

UNRISD Research and Policy Brief 10

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RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT



Combating Poverty and Inequality

UNRISD research highlights three crucial elements of a sustainable and inclusive development strategy: sustained growth and structural change that create jobs and improved earnings for the vast majority of people; comprehensive social policies that are grounded in universal rights; and civic activism and political arrangements that ensure states are responsive to the needs of all citizens.

The Issue

Poverty reduction is a central feature of the international development agenda. A number of key social development objectives were agreed by world leaders at the Millennium Summit, with the goal of significantly reducing poverty by 2015. What then accounts for the persistence of poverty when concern for its reduction has been high on the policy agenda?

Research Findings

In contrast to the experiences of countries that were successful historically in reducing poverty and inequality, contemporary poverty reduction strategies have increasingly focused on “targeting the poor”. Such approaches often fail to consider key institutional, policy and political dimensions that may be both causes of poverty and inequality, and obstacles to their reduction. They run counter to the evidence from countries that have successfully reduced poverty over relatively short

time periods. UNRISD research shows instead that progress has occurred principally through state-directed strategies which combine economic development objectives with active social policies in ways that are mutually supportive. It also shows how poverty outcomes are shaped by complex interconnections of ideas, institutions, policies and practices in the social, economic and political spheres.

The research highlights the following crucial elements of a sustainable and inclusive development strategy:

- **patterns of growth and structural change** (whether in the agricultural, industrial or service sectors) that generate and sustain jobs that are adequately remunerated and accessible to all, regardless of income or class status, gender, ethnicity or location;
- **comprehensive social policies** that are grounded in universal rights and that are supportive of structural change, social cohesion and democratic politics; and

UNRISD Research on Poverty Reduction (2006–2010)

UNRISD research engages with current policy debates on poverty reduction from a developmental and social policy perspective. It has assessed a range of contemporary approaches to poverty reduction; identified key institutional, policy and political issues that are not being addressed in current poverty reduction strategies; and examined the contradictions, complementarities and synergies between different components of “policy regimes”, including social, labour market and macroeconomic policies, and political and regulatory institutions.

The research has involved two sets of activities. The first, under the project *Poverty Reduction and Policy Regimes*, has involved in-depth case studies in Botswana, Brazil, Costa Rica, India, Kenya, Malaysia, South Africa and Taiwan Province of China; and country overview papers on China, Finland, Ireland, the Republic of Korea, Mozambique, Singapore, Sri Lanka, Viet Nam and the former Soviet Union.

The second has been the preparation of the forthcoming UNRISD flagship report, *Combating Poverty and Inequality*, which brings together inputs from the case studies and overview papers, 41 specially commissioned background papers, and research across all UNRISD programmes. The report will be published in September 2010.

For resources and further reading, visit www.unrisd.org/poverty

- **protection of civic rights, activism and political arrangements** that ensure states are responsive to the needs of citizens and the poor have influence in how policies are made.

Policy Implications

- **Economic growth is important, but alone it does not necessarily reduce poverty and inequality.** Employment represents an important channel through which additional income generated by growth can be widely distributed throughout a population. Where poverty has been reduced successfully and sustainably, governments used policy interventions to facilitate employment-centred structural transformations of their economies. They invested substantially in infrastructure; channelled credit to specific productive activities; and pursued well-managed industrial and agricultural policies, as well as social policies that improved the skill levels and welfare of the population.
- **Equality and redistribution matter for poverty reduction.** The MDGs and PRSPs do not directly address inequality. It is often assumed that absolute poverty or income level, rather than distribution, matter. However, high levels of inequality make it difficult to reduce poverty even when economies are growing; and poor countries are generally more unequal than rich ones. Poverty and inequality are part of the same problem. Inequality manifests itself in relation to class or income status, gender and ethnicity, and also across various dimensions, such as employment, earnings and access to social services. There is a strong case for redistributive policies to address these dimensions of the poverty problem.
- **Social policy is an integral part of the development strategies of countries that have transformed their economies and reduced poverty relatively quickly.** A number of welfare policies are feasible and affordable for countries at fairly low levels of income. For social policy to be effective as a transformative instrument against poverty and inequality, it must transcend its residual role of safety net and engage with broad public policy issues of distribution, protection, production and reproduction. Successful countries have tended to invest substantially in education and skills development, as well as in health and social protection. Social policies must also address the unpaid work that goes into sustaining families, households and societies by investing in infrastructure and basic services, and thus reducing the unpaid care work done largely by women.
- **The linkages between policies and institutions in the social, economic and political spheres must be recognized** if poverty is to be fought effectively. Poverty reduction is not just about having the right economic policies; it is also about pursuing appropriate social policies and types of politics that elevate the interests of the poor in public policy. Similarly, policy coherence goes beyond effective implementation and coordination. Securing the benefits of potential synergies between policies requires conscious design of both economic and social policies, backed by sufficiently powerful coalitions to ensure their implementation.
- **Politics matters for poverty reduction.** The protection of civic rights, active and organized citizens, well-organized and representative political parties, and effective states with redistributive agendas are all important for sustained progress towards poverty reduction. The participatory framework of the PRSPs (often “consultation” without the power to effect real change) is of limited effectiveness in the absence of these conditions. Strategies to reduce poverty and inequality require institutionalized rights that allow citizens to organize and contest public policies as autonomous actors; political parties that are embedded in broad social coalitions; social pacts that give a broad range of groups voice and influence in shaping development policies and outcomes; and democratic regimes that are sufficiently competitive to allow for periodic alternations in power and prevent ruling parties from becoming complacent.
- **There is no one right way to reduce poverty.** Most countries that have successfully reduced poverty adopted heterodox policies that reflected their national conditions, rather than fully embracing market-conforming prescriptions. Countries and peoples must be allowed the policy space to adopt different models of development where aspects of livelihood and food security, land reform, cultural rights, gender equity, social policy and associative democracy figure prominently.

UNRISD Research and Policy Briefs aim to improve the quality of development dialogue. They situate the Institute’s research within wider social development debates, synthesize its findings and draw out issues for consideration in decision-making processes. They provide this information in a concise format that should be of use to policy makers, scholars, activists, journalists and others.

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