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Poverty, employment and inequality in the SDGs: Heterodox discourse, orthodox policies?

Malte Luebker

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Abstract

The Sustainable Development Goals (SDGs) put much emphasis on the employment and inequality, a noteworthy shift from the Millennium Development Goals (MDGs) and their focus on poverty eradication. To achieve 'Sustained, inclusive and sustainable economic growth', SDG Goal 8 contains targets on productivity-enhancing policies, employment and decent work, and makes reference to three out of the four fundamental labour rights. While these are necessary ingredients for a sustained increase in living standards and important elements of heterodox accounts of development, they are not sufficient conditions to create equitable growth. Drawing on examples from Asia, the paper makes this argument by addressing three orthodox conjectures: that workers benefit from productivity growth through higher wages; that factor shares in national income are roughly constant; and that policy interventions such as minimum wages are bound to fail. The paper concludes with two policy implications: (1) Countries need to adopt fiscal, wage and social protection policies that reduce inequalities of outcome and achieve faster income growth for the poorest – elements which can be found in Goal 10. (2) Effective labour markets governance needs to include the right to freedom of association and collective bargaining, the only fundamental labour right not explicitly mentioned in the SDGs.

Keywords

SDGs, poverty, productivity, labour market institutions, income inequality, functional distribution of incomes.

JEL Classification

D31, D33, I30, J31, J83.

Poverty, employment and inequality in the SDGs:
Heterodox discourse, orthodox policies?[1]

1 Introduction

Since the Millennium Development Goals (MDGs) were adopted in 2000, poverty has fallen, inequality has risen, and a global financial crisis has had a devastating effect on labour markets. Meanwhile, the global development discourse has undergone a significant shift – away from a single-minded focus on the role of growth for poverty reduction, and towards a more nuanced understanding that emphasizes the challenge that inequality presents to societies, and recognizes the central role of labour markets for distributional outcomes. This paper analyses how the narrative around employment, poverty and inequality has changed between the MDGs and their successor, the Sustainable Development Goals (SDGs). In how far do the SDGs reflect the heterodox discourse, and do they signal a breach with orthodox policies?

Launched with the ambition to build the "most inclusive development agenda the world has ever seen" (in the words of Ban Ki-moon; United Nations, 2014), one of the most visible innovations of the SDGs is the prominence they give to inequality, labour and employment. While the issue was entirely absent from the original version of the MDGs in 2000, references to decent work are plentiful in their successor. However, the main elements of Goal 8 are not as radical departure from the old employment Target 1b as it might first seem. Their underlying logic emphasizes that productivity growth, if combined with employment and labour rights, drives inclusive and sustainable economic development. This is an unproblematic preposition from an orthodox standpoint, but it need not hold when approached from a heterodox perspective.

This paper will place the treatment of labour in the SDGs in the larger discourse around employment, inequality and poverty to assess how fundamental the shift from the MDGs is. Section 1 will lay the ground by sketching two conflicting narratives of growth and poverty, and how they conceptualize the role of labour markets in the fight against poverty. Section 2 will then place the trajectory from the MDGs to the SDGs within these two narratives. Section 3 provides some empirical illustrations from emerging Asia

[1] This paper was prepared for a conference held in honour of Rolph van der Hoeven at the International Institute of Social Studies (ISS) in September 2015. The author would like to acknowledge valuable comments received from Rolph van der Hoeven, Peter A.G. van Bergeijk, an anonymous peer reviewer, Thomas Rixen and participants at a seminar at the University of Bamberg. All errors remain the sole responsibility of the author. Work on this paper was supported by the Bamberg Graduate School of Social Sciences (BAGSS) with funds from the German Research Foundation (DFG) under the German Excellence Initiative (grant number GSC1024). A revised version of this paper will appear in the forthcoming volume on "Sustainable Development Goals and Income Inequality", edited by Peter A. G. van Bergeijk and Rolph van der Hoeven (Cheltenham: E. Elgar).

– the ‘most likely case’ for the predictions of the orthodox frame to hold. Motivated by this, Section 4 argues that the SDGs will only be transformative in the presence of equity-enhancing labour market institutions and collective labour rights. Section 5 concludes.

2 Two accounts of poverty, productivity and growth

Before going into an analysis of the SDGs, it is useful to consider how the two dominant narratives in the development discourse understand central concepts and infuse them with meaning – in other words, how they frame them. In an often cited definition, to frame means ‘to select some aspects of a perceived reality and make them more salient in a communicating text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation and/or treatment recommendation for the item described’ (Entman, 1993: 52). Frames are ideal-typical, internally consistent accounts of reality (and not necessarily the positions held by any one individual); they can be used as a heuristic tool to differentiate between conflicting interpretations of the world around us.

Frames have repercussions for reality because they define problems, diagnose causes, make moral judgements and suggest remedies (ibid.). How we conceptualize poverty and relate it to growth and economic development, how we link it to labour and inequality, can therefore shape our understanding of the causes of poverty, and hence policy recommendations. Faced with the same reality (in as far as one objective reality exists), different frames can lead to polar opposite interpretations and suggest conflicting solutions. The discourse around poverty, employment and inequality is a good example how orthodox and heterodox accounts of development differ in terms of problem analysis, causal interpretations and ultimately policy recommendations. Placing the MDGs and the SDGs – arguably the two single-most important pieces of text for the development discourse of the past two decades – within these two frames can therefore help us to understand how decisive the shift between them is.

2.1 Economic orthodoxy and the magic of growth

From the orthodox perspective, poverty is essentially a problem of insufficient income. The solution then is to raise incomes, which – to be sustainable – requires to increase production (which gives rise to incomes). This is why rich countries have escaped absolute poverty and poor countries have not. In other words, growth holds to key to poverty reduction. Accelerating development by removing obstacles that hinder the efficient use of resources and adopting other growth-enhancing policies is then the natural strategy to combat poverty. Labour and distributional issues are not central to this narrative since, if growth is allowed to take hold, the incomes of the poor rise just like those of everyone else (Dollar and Kraay, 2002). Labour markets are best treated with ‘benign neglect’ so that, like in any other market, the invisible hand can balance supply and demand. In this world, labour is a normal good and wages are simply the price of labour that reflects the marginal productivity of labour. If they did not, employers could reap extra profits by hiring more workers – and would do so until they drive up wages so that this source of arbitrage is closed.

If workers become more productive over time, the same logic applies and employers bid up wages until they match productivity. At the micro-level, it follows that wages grow in line with productivity. By extension, average wages will grow in line with average productivity and the benefits of growth are widely shared. It follows that, at the macro-level, the share of wages in national output will stay constant: simply multiply average wages and average productivity by the number of workers, and the numerical identity is apparent. If labour shares nonetheless change over time, this reflects a change in the mix of factors of production (or, in fact, artefacts of national accounting)[2]. Falling labour shares are nothing alarming, but simply a consequence of greater capital-intensity of production. These two axioms – stability of labour shares and wage growth in line with productivity – are central to link growth to rising incomes and poverty alleviation.

A third cornerstone of the orthodox narrative concerns the role of labour market institutions and their potentially adverse impact on allocative efficiency. If wages reflect the productivity of an individual worker, setting their level is a micro-economic problem best solved by the worker and her employer. Wage inequality reflects the relative scarcity of different skill levels; investment in education and training is the preferred response to contain pay differentials. Any state intervention that tries to force the invisible hand is likely to be self-defeating. Minimum wages are a prime exhibit in this narrative: set them below the market-clearing level and they are redundant. Set them above the market-clearing wage, and they price workers with the lowest productivity out of the market and hence hurt the poorest. Even where minimum wages are not enforced, they still cause harm by deterring law-abiding would-be employers from investments. Minimum wages are, in other words, portrayed as a classic case of the 'big trade-off' between equality and efficiency (Okun, 1975).

Another set of perceived inefficiencies is introduced by trade unions and collective agreements. By setting working conditions above the level that would emerge from the market, they serve the interest of a narrow group of privileged insiders, at the expense of outsiders and society at large. Collective labour rights such as freedom of association, the right to collective bargaining and most notably the right to strike therefore sit uneasily within the orthodox frame. If at all, they derive their justification from external sources (such as human rights). Less problematic than rights that affect the relationship between labour and capital are the abolition of child labour and forced labour and an endorsement of non-discrimination principles (albeit this often comes with the reservation that well-meaning anti-discrimination legislation can have

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[2] These give rise to changes in labour shares when, for instance, the share of wage workers in total employment changes. Note that the (unadjusted) labour share should rise as the share of wage workers in total employment grows over the course of development.

adverse side effects). In sum, the orthodox frame puts its emphasis on the self-regulating principles of the market and remains lukewarm and partial in its endorsement of labour rights.

2.2 Heterodox counter-narratives of inequality, institutions and rights

The heterodox frame turns most of these conjectures on their head. Poverty is primarily seen a function of distributive processes, which explains why relative deprivation is found in rich and poor countries alike. Growth is a biased metric of social progress since it weights the income growth of the top deciles more heavily than growth at the bottom. If the goal is to fight poverty, growth is therefore not a sufficient condition: what matters more is the relative incidence of growth across different strata. To explain distributional outcomes, the heterodox account emphasizes the central role of labour markets. They are unlike other markets and characterized by persistent power asymmetries between workers and employers. Moreover, labour is not a normal good. Cut wages, and workers will increase (not decrease) their supply of labour, given that they have to feed a family. This gives rise to rents and multiple equilibria; the invisible hand remains, alas, invisible.

While productivity gains are welcome, from a heterodox standpoint it is an open question how they are shared between workers and employers. Measuring productivity at the level of an individual worker is seen as elusive, given that labour and capital – and workers of different skill levels – are complements. Whether productivity gains feed into higher wages or boost profits is essentially determined by the relative power of the two sides. Hence, labour shares need not be stable: shift the power in favour of capital, and labour shares will fall; strengthen workers' rights, and they will stabilize or rise (see also Krämer, 2010). From this perspective, vertical redistribution between labour and capital is a central problem. Rising labour costs need not cause unemployment, but they force firms to find productivity gains and allow the most efficient firms to grow at the expense of the laggards (the so-called 'cleansing effect'; see Mayneris et al., 2014).

Heterodox interpretations of labour market institutions stress such dynamic efficiencies and distributional impacts, sometimes dubbed 'equity efficiency' (van der Hoeven and Saget, 2004; see also Freeman, 2008). Outcome equity and long-term growth are seen as macro-economic challenges that require institutional solutions to solve coordination problems. Proponents of this view give prominence to the equity-enhancing impact of trade unions and collective bargaining (see Hayter, 2015) and minimum wages (Belser and Rani, 2015). While these affect the primary distribution of incomes, the heterodox frame also stresses the redistributive function of institutions closely intertwined with labour markets, namely social insurance and social assistance mechanisms (see Behrendt and Woodall, 2015; Berg, 2015b).

Labour rights play a prominent role in this frame. Discrimination, child labour and forced labour are seen not only seen as a violation of individual rights, but as having broader repercussions by undermining fair competition and the prospects of other workers. The right to organize, the right to bargain collectively and the right to strike become central for workers to counter the inherent power imbalances of labour markets.[3] These collective labour rights help them to appropriate some of the gains from productivity growth, but also to safeguard other labour rights. Without these process rights, all other labour rights become hallow and vulnerable. Labour rights are therefore not only derived as human rights, but find an additional justification that is internal to labour markets.

Though necessarily incomplete and sketchy, the description of these two frames – doubtlessly familiar to most readers – provides a good backdrop to analyse the how the MDGs and the SDGs conceptualize poverty, employment and inequality. How radical has the shift been? One way to assess this shift is to draw on the three central conjectures of the orthodox paradigm: that productivity gains translate into wage gains and benefit everyone; that hence labour shares are broadly stable (and if not, that they change for good reasons); and that even well-meaning interventions such as minimum wage legislation ultimately do more harm than good. All of these are disputed by the heterodox account, which – unlike the orthodox frame – also puts emphasis on collective labour rights.

3 From the MDGs to the SDGs: Equity lost and found?

3.1 The MDGs: Counting the poor

One undisputable achievement of the Millennium Development Goals (MDGs) is that they focused minds on eradicating extreme poverty. Half a century after Harold Wilson (1953) had appealed to the 'conscience of mankind' to launch a 'war on world poverty', this battle had still not been won: At the eve of the new millennium, 1.75 billion people were living in adjacent poverty (defined as living on less than $1.25 per day at purchasing power parities).[4] The Millennium Declaration brought this embarrassment back into public awareness, combining it with other goals such as achieving universal primary education, reducing child mortality and improving maternal health. Looking forward in a spirit of optimism, the General Assembly did not dwell on the most puzzling question of all: How was it possible that, despite unprecedented global prosperity, millions of people were still subsiding in poverty?

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[3] An early account of the structural power asymmetry can be found in Smith (1796 [1776]: I.8.12) who argued that employers, 'upon all ordinary occasions, have the advantage in the dispute [on the level of wages], and force the other into a compliance with their terms'.

[4] Data refer to 1999. Based on World Bank, PovcalNet, available at http://iresearch.worldbank.org/PovcalNet/index.htm?1. Note that Harold Wilson referred to over 1.5 billion people who lived in 'conditions of acute hunger', so the number had arguably gone up.

In many respects, Goal 1 to 'Eradicate extreme poverty and hunger' was the corner piece of the MDGs that dominated public and academic attention alike. While reminiscent of Harold Wilson's writing in the 1950s, the basic conceptual framework behind the poverty goal had actually been developed much earlier: by Charles Booth (1902-03) and Seebohm Rowntree (1901) in their path-breaking work on poverty in London and York. Both used the poverty line and the poverty headcount ratio (the proportion of the population below that line) in the same way as done in MDG target 1A to '[h]alve, between 1990 and 2015, the proportion of people whose income is less than $1.25 a day'[5]. Described by Sen (1976: 219) as 'obviously a very crude index', the poverty headcount ratio became the defining metric to measure progress on the MDGs.[6]

While specific on the objective, the Millennium Declaration remained silent on the causes of poverty, and vague in the analysis of the concrete actions needed to achieve its goals. The text includes a commitment to 'create an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty' and mentions good governance, resource mobilization, trade and debt (United Nations, 2000: para. 12ff.). Neither income inequality nor the labour market received particular attention. Apart from a reference to youth employment, the Millennium Declaration neither mentions 'employment', 'labour' or 'jobs' (see United Nations, 2000).

By divorcing the objective of poverty alleviation from the social processes that generate it, the text fell short of the standards set by Rowntree a century earlier. He had studied poverty in the context of an inquiry into the 'social and economic condition of the wage-earning classes in York' and concluded that a central cause of poverty was the 'lowness of [the] wage' (Rowntree, 1901: 12, 120). This insight later led Rowntree (1918) to investigate 'the human needs of labour' and to demand that the additional wealth created by productivity gains should be devoted to 'the payment of a living wage'. To this end, trade broads should set 'minimum wages which would enable [workers] to marry, live in a decent house, and bring up a family of normal size' (ibid.: 138).

The omission of labour became so glaring that, at the 2005 World Summit, leaders pledged to support fair globalization and decent work in the further implementation of the MDGs.[7] The new Target 1B to 'Achieve full and

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[5] Note that, in the original Resolution adopted by the General Assembly, the wording referred to "halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day" without specifying 1990 as the reference year, hence implicitly comparing it to levels prevailing in 2000 (UN, 2000: para. 19).

[6] The term rose from relative obscurity. A search for "poverty headcount" on Google Scholar (accessed on 19 July 2016) returns 28,180 hits for the period from 2000 to 2014, almost a tenfold increase compared to the preceding fifteen years.

[7] A/RES/60/1, para. 47. The discourse on the role of labour in a fair globalization was shaped by the World Commission on the Social Dimension of Globalization, set up by the ILO from 2002 to 2004. Its members were a number of imminent leaders and scholars, including Deepak Nayyar; Rolph van der Hoeven led its technical secretariat.

productive employment and decent work for all, including women and young people' partly filled the gap in the original list of MDGs (United Nations, 2008). Necessitated by the requirement that data be widely available, the indicators to monitor progress were largely proxies for the underlying concepts: labour productivity, the employment-to-population ratio, the proportion of own-account and contributing family workers in total employment (so-called 'vulnerable employment') and working poverty.[8] The rationale for including these elements is simple: increasing labour productivity and wage employment[9] should lead to a reduction of working poverty (i.e. those who subside below the poverty threshold despite having a job).

3.2 From poverty to inequality: Shifts in the discourse of the 2000s

By stating poverty reduction as an objective but remaining vague on the specifics, the MDGs left space for both orthodox and heterodox interpretations. On the orthodox side, the idea that 'growth is good for the poor' was a central paradigm (Dollar and Kray, 2002). This rested on the finding that average incomes of the poorest quintile, across a large panel of countries, tend to rise in line with average incomes.[10] This relationship was said to hold irrespective of 'policies and institutions that explain growth rates of average incomes' (ibid., 195). Accelerating growth through market-friendly reforms, it was argued, was the best poverty-reduction strategy. This narrative allowed institutions such as the World Bank to re-cast Washington Consensus policies under the banner of 'pro-poor growth'.

The strategy had some success. With a fine sense of irony, Martin Ravallion (2004), at the time one of the most free-thinking minds at the Bank, concluded that '[t]hese days it seems that almost everyone in the development community is talking about "pro-poor growth"', and continued by asking what exactly pro-poor growth is. To some in the orthodox camp, the answer was simple: 'Growth is pro-poor if the poverty measure of interest falls' (Kraay, 2006). Applied to the MDGs, this was setting a low bar: As long as growth led to an increase in average incomes, it is likely that some fraction of the gains, however small, reaches the poorest in society, bringing down the poverty headcount ratio.

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[8] For a discussion on the utility and limitations of these indicators in the case of Africa, see Sparreboom and Albee (2012).

[9] Note that the MDGs do not directly mention wage employment, but aim to (a) increase the share of the working-age population in employment and (b) among those who are employed, reduce the share of those who are own-account workers or contributing family workers. The only practical way to achieve both targets is an expansion of wage employment (unless the usually very small share of employers in total employment grows significantly).

[10] This is, in part, a mathematical necessity: If incomes of the poorest quintile grew faster than the average over an infinite period of time, the poorest quintile would no longer be the poorest quintile (see Luebker et al., 2002).

This account avoided posing a question central to the heterodox narrative: How are the gains from development distributed? Academics and institutions[11] that stressed the distributional impacts of growth shaped the debate in two important ways: First, they produced a wealth of data that showed the importance of different distributional paths for poverty reduction, that growth has a lower impact on poverty at higher levels of inequality, and that rising inequality over the past decades had undermined much of the poverty-reducing potential of growth (see e.g. Shorrocks and van der Hoeven, 2004; Dagdeviren at al., 2002; Addison and Cornia, 2001). Second, the heterodox literature brought back into focus how institutions and policy choices shape the distribution of incomes. This leads the poverty debate into more controversial, more political questions – such as how trade liberalization, financial markets or the labour market institutions shape outcomes (see e.g. Ocampo and Jomo K.S., 2007).

Unlike 15 years ago, inequality and increasingly labour are now topics of the mainstream development debate. A good illustration for this shift is the World Bank's choice of themes for its World Development Report: *Attacking Poverty* (2000–01), *Equity and Development* (2006) and *Jobs* (2013). The change in emphasis – towards distributional outcomes and the mechanism that generate them – was an important backdrop to 'post-2015' development agenda.[12] Jan Vandemoortele, one of the architects of the MDGs, was among those who argued most forcefully that inequality should become a centrepiece of the SDGs: 'A focus on extreme poverty and hunger is obviously more convenient, but even if the post-2015 agenda were universal, neither poverty nor climate change should be the centre of attention, but inequality' (Vandermoortele, 2015).

3.3 The SDGs: How radical a departure from orthodoxy?

How far have the SDGs heeded these calls? For those with enough patience, reading through the 35 pages of the resolution adopted at the 2015 World Summit holds some pleasant surprises. World leaders 'resolve, between now and 2030, to end poverty and hunger everywhere; to combat inequalities within and among countries' (United Nations, 2015: para. 3) and that '[a]s we embark on this great collective journey, we pledge that no one will be left behind' (ibid.: para. 4). They commit to 'combating inequality within and among countries' (ibid.: para. 13) and recognize that '[t]here are rising inequalities within and among countries. There are enormous disparities of opportunity, wealth and power' (ibid.: para. 14).

This might be unexciting by academic standards. For a UN resolution endorsed by world leaders, it is strong language. And there is more: World leaders go into what they omitted in 2000, labour markets. They talk about

[11] These included UNU-WIDER, the UN's Department for Economic and Social Affairs, the ILO and a few researchers inside the Bank itself.

[12] See the background papers that Deepak Nayyar (2012), Jan Vandemoortele (2012) and Rolph van der Hoeven (2012) prepared for the UN System Task Team.

‘shared prosperity and decent work for all’ (ibid.: para. 3) and that they ‘envisage a world in which every country enjoys sustained, inclusive and sustainable economic growth and decent work for all’ (ibid.: para. 9). The text continues to state that ‘[u]employment, particularly youth unemployment, is a major concern’ (ibid.: para. 14) and touches on social protection systems and technical and vocational training (ibid.: para. 24f.).

So have inequality and labour – two central elements of the heterodox frame – moved to the centre of a new development consensus, or are the SDGs still firmly grounded in orthodox policy prescriptions? There is, of course, the easy criticism that an agenda that ranges from pastoralist and fisheries development to desertification and dust storms, and has targets on modern energy systems and waste generation, has in fact very little focus at all. With 17 sustainable development goals and 169 targets, the world might have gotten more than it had bargained for. But then, the world is complex. So it is worth asking what the SDGs have to say about inequality and labour markets. Is there anything new that goes beyond the wisdom of the MDGs?

3.4 SDG 8: Productivity, employment and labour rights

The promise of Goal 8 is to ‘Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all’. With 12 targets that run for almost a full page, it is one of the longer SDGs. However, it arguably boils down to a narrative that relies on three ideas: productivity, employment and labour rights.

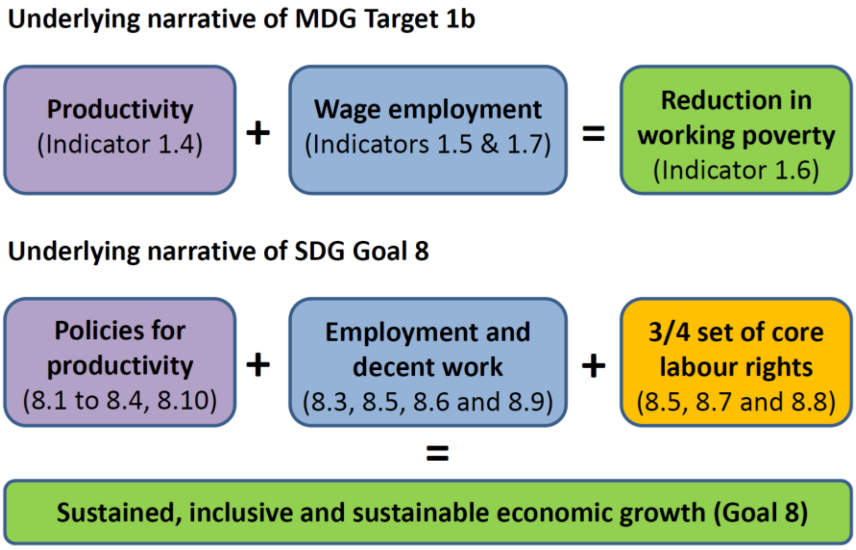
Productivity is the starting point of SDG 8 (and an element familiar from the MDG Indicator 1.4). However, there is much more detail on how to achieve this: The first four targets are concerned with increasing output, diversification to achieve higher productivity, and policies that support entrepreneurship, innovation and formalization of small enterprises. Added to the mix is resource efficiency to decouple economic growth from environmental degradation, and access to banking in target 8.10. Next are full and productive employment and decent work for all (in target 8.5), expanding slightly on the familiar language by making reference to persons with disabilities. Other elements concern youth employment (8.6), the reference to decent job creation in target 8.3 and job creation in tourism (8.9).

The genuinely new element is the recognition of labour rights (target 8.8). Goal 8 makes explicit reference to three of the four fundamental principles and rights at work, namely the right to equal pay for work of equal value (target 8.5), the eradication of forced labour and the abolition of child labour, in particular in its worst forms (both under target 8.7). It also makes a more general reference to ‘labour rights’, but a notable absence from the list of rights enumerated in Goal 8 is the right to freedom of association and the right to collective bargaining – and hence precisely those human rights that many

UN member States systematically violate.[13] So we are left with a three-quarter set of the fundamental labour rights that side-steps those aspects that make them most threatening to authoritarian governments.

The narrative of SDG 8 is therefore broadly familiar (see Figure 1). It recognizes that economic growth and higher productivity are a precondition for sustained welfare gains, and then turns to employment as a transmission mechanism through which growth reaches people. The main innovation is the (albeit incomplete) recognition of labour rights. Hence, Goal 8 uses many of the key concepts of the heterodox frame. However, it mainly reflects 'agreed language' of UN fora and ILO declarations[14] and contains nothing that is directly offensive from an orthodox viewpoint. In fact, the underlying narrative of SDG 8 is broadly compatible with an orthodox account of productivity as the driver behind social progress. By contrast, the question that motivates heterodox inquiries – how and under what conditions productivity gains translate into higher incomes – is given less prominence in Goal 8.

Figure 1
Underlying narratives of MDG Target 1b and SDG Goal 8



Source: Author's interpretation of United Nations (2008 and 2015).

[13] See the proceedings by the ILO's Committee on Freedom of Association (available online at http://www.ilo.org/public/libdoc/ilo/P/09661/) or the ITUC's survey on the violation of trade union rights (available at http://survey.ituc-csi.org/?lang=en).
[14] See, for example, the 'Global Jobs Pact' as adopted by the International Labour Conference at its Ninety-eighth Session (Geneva, 19 June 2009).

3.5 SDG 10: Reducing inequality and the role of institutions

More radical departures from the orthodox account come in SDG 10 'Reduce inequality within and among countries'. Target 10.1 aims to 'achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average'. While it omits a reference to the worsening of inequality due to ever-larger income shares at the very top of the distribution, it breaks with the idea that growth is pro-poor as long as it (even to the slightest degree) benefits the poor. Instead, it endorses a growth path that Chenery et al. (1974) had called 'redistribution with growth'. Target 10.3 goes beyond the conventional promise to ensure equal opportunity, and calls for a reduction in inequalities of outcome – a much more progressive stance.

Rather than seeing these inequalities of outcomes as unavoidable, the text alludes to institutions that shape distributive outcomes and refers (albeit somewhat vaguely) to 'legislation, policies and action in this regard'. Target 10.4 singles out the role of fiscal, wage and social protection policies to 'progressively achieve greater equality'. These are, in fact, some of the main levers for domestic redistribution (see Luebker, 2015). And it does not end here. Target 10.5 goes into the need to '[i]mprove the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations' (for a critical appraisal, see Rixen, 2013). In the aftermath of the global financial crisis, this might no longer raise any eye-browns, but was controversial a decade ago when some argued that uncontrolled financial liberalization has little direct benefits for developing countries but can have devastating outcomes for their labour markets (van der Hoeven and Luebker, 2007).

3.6 The SDGs and labour: What is new?

In sum, when judged by their content, the SDGs present a significant departure from the MDGs on two fronts: Firstly, they incorporate a labour market perspective – largely by elaborating on the themes of productivity and employment that entered the MDGs a decade ago, but adding the perspective of labour rights (though shying away from naming the rights to freedom of association and collective bargaining, not to mention the right to strike). Second, they reject the post-MDG discourse that equated poverty reduction with orthodox 'growth policies'. Instead, they advocate a redistributive growth path and name policies to promote inequality of opportunity and outcomes.

In what follows, this paper will argue that action on SDG 8 will only be transformative for development policies if the messages of SDG 10 are taken seriously – and that labour market institutions can play an important role to achieve a more equitable growth path. In other words, it wants to make the heterodox case that optimism implied by Figure 1 cannot be taken for granted: productivity growth, even when combined with full and decent employment and some labour rights, does not necessarily lead to equitable development. For this to happen, one needs to focus on institutions and policies that shape the distribution of growth (see Berg and Kucera, 2008). In other words, labour markets need governance and not 'benign neglect'.

4 Productivity and wages: Lessons from emerging Asia

Most empirical research on the role growth and labour markets in the development process is carried out (especially on the orthodox side) in the form of quantitative studies that 'test' relationships across a large panel of countries. By contrast, many heterodox researchers have invested into the in-depth case studies and sought to derive concrete, practical knowledge from them. Rolph van der Hoeven has devoted particular attention to sub-Saharan Africa and argued that the key constraint holding back the continent is not the lack of free market (as the Berg report suggested), but the absence of functioning institutions – labour market institutions included (see Cornia et al., 1992; van der Geest and van der Hoeven, 1999).

This section is inspired by this tradition and turns to three cases from emerging countries in Asia to assess the three orthodox conjectures mentioned earlier: (1) that productivity growth leads to wage growth, (2) that labour shares are stable and (3) that, where minimum wages succeed in pushing up wages, they also destroy employment. The selection of cases heavily biased in favour of confirming orthodox views: they are Thailand and China, two countries that experienced substantial productivity growth and operated under conditions nearing full employment (a critical, if rarely met assumption of the orthodox model). The third is Cambodia, which more than doubled its minimum wage within a few years – a move that should have devastated its garment sector according to orthodox accounts. In other words, the sample contains only 'most likely' cases that present favourable conditions for orthodox predictions to hold. Flyvbjerg (2006: 230) refers to them as 'critical cases' that permit logical deductions of the type 'If this is not valid for this case, then it applies to no cases'.

In the orthodox discourse, the emerging economies of Asia are frequently cited for their record in terms of growth and poverty reduction (and, in many countries, light-touch regulation). Moreover, East and South-East Asian economies are often portrayed as an example of equitable growth (Birdsall et al., 1995). In a context of rising global inequality and slowing growth, Asia's economic transformation and its record in terms of poverty reduction has indeed been stellar – despite the set-back of the Asian Crisis in the late 1990s and the recent slow-down in China. In the 25 years to 2015, labour productivity doubled in South-East Asia, almost tripled in South Asia and, propelled by China, rose six-fold in East Asia (see ILO, 2015). At the same time, the continent almost single-handedly achieved the MDG 1 on poverty: the number of people in extreme poverty fell by an astonishing 1.2 billion in Asia (while the poverty headcount rose marginally in the other developing countries as a group; see World Bank, 2015: 35).

But it is easy to forget that many parts of today's Asia still resemble the conditions Rowntree found a century ago in Britain when he concluded that 'the wages paid for unskilled labour in York are insufficient to provide food, shelter, and clothing adequate to maintain a family of moderate size at a state of bare physical efficiency' (Rowntree, 1901: 133). Replace 'York' with 'Kolkata' or 'Yangon', and the statement will ring true for many workers today.

Just under 400 million people currently live in extreme poverty in Asia, even when measured by the old poverty line of PPP$ 1.25 per day (in 2005 prices). At second glance, Asia therefore holds more cautions lessons. These emerge when we ask how the gains from growth have been distributed, or, in other words, what would have been possible, given Asia's economic performance. In addressing the three conjunctures of the orthodox narrative, the remainder of this section will expand on a theme that Rolph van der Hoeven (2015) put much emphasis on in his valedictory lecture: the functional distribution of incomes, or how much of the fruits of progress have reached workers in the form of wages.

4.1 Conjecture 1: Productivity growth leads to wage growth

There is ample evidence that countries with higher labour productivity have, on average, also higher wages. This is partly the result of a simple identity in national accounting: labour productivity is usually measured as an economy's value added divided by the number of workers. Average wages can be calculated as an economy's entire wage bill (which is a sub-set of value added in the distribution of income account), divided by the number of wage workers. It follows that, assuming a constant ratio of wages to total value added and a constant share of wage workers in total employment, average wages will be higher. Of course, in reality both ratios vary, but it is still a safe assumption that wages in Singapore must be higher than those in Cambodia – given that labour productivity in Singapore is roughly twenty times higher than in Cambodia.[15] So raising productivity seems to be a good starting point for those who want higher wages. The problem, of course, is that a country's GDP grows relatively slowly and a lot of variation can occur as a country progresses from a least-developed nation to (potentially) high-income status. Therefore, what broadly holds across countries need not hold over time, at least not in the short- or medium-term.

To analyse trends over time in a meaningful way, researchers need access to data on trends in productivity and wages, and preferably on the capital intensity of production – data which are scarce in developing countries. Thailand is one of the few countries where comprehensive data on productivity, wages and other relevant indicators are available. As Figure 2 shows, the country's key manufacturing sector managed to achieve rapid productivity gains in the decade after the MDGs were adopted, with a compound annual growth rate of nearly five per cent. As a result, aggregate labour productivity grew by more than 50 per cent from 2001 to 2010 alone. Clearly, this is a highly impressive performance under MDG Indicator 1.4.[16]

How did these gains trickle down in the form of wages? In short, none of the gains reached workers: real wages in Thailand's manufacturing sector

[15] Based on ILO, Key Indicators of the Labour Market, 9th edition.

[16] Note that the productivity growth refers to within-sector gains, i.e. they are not driven by the relatively 'easy' wins that can be reaped by shifting labour from low-value added sectors such as subsistence agriculture to the modern sector.

stagnated throughout the entire decade, with nominal wage gains outstripping inflation in some years and falling behind in others. Data from Thailand's national accounts confirm that this led to a large decline in the sector's labour share from 47.7 per cent in 1995 to only 31.6 per cent in 2010 (see Figure 2, Panel B). Had the labour share indeed held stable since 1995, real wages would have been 50 per cent higher in 2010 than they actually were.

Orthodox explanations for such a divergence usually invoke shifts towards greater capital intensity of production. Hence, the argument runs, it is only fair that the gains from productivity growth accrue to capital. Fortunately, one can put this explanation to a test. The capital-output ratio is the standard indicator for the capital intensity of production. It is derived by dividing the industry's net capital stock by the value of total output (or GDP at factor cost) so that a rising ratio signals increasing capital intensity. Contrary to the textbook explanation, the data for Thailand's manufacturing sector do not show any evidence for this. If anything, the capital-output ratio fell in the first decade of the new millennium (albeit arguably from high starting point in the aftermath of the East Asian crisis, given poor capital utilization at the time). The other striking statistic that can be derived from the national accounts is the net rate of return, or the operating surplus and mixed income that accrues to capital after adjusting for the consumption of fixed capital (hence, *net* and not gross). From an already impressive 16.7 per cent in 2000 it reaches an all-time high of 26.2 per cent in 2010 (see Figure 2, Panel B).

In sum, Thailand presents a striking case where, for an entire decade, all the benefits from an impressive productivity performance accrued to capital, and none reached workers. Why have the gains been distributed so unevenly? A key factor is the modest adjustment of minimum wage adjustments during this period, which largely tracked inflation. In the absence of strong trade unions and any meaningful collective bargaining over wages, employers used these as a benchmark for wage adjustments (see Boonyamanond et al., 2013). As a result, Thai workers (and the many migrants in the sector) were not able to capture any gains. Real wages only increased in 2012/13, when the government of Yingluck Shinawatra fulfilled a campaign pledge and raised the minimum wage to 300 Baht per day (approximately US$ 8).[17]

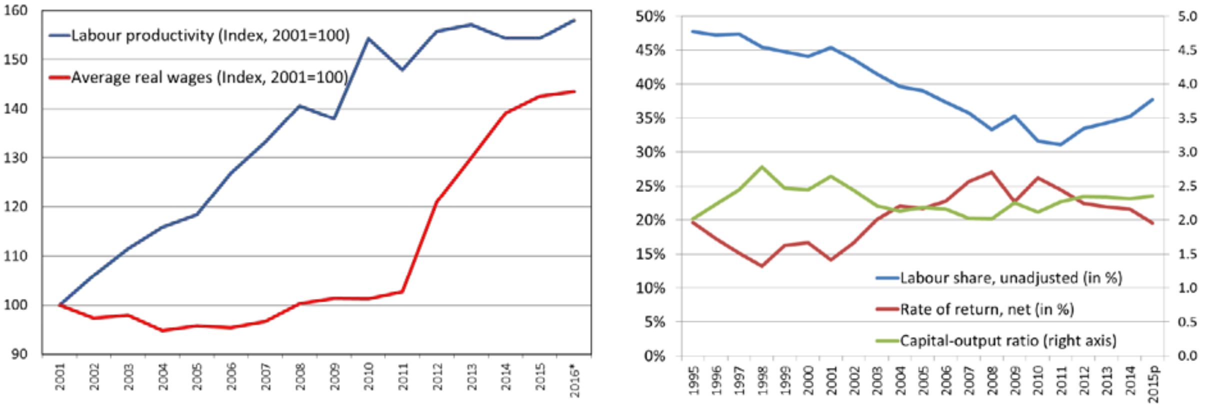
The Thai example therefore presents a puzzle for the orthodox narrative, but the outcome is entirely plausible from the heterodox perspective. It supports the argument that, in the absence of strong wage-setting institutions, productivity gains by themselves are an insufficient condition for higher wages.

[17] The minimum wage has remained at this level, and prospects that it will be raised under the current military government (which has branded minimum wages as a 'populist policy') are slim. On 16 November 2015, the National Wage Committee voted to freeze it at its current level. See Bangkok Post, *Panel votes to freeze minimum wage through June* (16 November 2015).

Figure 2
Key statistics for Thailand's manufacturing sector

Panel A
Labour productivity and average real wages, 2001-2016

Panel B
Labour share, capital-output ratio and net rate of return, 1995-2015



* Data for 2016 are up to the third quarter.

Note: Annual data are calculated as simple averages of quarterly data. Productivity data from the new series (2013 = 100) are linked to the old series based on the ratio of the two series in 2013. Wages refer to government and private employees.

Source: Bank of Thailand (Series EC_EI_029, EC_EI_029_S2, EC_RL_014, EC_RL_014_S2 and EC_EI_027).

p = provisional figures.

Note: The labour share is measured as compensation of employees / value added; the net rate of return is measured as net operating surplus (incl. mixed income) / net capital stock at current replacement cost; the capital-output ratio is measured as net capital stock over GDP at factor cost. Hence, a falling ratio represents declining capital intensity.

Source: Thailand National Economic and Social Development Board (NESDB): Capital Stock of Thailand 2015 (Bangkok, n.d.) and NESDB: National Accounts of Thailand 2015 (Bangkok, n.d.).

4.2 Conjecture 2: Labour shares are stable

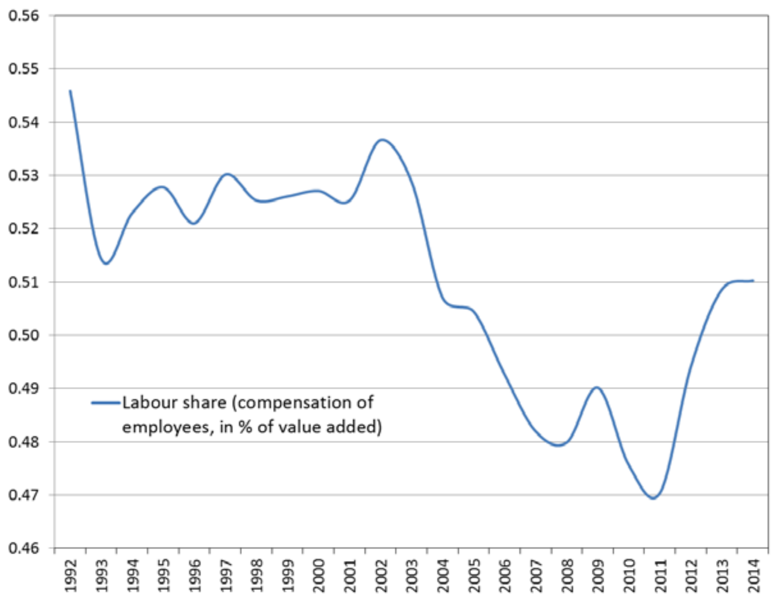
When productivity growth does not translate into higher real wages, this can – as in the case of Thailand – lead to large shifts in the functional distribution of incomes in favour of capital.[18] As the discussion above has shown, Conjectures 1 and 2 are merely two different ways to look at the same underlying principle – though traditionally economists have placed greater attention on the analysis of labour shares (which is less demanding in terms of data requirements). One prominent example is Kaldor's (1961) 'stylized fact' of stable labour shares. Does this hold at least in the aggregate – or are instances of shifts in labour shares common? As the ILO's Global Wage Report has documented over the years, shifts in the functional distribution to the disadvantage of labour have become more the rule than the exception since the 1990s (see ILO, 2012 and

[18] If real wages should grow in line with productivity, the labour share should remain roughly stable. There are, however, a few other, technical factors to explain minor changes in labour shares. These include a difference in the deflators used to deflate GDP (implicit GDP deflator) and wages (CPI); changes in employers' social contributions (which are counted towards the labour share, but not towards wages); and most importantly changes in the share of wage workers in total employment. Note that Asia has witnessed a rapid increase in the share of wage employment, which should bias trends in the unadjusted labour share upwards.

2014). Major driving factors are globalization, the deregulation of labour markets and the 'financialization' of economies, or structural changes that increase the role of financial actors (Guscina, 2006; ILO, 2012: 50ff.).

While the trend of falling labour shares is well-documented for many advanced economies, the available data show that developing countries have not been immune from the same forces. In a recent paper that adjusts national accounts data for changes in the employment structure, Trapp (2015) shows that declining labour shares are a near-universal phenomenon in most developing regions. However, East Asia and the Pacific stand out for the sharpest decline of 14 percentage points between 1990 and 2011. Hence, Thailand's manufacturing sector is not an outlier for the region as a whole. Does this matter? After all, the performance of East Asia in particular has been stellar, given its record of poverty reduction. Again, the answer will depend on the perspective – and whether the focus is merely on poverty, or also on inequality. Capital incomes are, after all, highly concentrated and shifts in the functional distribution of incomes towards capital therefore tend to be dis-equalizing (see also Atkinson, 2009).

Figure 3
Trends in China's labour share, 1992-2014



Note: Based on revised flow of funds account (physical transaction), as first published in the China Statistical Yearbook of 2010.

Source: NBS, online data-base, SYB 2015 (Table 3-27) and SYB 2016 (Table 3-21).

A case in point is China, where income inequality has risen dramatically in the past two decades. According to official data from the National Bureau of Statistics (NBS), the Gini coefficient for disposable incomes stood at 0.462 in

2015[19]. This signifies an extremely uneven distribution of incomes, and is a sharp contrast to the more egalitarian distribution before the launch of the market-oriented reforms. China's rising inequality coincides with a remarkable shift in the functional distribution of incomes. As recently as the late 1990s, the labour share had fluctuated in a relatively narrow band between 52 and 53 per cent of GDP. This period of relative stability was followed by one of rapid decline, with a low of 47 per cent recorded in 2011 (see Figure 3). However, this well-known decline in the aggregate labour share somewhat understates the fundamental shift that occurred in the Chinese economy since the turn of the millennium.

A closer look at the data reveals that the labour share has been broadly stable or even growing modestly in the general government and household sectors (see Table 1). By contrast, the labour share in the corporate sector (both non-financial corporation and financial institutions) fell dramatically between 2000 and 2010, by some 9.0 percentage points in non-financial corporations and by 8.5 points in their financial counterparts. Given the vast size of China's economy, the numbers involved are truly astonishing: If the labour share in the corporate sector had remained stable at its 2000 level, the annual wage bill would have been 2.3 trillion Yuan higher a decade later (or US$ 350 billion).[20] While the labour share has since risen, it is still short of its level at the beginning of the millennium, especially in the corporate sector.

Table 1
China's labour share by institutional sector, 2000-2014

Institutional sector						Change in percentage points	
	2000	2005	2010	2013	2014	2000-10	2010-14
Total economy	52.7	50.4	47.6	50.9	51.0	-5.2	+3.5
Non-financial corporations	45.2	38.1	36.2	41.0	41.3	-9.0	+5.1
Financial institutions	40.3	38.7	31.7	29.4	29.3	-8.5	-2.4
General government	82.4	84.6	85.1	87.1	85.9	+2.7	+0.7
Households	60.0	66.3	61.0	69.9	69.9	+1.1	+8.9

Note: Based on revised flow of funds account (physical transaction), as first published in the China Statistical Yearbook of 2010.

Source: NBS, online data-base, SYB 2015 (Table 3-27) and SYB 2016 (Table 3-21).

[19] See NBS, 'China's Economy Realized a Moderate but Stable and Sound Growth in 2015', Press release (19 January 2016).

[20] Counterfactual refers to the year 2010. Technically, the data refer to total compensation of employees, i.e. including employers' social contributions.

Of course, in contrast to the experience of Thailand's manufacturing sector, wages in China have grown rapidly since the turn of the millennium (albeit from a very low starting point). However, few developing countries will manage to replicate China's rapid pace of industrialization, structural transformation and productivity growth. So despite apparent success in raising living standards, the country's experience also holds a more cautious lesson: that productivity growth alone does not guarantee workers a fair share in the fruits of progress.

4.3 Conjecture 3: Where minimum wages succeed in pushing up wages, they also destroy employment

Can policy interventions help to achieve better outcomes where the invisible hand of the market fails, or are such attempts self-defeating? Minimum wages are a particularly controversial policy tool and a core point of the orthodox-heterodox disagreements – though there are some signs of rapprochement. In a paper commissioned by the World Bank, Betcherman (2014) reviews some 150 studies from developing countries and finds that the impact of minimum wages (and employment protection legislation) on employment is usually modest, and can go either way. By contrast, the distributional implications are much more pronounced: minimum wages generally have an equalizing effect among the covered population, but may fail to reach those who are not within their scope.[21] The World Development Report 2013 used this research to argue that a 'plateau' exists where effects that enhance and undermine efficiency exist side by side, and most of the impact of labour market institutions is redistributive. The advice to policy makers was to avoid falling off the 'cliffs' at either extreme (i.e. too little or too much regulation) (see World Bank, 2012: 25ff.).

While the theoretical debate is largely settled, it is still worth considering an illustrative example for the impact that minimum wages can have. As suggested by Flyvbjerg (2006), selecting a 'critical' case where the odds are highly stacked against finding a benign outcome is a useful strategy. What would the conditions be under which, from an orthodox perspective, minimum wages should be most damaging? Arguably, the following scenario comes close: Imagine a mature export industry that is subject to intense global competition and dominated by footloose investors and highly price-conscious buyers. Further assume that employers must comply with the minimum wage (which hence has 'bite'), and that the workers do not consume any of the products they produce (and that there are hence no positive second-order effects on demand). Now introduce a massive shock, say a doubling of the minimum wage within the space of a few years. Surely, the industry would crumble and jobs would be lost?

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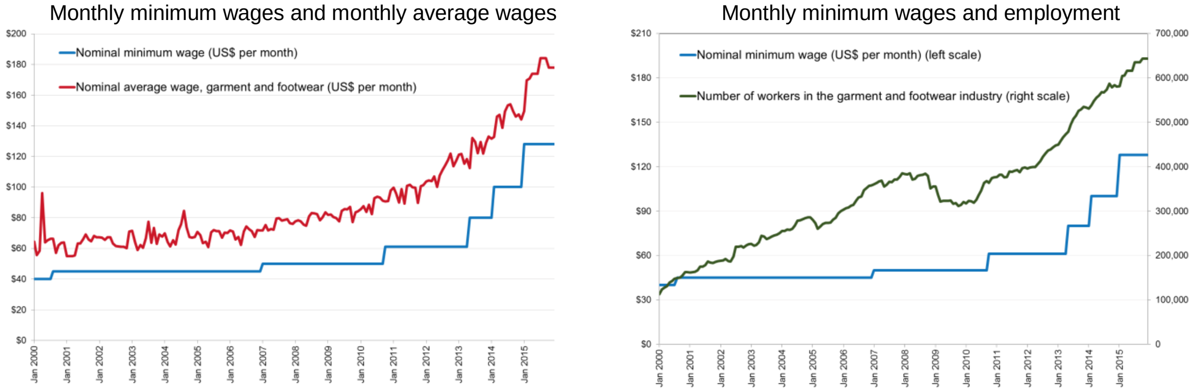
[21] In Asia, one group of workers that is routinely excluded from the coverage of minimum wages are domestic workers. This is counter-intuitive, given that domestic workers are generally among the workers most vulnerable to unduly low wages (see ILO, 2013: Chapter 6).

We are of course talking about Cambodia's garment and footwear sector, where the monthly minimum wage stood at US$ 61 until the end of April 2013 and, after a series of adjustments and substantial pressure from trade unions, had reached US$ 128 in January 2015.[22] According the Better Factories Cambodia (2015: 16), the industry's compliance record remained stellar throughout this period.[23] Hence, it is no surprise that average wages rose by almost half (with substantial gains even when adjusted for inflation) (see Figure 4, Panel A).[24] Perhaps more surprising is that employment continued to expand at break-neck speed and reached an all-time high of 643,000 workers in the fourth quarter of 2015, up by more than a third from 458,000 in the first quarter of 2013 (see Figure 4, Panel B).

Figure 4
Monthly minimum wages, average wages and employment in Cambodia's garment and footwear sector, 2000-2015 (nominal US$ and number of workers)

Panel A
Monthly minimum wages and monthly average wages

Panel B
Monthly minimum wages and employment



Note: Data on average wages and the number of workers are based on administrative records from the Ministry of Commerce and cover only factories that hold an export licence.

Source: ILO (2016), based on Ministry of Labour and Vocational Training (minimum wages) and Ministry of Commerce (number of workers).

A plausible (but unproven) hypothesis to explain this finding is that the increase in the minimum wage addressed a market imperfection, namely an employers' cartel that artificially kept wages below their market-clearing level (see Gonzaga et al., 2013). The idea that employers collude to hold down

[22] The minimum wage further increased to US$ 140 from January 2016 onwards, and to US$ 153 from January 2017 onwards. All figures exclude bonuses and allowances. Disclosure: In 2014 and 2015, the author (in his capacity as ILO staff) provided advice to the Royal Government of Cambodia on the process and institutions for minimum wage setting, though not on the level of the minimum wage.

[23] Depending on the indicator used, between 97 and 98 per cent of factories were fully compliant with the minimum wage in the latest reporting period (making this one of the labour law requirements with the highest compliance rates).

[24] The exact figures are average wages of US$ 178 per month in the fourth quarter of 2015, up from US$ 119 in the first quarter of 2013 (ILO, 2016).

wages is, of course, not new. Adam Smith had noted that '[m]asters are always and every where in a sort of tacit, but constant and uniform, combination, not to raise the wages of labour above their actual rate' (Smith, 1796 [1776]: I.8.13).[25] The insight of the cartel hypothesis is that minimum wages provide a common wage rate for entry-level workers, and that employers tacitly agree to refrain from competing for workers by offering better conditions and wages – even when they face labour shortages. This allows employers to keep wages below the equilibrium wage where labour supply and demand would meet, generating large rents for factory owners. Lifting the minimum wage would increase the supply of labour, without significantly reducing effective demand – and hence bring the labour market closer to an equilibrium with higher employment and higher wages. Aside from this, it also redistributes rents from factory owners to workers (and hence shifts factor shares in favour of labour). Of course, none of this 'proves' that minimum wages cannot do any harm. But it does provide evidence that governments can use minimum wages to better the lot of workers, without any apparent employment losses – even when such an outcome seems highly unlikely from an orthodox perspective.

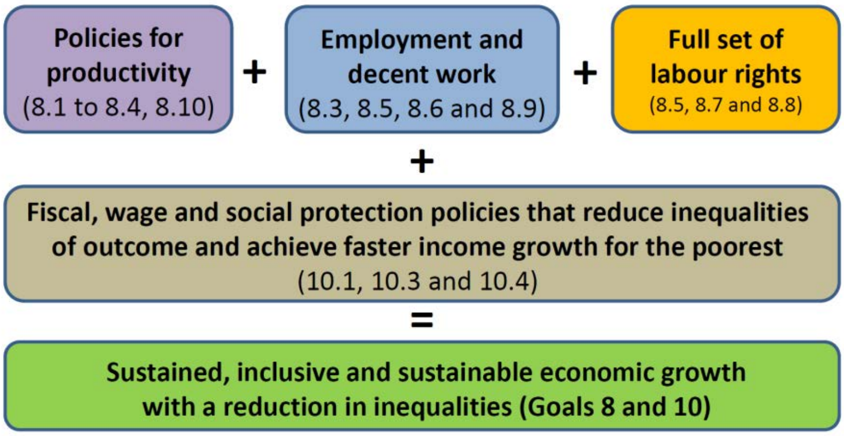
5 The role of institutions for inclusive growth

The discussion of these cases does not refute perceived wisdom about the importance of productivity growth for a long-term increase in living standards, but it holds two cautious lessons for the link between economic growth and poverty eradication: Firstly, in the absence of strong labour market institutions, the orthodox conjecture that productivity growth translates into higher wages need not hold. In the absence of labour market institutions and strong trade unions that are an effective voice for workers, wages can fall behind productivity growth for extended periods of time, resulting in large shifts in the functional distribution of income (which cannot be explained away by increased capital intensity). This has adverse effects on inequality, widening the gap between those who have command over productive resources and those who rely on manual labour for their livelihoods.

Secondly, wage setting mechanisms can help to strengthen or re-establish the link from productivity growth to higher wages. Contrary to orthodox claims, this need not have negative repercussions for employment – even in the case of relatively large minimum wage increases. Hence, there is hence a compelling case that well-designed labour market institutions can make a significant contribution to achieving greater equity – with only modest effects in terms of efficiency gains or losses (see Betcherman, 2014).

[25] Interestingly, Smith continued by stating that '[t]o violate this combination is every where a most unpopular action, and a fort of reproach to a master among his neighbours and equals' (Smith, 1796 [1776]: I.8.13).

Figure 5
Narrative for equitable growth based on SDG Goals 8 and 10



Source: Author's interpretation of United Nations (2015).

For the SDGs, this implies that the underlying narrative of Goal 8 looks fragile. While the prominence it gives to productivity, employment and labour rights presents major progress on the MDGs, implementing these elements in isolation runs danger of falling short of the potential they hold for a departure from orthodox development policies. To make a lasting impact on inequality and contribute to just and inclusive societies, policy makers need to looking beyond Goal 8 and link labour to a more complex strategy for equitable growth (see Figure 5). Fortunately, the SDGs contain two crucial elements:

Firstly, Goal 10 spells out a commitment to fiscal, wage and social protection policies that reduce inequalities of outcome and achieve faster income growth for the poorest (targets 10.1, 10.3 and 10.4). As argued above, building sound labour market institutions is one core element of such a policy set (Berg, 2015a). They range from wage setting mechanisms that contribute to a more equitable primary distribution of incomes to social security and tax policies. Although their objective is often not primarily redistributive, their aggregate impact can be a much more equitable secondary distribution of disposable incomes (Luebker, 2015).

Secondly, workers need to have a voice in these institutions and need to be able to negotiate their share in the fruits of progress through direct participation in wage-setting mechanisms (be it minimum wage fixing or collective bargaining over wages). This requires freedom of association, the fundamental labour right that is not explicitly mentioned in SDG 8. While we cannot ignore its absence, one can argue that it is still implicitly meant: World leaders claim that the 2030 Agenda 'is grounded in the Universal Declaration of Human Rights' (United Nations, 2015: para. 10) and later 'reaffirm the importance of the Universal Declaration of Human Rights' (ibid.: para. 19). For workers, human rights include the 'right to freedom of peaceful assembly and association' (United Nations, 1948: Art. 20.1) and, even more explicitly, their 'right to form and to join trade unions for the protection of [their] interests' (ibid.: Art. 23.4). Of course, the Universal Declaration of Human Rights has also established a right on decent wages: 'Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection' (ibid.: Art. 23.3). In a sense, the realization of this right is one of the ultimate objectives of labour market institutions.

6 Conclusions: Heterodox discourse, orthodox policies?

When the world belatedly noticed that employment and labour issues were entirely absent from the initial set of MDGs, the new target 1B was added to address this oversight. The underlying narrative was straight-forward and well within the orthodox frame of development thinking: growing labour productivity, if combined with an expansion of wage employment, should help to end working poverty. By contrast, the 2030 Agenda for Sustainable Development makes ample reference to employment issues – the phrase 'decent work for all' appears no fewer than five times. Goal 8 is devoted to 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all' and expands on two familiar themes, productivity and employment, while adding labour rights as a new element. While the proliferation of goals and targets prompts cynics (and a few non-cynics) to dismiss the SDGs as an unattainable wish-list without focus, the more nuanced treatment of labour arguably presents progress.

The problem with Goal 8 is that, if taken on its own, it is perfectly compatible with orthodox policy prescriptions. As was argued in this paper, they might not deliver on the promise of sustained, inclusive and sustainable economic growth. Its blind spot are labour market institutions. In their absence, productivity growth may not translate into higher wages for workers and hence the formula 'productivity + employment = inclusive growth' does not work its magic. Examples for this abound, including from Asia. The result of such a disconnect between wages and productivity is a shift in the functional distribution of income at the expense of labour, the very opposite of inclusive growth. To achieve a more equitable growth path, heterodox insights need to manifest themselves in policy. Goal 10 provides some useful advice on the role of fiscal, wage and social protection policies to reduce inequalities of outcome and to achieve faster income growth for the poorest. To give workers a voice and a meaningful stake in development, labour rights need to encompass the right to freedom of association – something that the 2030 Agenda only refers to indirectly, by invoking the Universal Declaration of Human Rights.

Of course, none of this is an entirely new insight. When Rowntree (1901) wrote his inquiry into the social conditions of the wage-earning classes of York, he could not help but to touch onto the 'larger questions bearing upon the welfare of human society' and recognized that the 'legislation affecting the aggregation or the distribution of wealth' was part of the wider social problem causing poverty (ibid.: 145). Changing the word 'land' into 'world', and updating he statistics, one of his closing sentences still rings all too true today: "That in this land of abounding wealth, during a time of perhaps unexampled prosperity, probably more than one-fourth of the population are living in poverty, is a fact which may well cause great searchings of heart" (ibid.: 304).

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