



Addressing Inequality through a fair distribution of Income and Power

A steady regression to unequal societies

Economic inequality has become a threat to the global economy and to the life of millions of people worldwide. Redistribution of wealth and in particular of income is urgently needed both among and within countries. Decent work, collective bargaining, access to a minimum living wage and universal system of social protection are the key elements of a development agenda that can deliver on equity, inclusive growth and shared prosperity. However income redistribution goes hand in hand with redistribution of power. Democracy, the people's participation in decision-making, respect for human rights and the rule of law must also be part of this agenda. Trade unions play a crucial role in the redistribution of both income and power and must therefore be at the forefront of policy debates related to social and economic inequality.

Between the early 1990s and mid-2000s, the economy grew substantially, especially in emerging and developing countries, but the benefits of this expansionary period were unevenly shared. Overall, the most remarkable trend of that period has been an unprecedented widening of income inequality: at present the richest 1% of the world's population owns 40% of global assets while the bottom half of the world's population owns just 1% of global wealth (UNRISD, 2012). In OECD countries, the Gini coefficient, a standard measure of income inequality that ranges from 0 (when everybody has identical incomes) to 1 (when all income goes to only one person) increased from an average of 0.29 in the mid-1980s to 0.316 by the late 2000s (OECD, 2011).

Wage inequality explains a big part of income inequality and it is striking to note that during the period 1990-2008 income distribution took place away from labour despite an increase in employment rates globally. In 51 out of 73 countries for which data was available, the ILO (2008a) found that over the past two decades the share of wages in total income declined. The largest decline took place in Latin America and the Caribbean (-13 percentage points), followed by Asia and the Pacific (-10 percentage points). In contrast, the share of profits in national income increased virtually everywhere. This indicates that the quality of the jobs created was not good enough to reduce income inequality, that wages remained at a low level and that labour market tenure was weak. In fact, the majority of the jobs created during that period were short term, part-time, temporary, casual or informal. Today half of the world's workforce is in vulnerable employment, living in income insecurity.

The tools are there to fight back inequality

To address and redress income inequality, the post-2015 Development Agenda must focus on employment and welfare. In particular it must address gender inequality in the labour market and social policies. Male and female labour must be properly valued and rewarded. This requires laws and policy to protect both formal and informal economy workers, to ensure compliance with anti-discrimination and minimum wage legislation and to secure effective and universal access to social protection. Giving visibility to the unpaid care work carried out by women would also give visibility to the constraints and discrimination they face and help formulate better gender sensitive policy.

According to ILO figures, 17% of all workers in developing countries earn less than 1.25 dollars a day (UN, 2012). A shift in policy is needed to restore fairness, dignity and confidence in the lives of the growing number of working poor worldwide. Globalisation has eroded the ability of states to implement public policies that increase the income position of low-income groups. By the same token, the globalised economy has eroded workers' bargaining power through liberalisation and work informalisation. In order to effectively address economic and social inequality, the post-2015 development agenda must provide enhanced policy space for both governments and social partners to define and implement efficient employment and social transfer policies.

The post-2015 Development Agenda must look at labour institutions including minimum wage, collective bargaining and trade union density, which all play a crucial role in reducing income inequality. Collective bargaining affects both the level of wages and wage distribution. Extensive ILO research work (ILO, 2008a) shows that high union density, large coverage of collective bargaining and coordinated bargaining structures are directly associated with lower levels of wage inequality both overall and in the lower half of the wage distribution. Minimum wage has a direct impact on the wage distribution in the lower half of the labour market. During the period 2001-2007 (ILO, 2008a), the ILO reported real gains for those earning minimum wages in developing countries (+6.5 per cent on average). But when compared with GDP per capita, minimum wages have declined in developing countries during that same period.

As a matter of priority the post-2015 Development Agenda must focus on providing rights and protection to the millions of informally employed workers. This includes the extension of labour laws to all sectors, the registration of informal workers, the enforcement of minimum wage and social security legislation and enhanced capacities for labour ministries and inspectorates. Lessons from successful democracies indicate that rights must be institutionalised in order to reduce inequality. The post-2015 Development Agenda must include the respect for international human rights and labour standards. The ratification and implementation of the ILO core Conventions should be an integral part of any development agenda.

Addressing inequality in the Post 2015 Sustainable Development Framework

There is broad acceptance across the international development community that a major oversight in the MDGs framework was its failure to foresee and therefore guard against inequality in all its forms. For the post 2015 sustainable development framework it is clear that Inequality must be explicitly addressed and included as a priority objective. Inequality must be articulated in a framework either as a goal in and of itself or as part of a goal (e.g. Poverty and Inequality), and most importantly must be explicitly monitored against ambitious targets.

To measure progress on reducing inequalities, the following indicators can be considered at country level:

- Income inequality expressed by the ratio between the income of the top and bottom deciles
- Share of wages and profits in national income
- Gender-based wage gaps
- Ratio between GDP growth and the increase in social transfers
- Macro-economic aggregates on unpaid care work
- Decent work's contribution to the reduction of inequality

Combatting Inequality through Decent Work for All and Universal Social Protection

Through quality job creation, with fair wages and better working conditions people, communities and countries can reverse the trend of growing inequality the world over. This happens only when work is decent and underpinned by rights. A decent work goal must include concrete targets for full employment, investment in green job promotion, reducing precarious work and ensuring a living wage as well as complying with international labour rights for all workers and gender equality at the workplace. The ILO Decent Work Agenda provides a useful reference for the understanding of decent work and its components as well as indicators for the measurement of the progress on its implementation.

Ensuring universal access to basic guarantees of social protection is a human right and a direct and efficient way of reducing inequalities. The new agenda should include a goal on the implementation of social protection floors as defined in the Bachelet Report, and the ILO Recommendation 202 which has set an international standard to be applied at national level. Targets must be set and realised on income security for the unemployed, the sick, the disabled, pregnant women, children and the elderly as well as on access to health care, education, housing and sanitation. While social protection remains the responsibility of governments, a Global Fund for Social Protection should be established to introduce or strengthen social protection floors in the poorest countries.

About the ITUC

The International Trade Union Confederation (ITUC) is the main international trade union organisation, representing the interests of working people worldwide. Our primary mission is the promotion and defence of workers' rights and interests, through international cooperation between trade unions, global campaigning and advocacy within the major global institutions. The ITUC represents 176 million workers in 161 countries.

Contact us!

International Trade Union Confederation
Development Cooperation & Education
Bd du Roi Albert II 5, 1210 Brussels, Belgium
email: dce@ituc-csi.org, phone: +32 222 40 225
www.ituc-csi.org/post-2015-development-framework