



# COMBATING POVERTY AND INEQUALITY

Structural Change, Social Policy and Politics



UNITED NATIONS RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT



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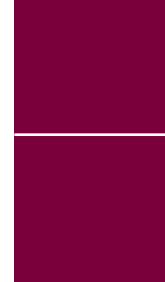
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# Foreword



Human progress in recent decades has been very uneven. Alongside remarkable advances in life expectancy, literacy and overall human well-being, there remain serious concerns and deprivation – persistent poverty, heightened inequalities and greater vulnerability of many communities and social groups in much of the world.

The United Nations summits of the 1990s, in particular the 1995 World Summit for Social Development, emphasized the need to balance the economic and social objectives of development. The Social Summit called for policy and institutional changes to promote inclusive development and, in the Copenhagen Declaration, Governments committed “to creating an economic, political, social, cultural and legal environment that will enable people to achieve social development”.

The Millennium Development Goals (MDGs) also expressed, in concrete terms, this renewed commitment to social development. And indeed, the goals have been a highly effective tool to mobilize Governments and other development actors, including the scientific and research community.

*Combating Poverty and Inequality* is an important contribution to efforts to systematically explain how poverty reduction depends crucially on the interconnections among economic development, social policy and politics. The report reveals how poverty and inequality cannot be addressed by narrow approaches to social protection, or faith in the by-now-discredited notion that the benefits of economic growth will sufficiently trickle down to the poor. The analysis points instead to the need for new directions in macroeconomic policy and structural change to generate decent employment. It also stresses that processes of policy and institutional change should be democratically anchored and shaped by active citizenship.

UNRISD is well placed to have undertaken such a comprehensive inquiry. It has drawn on both its extensive network of researchers from around the world and its autonomous status within the United Nations system. This status allows the Institute wide latitude to engage with sensitive issues, question mainstream policies and institutional arrangements, and propose alternatives. Studies of this nature, which can generate new policy options grounded in sound empirical evidence, are essential if we are to accelerate progress towards poverty reduction. On the eve of the 2010 review of the MDGs, I commend the findings to policy makers and a wide global audience.

Ban Ki-moon  
United Nations Secretary-General  
New York, July 2010



# Preface

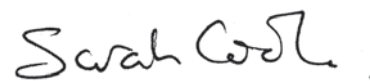
*Combating Poverty and Inequality* is published just as global leaders meet to review and recommit themselves to a set of goals for reducing poverty agreed, under vastly different circumstances, a decade ago. The optimism of the new millennium is now overshadowed by the effects of multiple, interrelated crises. Progress in many areas appears threatened and resources are more constrained.

This volume provides a timely reminder of the strengths and limitations of various approaches to addressing poverty in the current context. It is the culmination of an ambitious project, *Poverty Reduction and Policy Regimes*, initiated with characteristic foresight by my predecessor as Director of UNRISD, Thandika Mkandawire. Responding to a concern that dominant approaches to poverty reduction, as reflected for example in the PRSPs and MDGs, had serious shortcomings, the research aimed to reposition the analysis of poverty and poverty reduction processes within the broader political economy of development. A key premise of the report is that poverty cannot be reduced when both analysis of the problem, and the people affected, are relegated to the margins of development processes – targeted with safety nets or residual policy interventions while economic growth fails to create jobs, deliver services, or provide other means through which all individuals can realize their capabilities.

Building on lessons from prior research on social policy by UNRISD, the report demonstrates that countries which have successfully reduced poverty, from Europe to East Asia, did so through strategic state interventions. These included transformative social policies that aimed not only at protecting the vulnerable, but that also enhanced productive capacities, provided critical social investments and performed a redistributive function that contributed, in turn, to social cohesion and nation building.

Critical to this process have been links forged between state capacity, institutional arrangements and policies across the spheres of politics, the economy and society. As we face an increasingly complex global environment, where progress in some areas is threatened by new sources of vulnerability in others, solutions will equally need to reflect this complexity. The interrelationships between institutions of the state, market and household, and between social and economic policies, as well as relationships of politics and power, must inform our policy responses. We hope that this volume illuminates some of the critical linkages as we continue to seek effective interventions for combating poverty.

On behalf of UNRISD, I would like to thank the Swedish International Development Cooperation Agency (Sida) and the Finnish Ministry of Foreign Affairs for their generous and patient support for the research on which this report is based, as well as the governments of Denmark, Finland, Mexico, Norway, South Africa, Sweden, Switzerland and the United Kingdom who have provided core funding to UNRISD during the course of this work and without which such endeavours would not be possible. Many researchers around the world contributed to this report: we are grateful to them all. Yusuf Bangura, who has worked tirelessly as project coordinator and lead author to see this project through to completion, deserves particular recognition. I would also like to express my personal gratitude and congratulations to all my colleagues at UNRISD: this has been an Institute-wide effort, and a very long journey which I joined only in its final steps. We hope the results will contribute to renewed commitments and improved policies to reverse widening inequalities and end the unacceptable deprivation which continues to afflict millions of people worldwide.



Sarah Cook, Director of UNRISD, Geneva, July 2010





# Acknowledgements

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The Swedish International Development Cooperation Agency (Sida) and the Finnish Ministry of Foreign Affairs provided funding for the research project, *Poverty Reduction and Policy Regimes*, of which this report is the culmination. As with all UNRISD activities, work on this report would not have been possible without core funding. The Institute is grateful to the governments of Denmark, Finland, Mexico, Norway, South Africa, Sweden, Switzerland and the United Kingdom for their contributions during the course of this work.

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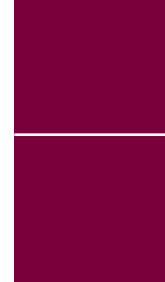
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