on inequality, is sometimes seen as that silver bullet. Yet, even a full redistributive package of four ambitious policies—higher and more progressive income taxes, earned income discounts at low income levels, taxable benefits paid out for each child and a minimum income for all individuals—would be insufficient to fully reverse the increase in income inequality in the United Kingdom

This is not to say that redistribution does not matter—quite the opposite. But long-lasting change in both income and the broader range of inequalities in human development depends on a wider and more systemic approach to policies.

Instead the approach proposed in this Report outlines policies to redress inequalities in human development within a framework that links the expansion and distribution of both capabilities and income. The options span premarket, in-market and postmarket policies.

Wages, profits and labour participation rates are typically determined in markets, which are conditioned by prevailing regulations, institutions and policies (in-market). But those outcomes also depend on policies that affect people before they become active in the economy (premarket).

Premarket policies can reduce disparities in capabilities, helping everyone enter the labour market better equipped.

Inmarket policies affect the distribution of income and opportunities when individuals are working, shaping outcomes that can be either more or less equalizing.

Postmarket policies affect inequalities once the market along with the in-market policies have determined the distribution of income and opportunities.

These sets of policies interact. For instance, the provision of public services premarket may depend in part on the effectiveness of postmarket policies (taxes on market income to fund health and education, for instance), which matter in mobilizing government revenue to pay for those services. And taxes, in turn, are informed by how much society is willing to redistribute income from those with more to those with less.

## **The Future is in our hands**

The future of inequalities in human development in the 21st century is in our hands. But we cannot be complacent. The climate crisis shows that the price of inaction compounds over time, as it feeds further inequality, which can in turn make action on climate more difficult. Technology is already changing labour markets and lives, but not yet locked-in is the extent to which machines may replace people.

We are, however, approaching a precipice beyond which it will be difficult to recover. We do have a choice, and we must exercise it now.