



Historically high levels of inequality closing the door to a better life for millions of people

Greater inequality stifles economic growth and can escalate political instability

New York, 21 January—Growing inequality in both developing and developed countries could exacerbate divisions and slow economic and social development according to a new UN report, the World Social Report 2020, that was launched today.

More than two thirds of the world's population today live in countries where inequality has grown, and inequality is rising again even in some of the countries that have seen inequality decline in recent decades, such as Brazil, Argentina and Mexico.

The impacts of inequality are being felt at the personal and national levels. According to the report, which is produced by the UN Department of Economic and Social Affairs, highly unequal societies are less effective at reducing poverty, grow more slowly, make it more difficult for people to break out of the cycle of poverty, and close the door to economic and social advancement.

UN Secretary-General António Guterres, writing in the foreword, said, “The World Social Report 2020: Inequality in a rapidly changing world’ comes as we confront the harsh realities of a deeply unequal global landscape. In North and South alike, mass protests have flared up, fueled by a combination of economic woes, growing inequalities and job insecurity. Income disparities and a lack of opportunities are creating a vicious cycle of inequality, frustration and discontent across generations.”

The report provides evidence showing that technological innovation, climate change, urbanization and international migration are affecting inequality trends. The Secretary-General added, “The World Social Report 2020 sends a clear message: the future course of these complex challenges is not irreversible. Technological change, migration, urbanization and even the climate crisis can be harnessed for a more equitable and sustainable world, or they can be left to further divide us.”

The Sustainable Development Goals, unanimously adopted by countries in 2015, contains a specific goal aimed at reducing inequality. Embodied in the Goals is the principle to “leave no one behind”. The Report found that the extraordinary economic growth over the last several decades has failed to close the “deep divides within and across countries.”

These disparities between and within countries, the report says, will inevitably drive people to migrate. The report notes that, if it is well managed, migration will not only benefit migrants, but it can also help reduce poverty and inequality.

With increases in migration from rural areas, more than half of the world population now lives in urban areas. While cities can drive innovation and boost prosperity, many urban dwellers suffer from extreme inequality. In a world with high and growing levels of urbanization, the future of

inequality largely depends on what happens in cities and the advantages that cities bring may not be sustained if high urban inequalities are not reduced.

Inequality erodes trust in government

The report found that inequalities concentrate political influence among those who are already better off, which tends to preserve or even widen opportunity gaps. “Growing political influence among the more fortunate erodes trust in the ability of Governments to address the needs of the majority.”

Even in countries that have fully recovered from the 2008 financial and economic crisis, popular discontent remains high.

The growing inequalities are benefitting the wealthiest. Top income tax rates have declined in both developed and developing countries, making tax systems less progressive. In developed countries, the top income tax rates fell from 66 percent in 1981 to 43 percent in 2018.

And in developing countries, children in the poorest households—and those from the most disadvantaged ethnic groups—have experienced slower progress in secondary school attendance than those from wealthier families, who are increasingly sending their children to better quality schools. Disparities and disadvantages in health and education are being transmitted from one generation to the next.

Climate change exacerbating inequalities

Emissions are increasing, global temperatures are rising, but the impacts of climate change are not being felt uniformly around the world, with the countries in the tropics being among the most adversely affected. According to the report, climate change has made the world’s poorest countries poorer, and if left unaddressed, it could cause millions of people to fall into poverty during the next ten years. Climate change is also making things worse for the next generation, with the impacts likely to reduce job opportunities, especially in the hardest hit countries.

The report warns that, just as climate change can increase inequality, so can the policies designed to counter its effects. As countries take climate action, it will be important to protect low-income households.

Technology creating winners and losers

The rapid and revolutionary technological breakthroughs in recent decades have been a boon to skilled workers and workers who can upgrade their skills. But it has also taken a toll on low-skilled and medium-skilled workers in routine-intensive labor, whose jobs are increasingly being phased out or lost as technologies are being captured by a small number of dominant companies.

While new technologies such as digital innovation and artificial intelligence open up vast new opportunities for employment and engagement, the Report found that their potential to promote sustainable development can only be realized if everyone has access to them, which is not happening, creating new “digital divides.” About 87 per cent of people in developed countries have internet access, compared to 19 per cent in developing countries.

Technological advances can exacerbate inequalities, by giving an edge to those with early access to those technologies and can widen gaps in education if they disproportionately help the children of the wealthiest.

Solutions

The report, using positive examples, presents concrete policy recommendations that can promote access to opportunity, allow macroeconomic policy to focus on reducing inequality, and tackle prejudice and discrimination.

Issued as the United Nations prepares to celebrate its 75th anniversary, the report provides the analysis and policy recommendations to frame the global conversation on reducing inequality as a key condition for building the future we want.

The World Social Report 2020 can be found at <http://bit.ly/un-worldsocialreport2020>

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