

## Beyond Growth – Indicators and Politics for People and Planet

*Discussion Paper*

### Working Group 1: Equality of Income, Wealth and Opportunities

#### General vision for the discussion group

In this thematic group, the aim is to discuss equality and inequality as concepts and social phenomena. We will focus on equality as a factor of the wellbeing of a country and of the EU. We will also emphasise the impacts of inequality on different groups in society. On the policy level, the main focus will be on the European Pillar of Social Rights as a framework for reducing inequality in the EU.

In the discussion we want to reflect the current view on equality and inequality in general and within EU policy making and see how equality and inequality are seen to contribute to i) economic performance ii) people's wellbeing, and iii) the wellbeing of countries and communities.

On a more practical level, there will be discussion on whether the Social Scoreboard within the European Pillar of Social Rights and the European Semester – a framework for the coordination of economic policies across the European Union – are adequate, together with their indicators, **to support the agenda-setting and monitoring of integrated policies required to reduce inequality in the EU and its Member States?** A more general question concerns how to measure equality and/or inequality in order to make visible their connections to wellbeing and to economy, and what kind of indicators we need to guide our policies towards equality building.

#### (In)equality, economy, and wellbeing

There is a common understanding today that inequality — a major societal issue of its own right – has many direct and indirect effects on the economy and on the wellbeing of people. In recent years a vast number of studies have analysed for example the connection between inequality and economic growth, finding a negative correlation between the two. In the literature of wellbeing studies, there has long been a consensus on the direct link between (in)equality and wellbeing. For instance, it is argued by UNICEF that in the OECD countries the multidimensional wellbeing of children does not have a correlation to per capita GDP but that there is a strong negative correlation between children's wellbeing and income inequality.

It is important to understand inequality as a multidimensional and multilevel phenomenon. The concept should not be truncated to economic inequality or income inequality, only. There are many situations in society where people face inequality, are not treated equally or do not have equal opportunities. In the developed countries there are still inequalities in health, education, labour market participation, accessibility in services, etc. Globally, these kinds of inequalities are far more obvious and extensive. Thus, in order to measure and understand inequality (as well as equality), we need to have a wide perspective towards our society — globally, regionally and locally.

Recently, many international organisations (such as the OECD, IMF, World Bank, UN) have brought inclusiveness — inclusive growth or inclusive development — to their policy agendas: “leaving no one behind”. Although not completely same thing as equality, inclusion as a policy goal is a good starting point for tackling inequality. There have also been a growing number of discussions about improving the wellbeing of people as a priority policy goal in developed countries. It is also vital for such initiatives to locate equality and inequality in societal processes and to give them a clear and policy-relevant interpretation.

The Wellbeing Economy approach and the Economy of Wellbeing initiative of the Finnish government during the Finnish EU presidency are good examples of a new kind of agenda-setting, where inclusion, equality and wellbeing are taken as the main goals for society. Furthermore, their connection to the sustainability of economy is also considered. Thus, the issue of inequality is also central to the Wellbeing Economy.

### **Policy-making and monitoring inequality in the EU**

The European Pillar of Social Rights was declared in 2017, with the intention to build a more inclusive and a fairer European Union. It identifies twenty key principles and rights and is accompanied with the Social Scoreboard which will monitor the implementation of the Pillar by tracking trends and performance in twelve areas ranging from education and healthcare to labour market dynamics and digital access. The monitoring of policy measures is supposed to support fair and well-functioning labour markets as well as welfare systems. The Scoreboard has been criticised for focusing too much on issues relevant only to the labour market and not covering other relevant issues.

In efforts to reduce inequality, the role of the EU has been to support Member States through policy guidance and financial support for reforms. For example, the Social Scoreboard feeds into the European Semester of economic policy coordination. The key question from the perspective of EU policy-making and its connections with inequality reduction and equality building is, if the Social Scoreboard and its indicators (or other indicators occupied within EU policy framework) are adequate tools for measuring inequality and for setting the policy agenda.

### Key questions for the discussion

1. What inequalities should be recognised in order to get a comprehensive view of the issue? Are economic inequalities — income inequality and wealth inequality — overemphasised in policy debates?
2. What kind of connections there are between (in)equality and wellbeing of the people / economic development / sustainability of societies / inclusive growth / Wellbeing Economy?
3. Is there a connection between global inequalities and inequalities within countries (regions)? What are the concrete steps in reducing inequality and building equality? What is the role of measurement and indicators in policies aimed at reducing inequality and building equality?
4. What mistakes can occur in the measurement of inequality and equality? How could these mistakes be avoided?
5. What is the current state of measurement of inequality and equality within the EU? Are the indicators of the Social Scoreboard sufficient tools? Are there other useful monitoring tools?
6. What is the current state of policies targeted to reducing inequality and building equality in the EU?
7. What needs to be done in the EU in order to reduce inequality and to build equality? What are the concrete steps in reducing inequality and building equality in Member States and in the EU? How can EU support the aspirations of Member States in this regard?

### Possible policy recommendations:

- Equality and inequality should be understood more broadly, recognising different kinds of inequalities, i.e. economic inequality, health inequality, social inequality, gender inequality, inequality of opportunities, etc.
- In the EU strategy, the connections between (in)equality and inclusive growth / economy of wellbeing must be fully clarified.
- Both the global inequalities and inequalities within countries / regions should be considered simultaneously in the framework of Sustainable Development Goals.
- The EU should start a policy program to reduce inequality in the EU and within the EU countries.
- The European Semester of economic policy coordination should be used more strongly to reduce inequality and to build equality in the EU.
- Adequacy of inequality indicators should be assessed and eventually improved in order to help steer the EU policies in a right direction (equality building and inequality reduction).

- The Social Scoreboard should be further developed to address the inequality by adding relevant indicators.

Appendix: Social Scoreboard Indicators and a summary of the scoreboard analysis from year 2018 (European Commission 30.7.2018):

<https://ec.europa.eu/social/main.jsp?langId=en&catId=1196&furtherNews=yes&newsId=9163>)

	Equal opportunities and access to the labour market					Dynamic labour markets and fair working conditions			Public support / Social protection and inclusion			
	Early leavers from education and training	Gender employment gap	Income quintile ratio	At risk of poverty or social exclusion rate	Youth NEET rate	Employment rate	Unemployment rate	GDHI per capita growth	Impact of social transfers on poverty reduction	Children aged less than 3 years in formal childcare	Self-reported unmet need for medical care	Individuals' level of digital skills
Year	2016	2016	2016	2016	2016	2016	2016	2015	2016	2015	2015	2017
<b>Best performers</b>	HR, LT, SI	LT, LV, SE	CZ, FI, SI, SK	CZ, DK, FI, NL	DK, LU, NL, SE	DE, DK, NL, SE, UK	CZ, DE	PL, RO	AT, DK, FI, IE	BE, DK, LU, PT, SE		FI, LU, NL, SE
<b>Better than average</b>	AT, CZ, DK, EL, IE, LU, PL	AT, BG, DK, FR, PT, SI	AT, BE, DK, EE, FR, HU, MT, NL, SE	AT, DE, HU, IE, MT, SE, SI, SK	BE, CZ, EE, MT, SI	AT, CZ, EE, HU, LT, MT, SK	DK, HU, LU, MT, NL, PL, RO, SK, UK	BG, DK, EE, LV, LT, SE	BE, CZ, FR, HU, SE, SI, UK	AT, ES, FR, NL	AT, CY, CZ, DE, DK, ES, FR, LU, MT, NL, SE, SI	AT, CZ, DE, MT, UK
<b>Good but to monitor</b>		FI		FR, LU	AT, DE		AT		NL			DK
<b>Weak but improving</b>			RO	LV	IT	ES	CY, ES, HR		EE, LV	RO	LV	CY
<b>To watch</b>	BG, CY, HU, IT	BE, CY, CZ, HU, PL, SK	LU, LV, PT	CY, ES, HR, IT, LT	ES, LT, LV	BE, BG, LU, RO	EE, IT, PT	ES, IT, AT, PT, SI	ES, HR, LU, PL, PT, SK	BG, CY, EL, HR, HU, LT, MT	FI	EL, HU, IE, LV, PL, PT
<b>Critical situations</b>	ES, MT, PT, RO	EL, IT, MT, RO	BG, EL, ES, IT, LT	BG, EL, RO	BG, CY, EL, HR, RO	EL, HR, IT	EL	EL, CY	BG, EL, IT, LT, RO	CZ, PL, SK	EE, EL, IT, PL, RO	BG, HR, RO



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