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SOCIAL SUSTAINABILITY: FROM SDGS TO POLICIES*

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On 25 September 2015, 193 UN Member States adopted the Sustainable Development Goals (SDGs) for 2030. The SDGs define multiple aims: well-being, poverty, health, education, gender equality, decent work, economic growth, reduction of inequalities, innovation, infrastructure investment, inclusive cities, clean water, clean energy, preserving biodiversity, climate change, peace, justice and strong institutions. For their advocates, the SDGs represent a major shift from the Millennium Development Goals adopted in 2000, in terms of ambition, elaboration and policy making. However, with such a long list of objectives it's hard to identify priorities, trade-offs and synergies among different goals. Well-designed policies can build synergies to simultaneously achieve better social protection, lower unemployment and better working conditions. The Nordic model is an example of success in this regard.

The unemployment rate has returned to its pre-crisis level in the EU but significant differences persist between countries. In particular, the unemployment rate remains well above its pre-crisis level in Greece, Spain and Italy. Moreover, the material well-being of the poorest 10 percent did not improve between 2008 and 2018, even in countries where unemployment has not increased. Beyond the recovery of employment, there is a need for justice and social sustainability.

Inequalities can be reduced through social transfers. Social transfers are not necessarily bad for growth and jobs. In addition, equal access to high-quality public goods at low cost is an important way of promoting social cohesion and reducing inequalities. In particular, spending on social investment (education, health, housing) is linked to lower unemployment rates. Social investment reduces income inequality without damaging employment.

It is also necessary to mitigate primary inequalities. Higher wages and a lower dispersion of primary income are also elements for reducing poverty and income inequality. Governments and the EU should promote stronger forms of coordinated wage-setting rather than implementing policies that limit the coverage of collective bargaining.

In the end, the SDGs have too many goals to be able to be efficiently tracked. It is important to highlight the trade-offs between the different goals and their interrelationship. Policy makers should implement policies that reduce poverty, inequality and unemployment simultaneously. In the short run, social transfers may play that role while social investments would reduce inequalities without adverse effects on employment in the long run.

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On 25 September 2015, 193 Member States of the United Nations adopted the 2030 Agenda for Sustainable Development (ASD). United Nations Secretary-General Ban Ki-moon called the agenda a "universal, integrated and transformative vision for a better world" (UN, 2015a). The agenda sets 17 Sustainable Development Goals (SDGs) and 169 targets to achieve economic, social and environmental progress. Or, as the preamble of the resolution states, the "agenda is a plan of action for people, planet and prosperity". It underlines the "interlinkages and integrated nature of the Sustainable Development Goals" and the necessary participation "of all countries, all stakeholders and all people" (UN, 2015b). The goals are wide-ranging, from well-being, poverty, health, education, gender equality, decent work and economic growth, reduced inequalities, industry, innovation and infrastructure, to inclusive cities, clean water, clean energy, biodiversity, climate change and peace, justice and strong institutions. We will discuss here goals linked to employment, poverty and inequality in a European perspective.

The shape of the European labour markets is generally progressing. The UE unemployment rate is back to its pre-crisis levels: in the second quarter of 2018, the unemployment rate was 6.8%, the same as in the second quarter of 2008. However, there are significant differences in unemployment outcomes across the European Union and especially across the Euro area. On the one hand, the unemployment rate is now at a lower level than it was in 2008 in fifteen EU member states. In particular, the Eastern European countries are—with a few exceptions—running near full capacity. And in countries like Germany and the Netherlands there has been talk of labour shortages in some areas. On the other hand, unemployment is still markedly above the pre-crisis levels in Greece, Spain and Italy where the sovereign debt crisis hit particularly hard. This translates into an increase of inequality between 2008 and 2018 among the poorest half of the population (measured by the D6/D1 ratio), notably in Italy, but also in Greece and Spain. The worsening of inequality at the bottom of the distribution is not confined to the countries hardest hit by the financial crisis: between 2008 and 2017, the poverty rate increased in 19 out of 27 EU countries. Sweden and the Netherlands have seen some of the highest increases, whereas unemployment has not increased in these two countries during the period, which poses the question of public policies. Beyond labour market recovery, there is a need for social justice and a sustainable economy and therefore for ways of measuring it.

A first part of this Policy Brief will deal with the strengths and limitations of the SDGs. We will argue that they are both ambitious and overreaching. We will then discuss synergies between employment and social and economic goals. Synergies and trade-offs are unfortunately absent from the SDG framework. The third section deals with policies that reconcile low unemployment and low inequalities. Finally, we discuss the need to measure overall inequality at the European level.

Strengths and limitations of SDGs

For their defenders, the SDGs constitute a major shift from the Millennium Development Goals (MDGs), adopted in 2000, in ambition, concept, elaboration and politics (Fukuda-Parr, 2016).

First, the SDGs are comprehensive. The SDGs have very many more targets (169) than the MDGs, which had only 21 targets. This reflects a much larger scope. The MDGs focused on poverty and its alleviation; the SDGs are about sustainable development, including social, environmental and economic sustainability. According to Martens (2016), this approach offers the opportunity to respond in an integrated manner to urgent global problems. For Fukuda-Parr (2014), the restricted focus of the MDGs had the unintended consequence of diverting attention from other important issues and objectives. By contrast, the SDGs are supposed to capture the interconnections between issues and encourage integrative and systemic approaches to global problems.

Second, the SDGs are universal. The MDGs were mostly a North-South aid agenda in a "donor-recipient" relationship: the goals were relevant only for developing countries, whereas developed countries provided financing and technological transfers. In contrast, many commitments in the SDGs now apply to states regardless of their level of development, although some targets are still mostly relevant for the least developed countries (for example, "end hunger"). Furthermore, the SDGs do not follow a "one-size-fits-all" approach: they take into account different national and local capabilities and circumstances and encourage the formulation of targets at the national level.

Third, the SDGs are inclusive. They were drafted after a process of multi-stakeholder debates. Whereas the MDGs were criticized for being defined by technocrats (UN staff) in a closed room, the SDGs were formulated after a political negotiation amongst states and participation of stakeholders. Nine sectors of society (women, children and youth, indigenous peoples, non-governmental organizations, local authorities, workers and trade unions, business and industry, scientific and technological community, farmers) have participated in the process of drafting the SDGs. This partly explains why NGOs generally received the 2030 Agenda favourably.[1] NGOs welcome not least the fact that alternative indicators to economic growth are recognized. Economic growth with decent work for all is one goal amongst 17.

Although the 2030 Agenda has its supporters, it has also been heavily criticized. Just after the adoption of the UN resolution, the noted development economist William Easterly (2015) called the SDGs "Senseless, Dreamy, Garbled". For Easterly, the MDGs were appealing because they were precise and measurable. On the contrary, the SDGs are "so encyclopedic that everything is top priority, which means nothing is a priority", the promises are "either unmeasurable or unattainable".

In 2016, the Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs) proposed a set of indicators that is supposed to be refined every year. The list now includes 232 indicators. This is a considerable increase from the 60 indicators attached to the MDGs. For target 1.4,[2] it proposed two indicators: 1.4.1 is the "proportion of population living in households with access to basic services" and 1.4.2 is the "proportion of total adult population with secure tenure rights to land". Despite the high number of indicators, these two indicators in fact only partly address target 1.4. Moreover, the term "basic services" in indicator 1.4.1. remains too vague to be operationalized. Some targets are measurable but unattainable without drastic changes in policy that are not on the agenda. For example, target 1.2. states: "By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions". Indicator 1.2.1 is "the proportion of population living below the national poverty line, by sex and age". In the European Union, the poverty line is defined as 60% of the median equalized disposable income. Between 2005 and 2017, the average poverty rate in the European Union fluctuated between a low of 16.4% (2009) and a high of 17.3% (2016). Cutting the poverty rate by half across the European Union would require drastic changes in wage settings, social protection, tax and benefit systems, etc. that

1. See for example, OXFAM press release 2015: "With policy makers, civil society and citizens around the world, OXFAM welcomes the adoption of Sustainable Development Goals by Heads of State and Government of UN member countries, while warning that progress must be tangible, have a political dimension and upset the status quo".

2. "By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including micro-finance."

are not on the agenda. In 2017, even the Czech Republic, which has the lowest poverty rate in the EU with 9.1 %, was not in line with the target.

Fukuda-Parr (2016) sees selectivity, simplification and national adaptation as potential pitfalls in the implementation of SDGs. With 17 goals, 169 targets and 232 indicators, some SDGs will inevitably get more policy attention than others. Governments will neglect targets that are too inconvenient (Saudi Arabia voted for the text which includes "End all forms of discrimination against all women and girls everywhere" as one of its targets). As has been shown above with respect to target 1.4, targets are often complex. Choosing relevant indicators requires simplifying them, with the risk that over-simplification strips away the important qualifiers. A third potential pitfall according to Fukuda-Parr is national adaptation, which can reduce the political pressure on national governments. One can add that one of the advantages of international goal-setting is to standardize statistical production. This advantage is being lost if targets are adapted nationally. The creation of the IAEG-SDGs and the production of a global indicator framework only partly address this issue (for example, the definition of "basic services" might differ by country).

In its preamble the resolution states that the SDGs are "integrated and interrelated". However, this point is somewhat lost in the laundry list of goals, targets and indicators. Some of the goals may reinforce others (for example, quality education for all and ending poverty and hunger), but others may conflict with other goals (access to energy for all and combating climate change). With an extensive list of goals, priorities, synergies and trade-offs are missing. In short, what is lacking is an integrated framework. The measure of stocks of capital offers such a framework. One would need to measure natural, human, social and physical capital to measure sustainability. If sustainable development is defined as ensuring the needs of the present without compromising the ability of future generations to meet their own needs, then measuring stocks of capital makes sense. In this framework, sustainability implies that a decrease in one kind of capital (for example natural capital) has to be offset by an increase in other forms of capital (for example human or physical capital). The main advantage of this approach is to be truly integrated. Trade-offs are measured with a price system and are therefore quantified. The capital approach also has its limitations: one needs to value many assets for which there are no markets (for example biodiversity); even when there are market values, they do not necessarily reflect how the different assets matter for future well-being; one also needs to assess the substitutability between the different forms of capital, and this may be constrained. Furthermore, not all relevant elements can be transformed into a form of capital, especially not the ones attributed to the quality of life.

Despite their limitations, the SDGs are gaining traction. The SDGs have created a common language used by international organizations, governments, NGOs and the private sector. They have become a focal point. Some countries (Mexico, Colombia, Finland) use the SDGs to evaluate their budget or their fiscal policy (Hege, 2018). Non-governmental actors are taking ownership of and mobilizing around the SDGs (Hege and Damailly, 2017). The SDGs have created a common base that is both inclusive and participatory. Thanks to the mobilization around the SDGs, attention is given to outcomes that go beyond standard economic outcomes. However, one can fear that the SDGs are being used to evaluate the outcomes of political decisions rather than as inputs that influence political decisions. As long as the SDGs are not on the top of the political agenda, they will be more a window-dressing exercise than a tool to achieve the overall goal, which is the well-being of current and future generations.

Synergies

Policy makers need to be aware of possible trade-offs and synergies between sustainable development goals. Table 1 illustrates some of these trade-offs and synergies between the goals discussed in this paper. For a discussion of synergies and trade-offs between the mitigation of climate change, climate adaptation and Sustainable Development, see IPCC (2018).

Table 1. **Synergies between employment, social goals and economic growth**

	Poverty/ Inequality	Employment / Unemployment	Education	Gender inequality	Growth
Poverty/Inequality					
Employment/Unemployment	0				
Education	+	+			
Gender inequality	++	+	+		
Growth	0	0/+	+	0	

Interprétation: + = existence of synergies; 0 = ambiguous or no relationship.

The relationship between poverty and labour market outcomes (employment/ unemployment) is ambiguous. On the one hand, the unemployed tend to be poorer: everything else being equal, a reduction in unemployment should decrease poverty. A reduction of unemployment attained by a reduction of the output gap (higher than potential growth) will reduce poverty and inequality. However, everything else is not always equal. Policies that promote employment at all cost, via the promotion of precarious and low-paid jobs (for example mini-jobs in Germany), tend to increase poverty and inequality.

Education and poverty reduction are usually seen as mutually reinforcing. Poverty has been shown to hurt children's educational outcome and thus increase their probability of remaining poor in adulthood. Better educated individuals have a greater probability of being employed and earning higher incomes. However, caveats should be introduced. First, technology used to be ill-biased: it decreased demand for low-skilled labour and increased demand for high-skilled labour. Today, technology seems to be routine-biased and therefore polarizing: it favours occupations which traditionally were low or high skilled and reduces demand for labour in the middling occupations. However, it has been the low-skilled workers who have taken the hit, as competition for their jobs has intensified – perhaps together with the complexity of these jobs. Therefore, upskilling still seems to be the answer, even though it might be less effective than it used to be. Second, education has an impact on poverty only in the long-run, and only if its aim is to reduce the number of individuals who leave the education system with low-skills.

Combating gender inequality and poverty / overall inequality is mutually reinforcing. Countries with low levels of gender inequality also have low levels of poverty and overall inequality as measured by the Gini. Promoting the employment of women with children reduces both poverty and gender inequality. Lone women with children usually have a high risk of poverty, which is reduced when they can combine care and paid work. We have seen that the increase in women's education partly explains the rise in their participation on the labour market.

The relationship between inequality and growth is complex. For a long time, it was assumed that inequality was good for growth, mostly for incentive reasons. It was thought that there was a trade-off between equality and efficiency (Okun, 1975). More recently, Stiglitz (2012) emphasized the price of inequality: he suggests that inequality induces rent-seeking, which is bad for growth. The empirical literature finds mixed results; recent work by the IMF and OECD concludes that countries with higher income inequality over the last decades experienced lower economic growth rates than countries with lower income inequality (IMF, 2015; OECD, 2015). In a recent article using US data, der Weide and Milanovic (2018) find that inequality is bad for the subsequent income growth of the poor, but helps the growth of the rich.

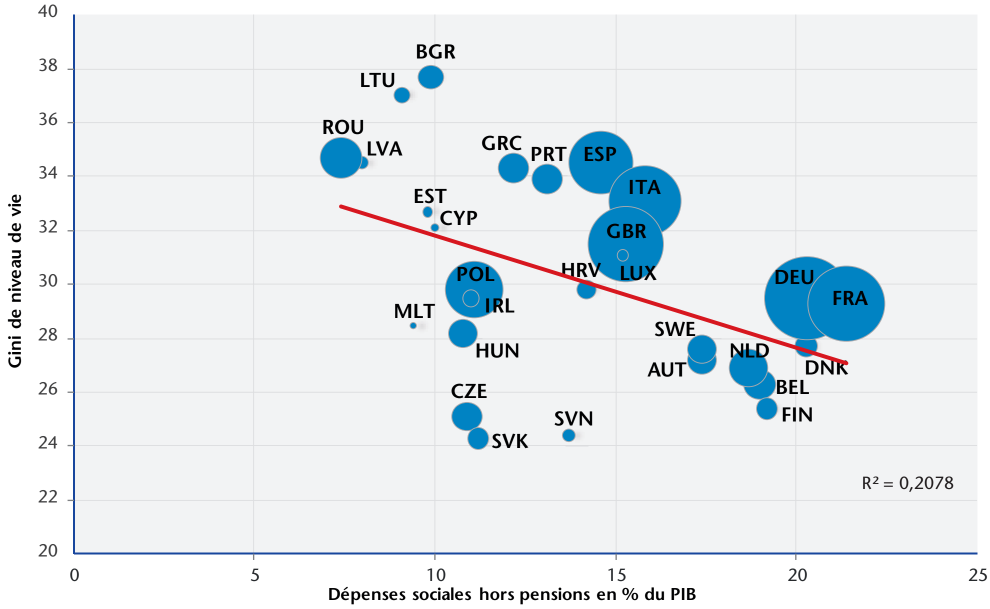
Policies: How to reconcile low unemployment and low inequality?

Unemployment and all forms of inequality can be tackled at the same time. The Nordic model (Denmark, Sweden, Finland) exhibit a small share of low wage earners and only a moderate unemployment rate. This indicates that well-designed policies are able to establish synergies to improve social protection and attain low unemployment and fair working conditions simultaneously.

Unemployment is still above pre-crisis levels in a number of European countries where the output gap has not been closed. Reducing the output gap would decrease unemployment and inequality (IAGS, 2019). Monetary policy has reached its limits and should be complemented with fiscal policies. Current European fiscal rules are too rigid and pro-cyclical. Adopting a golden rule of public finance where net public investment is deducted from structural deficits would allow a public investment push, and notably investment in public infrastructure that can significantly benefit long-term growth (IAGS, 2018).

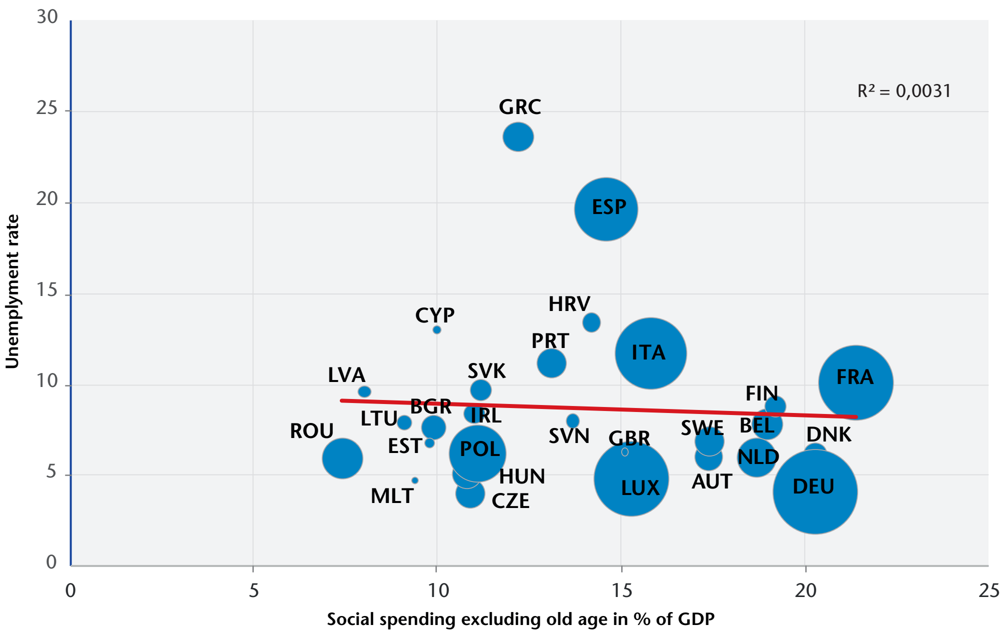
Reducing inequality through social transfers is not necessarily bad for growth and employment. Social transfers are key to low inequality. Figure 1 shows how inequality is linked to the sheer size of social spending in the European Union: as expected, inequality is lower in higher spending countries. Figure 2 shows that social spending is not linked to higher unemployment. Unemployment is low in some high-spending countries (Germany, Denmark, Netherlands) and higher in lower-spending countries (Spain, Greece).As shown in the 2018 IAGS report, limiting the dispersion of pre-tax-and-transfer wage and salary incomes is an important element in reducing income inequality. Research by the IMF (Jaumotte and Osorio-Buitron, 2015), among others, has shown in panel analyses a clear negative correlation across countries and time between market wage inequality and trade union organizational density (the share of workers organized in unions). Both union density and collective bargaining coverage have been steadily weakened in most, but not all, EU countries (Watt, 2017). This has partly reflected secular trends such as the decline of manufacturing industry. But active attempts have also been made to reduce the reach of collective agreements by national governments, and, particularly since the economic and financial crisis, by EU-coordinated and imposed initiatives within the context of bail-out programs (Müller and Schulten, 2016). Rather, governments and the EU should promote a strengthening of coordinated forms of wage bargaining and setting; clearly these forms will need to take account of historically developed institutional configurations. In some countries greater use could be made of legal extensions to agreements reached at sectoral level, for instance; in others appropriate increases in the statutory minimum wage will be more salient. Coordinated systems tend to produce greater wage equality and are associated with at least as good if not better macroeconomic performance than decentralized systems (for reviews of an extensive literature and empirical evidence see Watt, 2017).

Figure 1. **Social spending and inequality. European Union 2016**



Source: Eurostat, own calculations.

Figure 2. **Social spending and unemployment, European Union 2016**

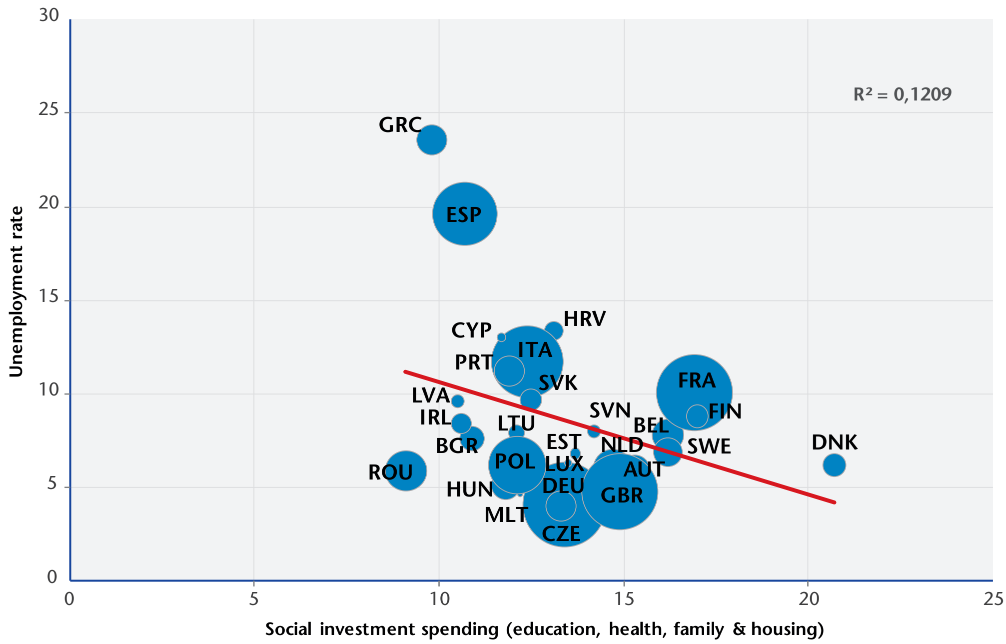


Source: Eurostat, own calculations.

As we have shown above, social transfers have a marked, positive effect on equality. Further, ensuring equality of access to high-quality public goods and services at low or reduced cost is an important way to promote social cohesion. This is particularly true of those services that, if left to the market, would tend to disproportionately damage, even inter-generationally, the already disadvantaged: the most obvious example of this is surely access to education, particularly early-age schooling. But this applies to all services where reliance is independent of income or higher for the lower and middle income strata. Support for basic research—which generates higher living standards long-term for all citizens—would be an example of the former, public transport of the latter. There may be some public goods—for instance in the cultural field, and, it is sometimes argued, also higher education—that benefit the better-off to a greater extent. Here it is more difficult to determine the balance in terms of the impact on overall inequality, given the fact that the better-off also pay more into the public coffers—given a progressive income tax. Public provision of welfare services does not only secure equal access but is often efficient as well. For example, public provision of education eliminates undereducation due to financial frictions that limit households in their capacity to finance education spending by debt. Moreover, public provision is often more cost-effective than private provision in fields where we want everybody to have access anyway (healthcare, education, etc.). This requires that public sectors are continuously aware of the need to improve productivity.

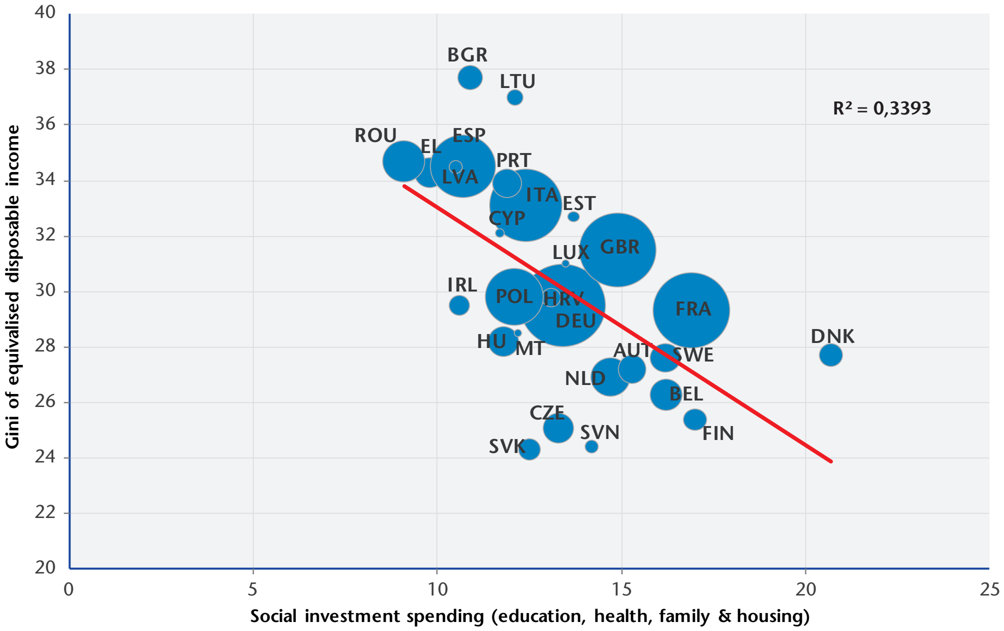
The unemployment rates of workers with low education levels are markedly higher than the rates of workers with high education levels. This gap expanded during the crisis, but it existed before the crisis as well. Research confirms that upskilling, e.g. young people, with low education levels, is a way to improve their employment opportunities as well as their earnings (McIntosh, 2004). Enhanced efforts to upskill workers and unemployed with low education levels should, therefore, be a priority of European labour market policies. More generally, social investment spending is linked to lower rates of unemployment (Figure 3). The link might be overstated by the performance of Spain and Greece: the link is supposed to be a long-term one, and the unemployment performances of Spain and Greece (among others) are due to poor macroeconomic performances that created a large output gap. The link between social investment and inequality shown in Figure 4 is stronger and more robust (income inequality is more stable; it results from long-term forces). Evidently, social investment reduces income inequalities without deteriorating employment.

Figure 3. **Social investment spending and unemployment, European Union 2016**



Source: Eurostat, own calculations.

Figure 4. **Social investment spending and inequality, European Union 2016**



Source: Eurostat, own calculations.

Inequality: A European perspective

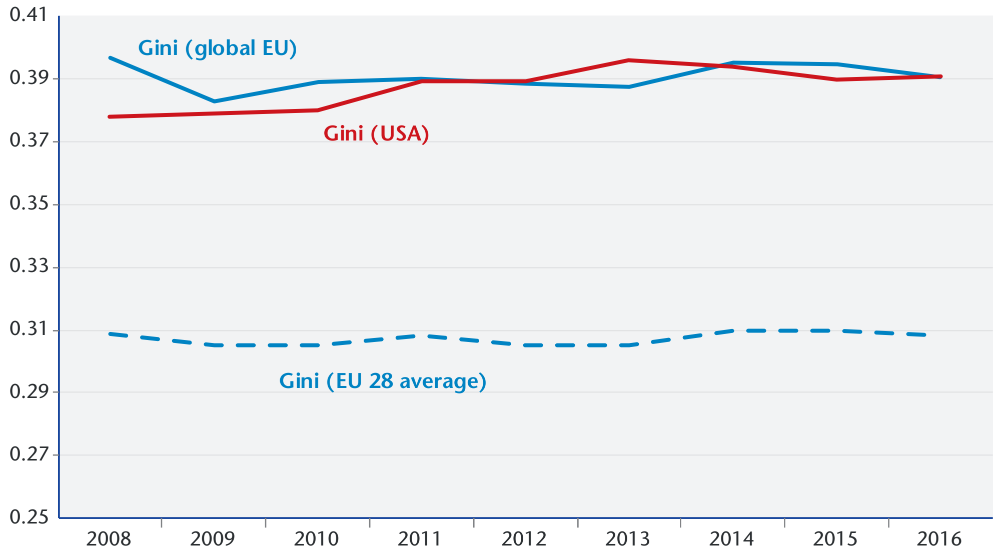
In the preamble to the Treaty establishing the European Economic Community, the Heads of State and Government declared that they are "[r]esolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe". Article 117 adds that "Member States agree upon the need to promote improved working conditions and an improved standard of living for workers, so as to make possible their harmonisation while the improvement is being maintained". However, inequality is still seen as a national phenomenon, measured in each country separately.

Every year Eurostat measures inequality in the different EU Member States, using the Gini index or other measures of inequality (decile shares, poverty rates, etc.). It then calculates the average of these indices to reflect the extent of inequality in the European Union. In 2016, the average Gini in the EU was at 0.308, which suggests that the EU is far less unequal than the US (0.391).

However, Eurostat does not calculate inequalities between European citizens: what would inequality be if national barriers were eliminated and European inequality was calculated at the European level in the same way that one calculates inequality within each nation? It might seem legitimate to calculate inequality between European citizens like this insofar as the European Union constitutes a political community with its own institutions (Parliament, executive, etc.).

The EU-SILC database, which provides the equivalent disposable income (in purchasing power parity) of a representative sample of households in each European country makes such a calculation possible. The result is that the overall level of inequality in 2016 in the European Union is the same as that in the United States (Figure 5). What conclusion should be drawn? If we look at the glass as half-empty, we could emphasize that European inequality is at the same level as in the world's most unequal developed country. If we look at the glass as half-full, we could emphasize that the European Union does not constitute a nation with social and fiscal transfers, that it has recently expanded to include much poorer countries and that, nevertheless, inequality is no greater than in the United States.

Figure 5. **Inequality in equivalent disposable income in Europe and the United States, 2007-2016**



Source: EU-SILC, own calculations.

So far, the main instrument used by the European Union to reduce inequality in Europe has been the opening of borders. But while opening up borders can help the EU's less affluent countries (notably Bulgaria and Poland) to catch up, it can also have an impact on inequality within countries. However, Europe does not as yet have a social policy. This sphere falls above all within the competence of the Member States. But opening up the borders is exacerbating social and fiscal competition. For instance, in most EU countries the higher marginal rates of personal income tax and corporate income tax have dropped significantly since the mid-1990s, while the VAT rate has increased (Allègre and Pellefigue, 2018).

Conclusion

SDGs have too many targets and indicators to be monitored meaningfully. For policy purpose, the interrelations between the different goals should be emphasized. We have shown that synergies exist between the goals of poverty, inequality and unemployment reduction. In the short-term, social transfers, and in the long-term social investment, reduce inequality without adverse employment effects.

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iASES 2019 (formerly iAGS)

- **Executive summary**
- **Introduction. Sustainable Development goals: a new framework**

CHAPTER 1

Menaces to recovery: The economic outlook of the European Union

CHAPTER 2

Employment, inequality and well-being

CHAPTER 3

An explorative evaluation of the climate debt

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