

## »» SDG 10: Reducing inequalities – Concepts and approaches for development cooperation

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Since the 1980s, the gap between rich and poor has been growing in many parts of the world. As part of the 2030 Agenda for Sustainable Development, the reduction of inequality within and among countries has for the first time been firmly established as a global goal in SDG 10 (Reducing inequality within and among countries).

### Why reduce inequality?

Many believe that justice and fairness demand reducing or at least limiting the level of inequality. In addition to this moral component, scientific studies suggest adopting countermeasures to reduce inequality: for example, economists have taken a close look at the interaction between poverty, economic growth and inequality and show that high income inequality does not generally have a negative impact on economic growth. However, there is great consensus that reducing inequality (in combination with economic growth) does have a positive effect on alleviating poverty. Moreover, a high personal concentration of capital and income may jeopardise social cohesion and increase the risk of conflict.

### "Inequality of outcomes" versus "inequality of opportunities"

Conventionally, experts were focusing on economic inequality, i.e. the unequal distribution of capital and income. Similarly to the definition of poverty, inequality is increasingly being understood as a multidimensional phenomenon. A distinction must be drawn here between "inequality of outcomes", in other words the disparities between actual living conditions (e.g. property, health or residential circumstances), and "inequality of opportunities" (e.g. in access to education, work or political participation).

### "Vertical" versus "horizontal" inequality

A further important distinction is the question of whose outcomes or opportunities are examined and compared

with. While "vertical" inequality indicates an unequal distribution of a differentiation criterion (e.g. income) within a certain group (usually a country's inhabitants) "horizontal" inequalities refer to features within a specific group (religion, ethnicity, nationality, etc.) and examine the distribution of the differentiation criterion among the sub-groups.

At present, vertical income inequality is declining on a global level, at least amongst the whole global population without taking nationality into consideration. However, income inequality among countries and the average (vertical) inequality within countries are on the rise.

### Difficulty in operationalising the SDG "Reduce inequality"

Whereas there is broad consensus that inequality among and within countries should be reduced overall (SDG 10), nobody has yet decided on how that should actually be achieved. There is relatively wide consensus that the total elimination of inequality of opportunity is desirable. However, a complete convergence of incomes and capital of all individuals is not compatible within a market economy. In such a system, efforts to improve an individual's position are a key incentive and functional principle. Differences in income of individuals are supposed to reflect differences in productivity. This raises the question of what degree of inequality is economically "optimal" or socially "acceptable" or socially "fair" and should therefore be aimed for. Most likely, economists, politicians and members of various cultural groupings will answer that question differently.

At this point, the SDGs also remain vague and only provide a general direction. It is hoped that by 2030, the incomes of the lowest 40% within a community will grow faster than the average of all incomes. It is thus also clear that the SDGs go beyond the minimum con-

sensus regarding "equality of opportunity".

### Significance for international development cooperation

As interventions in the vested rights of citizens are hardly politically acceptable in developing countries either, the objective must be to promote growth in order to create opportunities for productive employment (primarily for poorer segments of the population) and scope for redistribution, and then consistently use these to reduce vertical inequality (e.g. by reforming tax systems and expanding social security systems).

On the other hand, it makes sense to focus development cooperation on particularly disadvantaged groups, regions and countries if horizontal inequality is to be reduced. This can be done in the form of both: measures to align living conditions ("outcomes" such as the supply of drinking water and energy, etc.) and to increase access to educational institutions, markets, etc., i.e. equality of opportunity ("opportunities"). Due to the inherent relativity of the concept, the goal of reducing inequality goes beyond eliminating extreme poverty, even if the selection of project approaches may be similar and one project approach can serve both goals. ■