

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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EXPERT MEETING ON

Social Inclusion Programmes and Their Impact on Sustainable and Inclusive Development and Growth



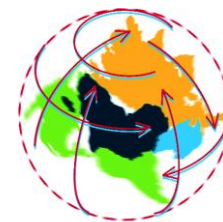
The Role of the Public Sector for Combating Inequality and for Promoting Inclusive Growth

Combating Inequality Project, Global Labour University

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Geneva, 27–28 November 2014





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The development of the public sector



- Public goods and market failure
- Social rights, social citizenship
- Service public, Daseinsvorsorge
- Welfare state and social wage
- Public vs. private consumption

The public sector and equality



Verbist/Foerster/Valaavuo (2012): OECD countries

- Access to health care, education, social housing, childcare and elderly care increase disposable income by 29%
- The value of these services as proportion of disposable income is greater for poorer households: 76% of the income of the poorest quintile as opposed to 14% of the richest quintile
- The ratio between the top and bottom income quintile declines by a third if public services are taken into account – in Mexico by almost half
- The poverty rate falls by 50%

The public sector and equality



Lustig/Pessino/Scott (2013): Latin America

- Access to public services reduces inequality more than the combined effect of taxes and social benefits
- This is even true for Brazil which has introduced the bolsa familia as major social programme
- But: The quality of publicly provided services in Latin America is often significantly lower than comparable private services

The public sector and equality



Sefton (2002): United Kingdom

- Individuals in the bottom two-fifths receive around twice the value of benefits in kind (health care, education, housing, personal services) as those in the top fifth of the income scale
- Public consumption has increased since 1979, reducing inequality
- Private consumption has increased even faster, cancelling out the positive effect of public consumption

The public sector and equality



- *Ghinetti and Lucifora (2008)*: Wage differentials among public sector workers are lower than in the private sector
- *Meurs/Ponthieux (2008)*: Gender wage gap in the public sector is smaller than in the private sector
- *Hermann/Atzmueller (2008)*: Public sector provides decent jobs especially for low-skilled workers

Privatisation and inequality



- Privatisation of public services was often accompanied by an increase in prices. *Florio (2013)*: In liberalised European electricity and gas markets, public ownership is associated with lower prices
- Different prices for different groups of costumers
- Different quality for different groups of customers
- Different quality and accessibility for different regions and communities
- Increasing wage differentials among public sector workers (casualization of employment)



Privatisation and inequality

- *Estache/Forster/Wodon (2002)*: Poor users have problems to pay bills, they are often low-volume users and because they are frequently located in rural areas they are also more costly to be connected to the network
- *Estache (2006)*: Only 10% of the poorest income quintile has access to electricity in low-income countries, but almost 80% of the richest income quintile
- *Chakraborty/Singh/Jacob (2013)*: 50% of the poorest income quintile in India uses public as opposed to private hospitals, but only 20% of the highest income quintile
- *Mahnkopf (2009)*: Services that are provided only for the poor are usually poor services

A trade-off between equality and efficiency?



- UK: Increased public sector spending between 2000 and 2007
- Equality enhancing effect of public services increased over the same period
- Productivity of public services decreased over the same period
- The British findings suggest a possible trade-off between efficiency and equality

Conclusions for inclusive growth



- The public sector plays an important role for the reduction of inequality and poverty
- For some countries access to public services is more important in reducing inequality than taxes and social programmes
- Inclusive growth should foster public consumption along with private consumption
- Public sector reforms should not only aim at improving efficiency but also take into account the impact on equality (re-think privatisation)



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Thank you for your attention!

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