THE COMMITMENT TO REDUCING INEQUALITY INDEX

A new global ranking of governments based on what they are doing to tackle the gap between rich and poor

A computer classroom in Oneputa Combined School, northern Namibia. The Namibian government is committed to reducing inequality and secondary education is free for all students. Photo: John Hogg/World Bank

In 2015, the leaders of 193 governments promised to reduce inequality as part of the Sustainable Development Goals (SDGs). Without reducing inequality, meeting the SDG to eliminate poverty will be impossible. Now Development Finance International and Oxfam have produced the first index to measure the commitment of governments to reducing the gap between the rich and the poor. The index is based on a new database of indicators, covering 152 countries, which measures government action on social spending, tax and labour rights – three areas found to be critical to reducing the gap.

Development Finance International

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This preliminary version of the Commitment to Reducing Inequality (CRI) Index finds that 112 of the 152 countries surveyed are doing less than half of what they could to tackle inequality. Countries such as India and Nigeria do very badly overall, and among rich countries, the USA does very badly. At the same time, countries such as Sweden, Chile, Namibia and Uruguay have taken strong steps to reduce inequality.

This first version of the CRI Index is being presented by DFI and Oxfam as work in progress, and we welcome comments and additions. We find that there is an urgent need for coordinated global investment to significantly improve the data on inequality and related policies to reduce it, together with much greater concerted action by governments across the world to reduce inequality.

ENDORSEMENTS

> *Oxfam and Development Finance International's insightful investigation into what governments are actually doing to reduce inequality could not have come at a better time. Based on careful, systematic and scientific use of the available data, it does much more than simply rank countries to provide objective assessments of their performance on this crucial issue; it provides an urgent wake up call to all governments about what can be done in terms of taxation, spending and labour policies. This should become as prevalent as the Human Development Index as a yardstick to judge national performance.*

Jayati Ghosh
Professor, Jawaharlal Nehru University, New Delhi, India

> *In 2015, the world came together agree the Sustainable Development Goals that would shape the future, safeguard our planet, and ensure inclusive growth. As we strive to meet them, tackling inequality emerges as the challenge of our generation, everywhere, whether in rich or poor countries. Addressing it is a strategic imperative and doing so requires evidence based actions.*
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> *Oxfam and Development Finance International's Commitment to Reducing Inequality Index is a rigorous attempt to do so: to demonstrate the nature, the depth and the scope of the problem and the implications for public policy. It shows that every country has to make a step change.*

Donald Kaberuka
7th President, African Development Bank (2005–2015)

> *Africa's people are facing an inequality crisis. For the past few years Oxfam, as a key part of the Global Inequality Alliance, has been able to put shocking figures on just how extreme this is. Consider that the combined wealth of Nigeria's five richest men - $29.9 billion - could end extreme poverty in that country yet 5 million people there face hunger. This Commitment to Reducing Inequality Index - technical though it sounds - could be a powerful tool in the hands of citizens to demand change. In the face of politician's platitudes, we can show hard facts. In the face of meaningless promises, we can show the gaping holes where policies to reduce inequality could be. Information is power, so let's use it.*

Kumi Naidoo
Activist and Board Chair, Africans Rising for Justice, Peace and Dignity

SUMMARY

THE INEQUALITY CRISIS, THE FIGHT AGAINST POVERTY AND THE ROLE OF GOVERNMENTS

Many countries across the world, rich and poor, have experienced a rapid growth in the gap between the richest people in society and everyone else over the past 30 years.[1] This inequality crisis is characterized by a situation whereby just eight men own the same wealth as the poorest 3.5 billion people. Failure to tackle this growing crisis is undermining social and economic progress and, crucially, the fight against poverty. Oxfam's research has shown that, since the turn of the century, the poorest half of the world's population has received just 1% of the total increase in global wealth, while the top 1% received 50% of the increase.[2]

Inequality is bad for us all. It has been linked with crime and insecurity, lower economic growth, and poor health and other outcomes.[3] The consequences for the world's poorest people are particularly severe. The evidence is clear: there will be no end to extreme poverty unless governments tackle inequality and reverse recent trends. Unless they do so, the World Bank predicts that by 2030 almost half a billion people will still be living in extreme poverty.[4]

DFI and Oxfam believe that the inequality crisis is not inevitable and that governments are not powerless in the face of it. Our findings show that a number of governments, in recent as well as more distant history, including Sweden, Chile, Uruguay and Namibia, for example, have shown they can buck the trend of growing inequality by taking clear steps to reduce it. Unfortunately, many other governments, including Nigeria and India, are failing to make use of the tools available to them to tackle this global scourge. Unless they take concerted action now, they will fail to end poverty and fail to make sustainable economic progress that benefits everyone in society.

THE COMMITMENT TO REDUCING INEQUALITY INDEX

DFI and Oxfam have produced, for the first time, an index ranking 152 governments across the world on their commitment to reducing inequality. This has involved building a comprehensive database including countries where DFI has strong data and research contacts, or Oxfam has country programmes or affiliates, to build up a unique perspective on the extent to which governments are tackling the growing gap between rich and poor in three policy areas.

This first version of DFI and Oxfam's Commitment to Reducing Inequality (CRI) Index is being published very much as work in progress, or 'beta' version, to encourage input, debate and comment from experts across the world.

The Index has been statistically audited by the European Commission's Joint Research Centre. They concluded that the CRI is statistically robust and is 'paving the way towards a monitoring framework that can help to indentify weaknesses and best practices in governments' efforts to reduce the gap between rich and poor'.

The reason countries were excluded from the final list of 152 was because the data was simply not available to include them. Our target was to aim for the availability of data that would enable us to look at a minimum of 150 countries. The extremely poor level of public data available for some countries on policies relevant to reducing inequality is a cause for serious concern – this is particularly the case for the Middle East, where data availability is non-existent for many countries.

The CRI Index focuses on policies that reduce economic inequality (which is also the focus of Oxfam's **Even It Up** campaign). This is because the past 30 years have seen a rapid increase in economic inequality – in the gap between the richest people and everyone else. In turn, this has exacerbated existing inequalities, for example those based on gender and race. It has led to greater political inequality, as the wealthy increase their influence; and it has led to the declining influence of everyone else, particularly the most marginalized people, which undermines democracies and stifles citizens' voices. It translates into greater social inequality and inequality of opportunity and outcomes, with ever-widening gaps between the health and education of the richest people and the rest, which in turn stifles social mobility. Finally, greater inequality has been linked with greater levels of crime and violence in society.[5]

The CRI Index measures government efforts in three policy areas or 'pillars': social spending, taxation and labour. These were selected because of widespread evidence[6] that strong positive progressive actions by governments in these three areas have played a key part in reducing the gap between rich and poor.

1. **Social spending** on public services such as education, health and social protection has been shown to have a strong impact on reducing inequality. For example, a recent study of 13 developing countries that had reduced their overall inequality level, found that 69% of the reduction of inequality was because of public services.[7] Social spending is almost always progressive because it helps reduce existing levels of inequality. Despite this, in many countries, social spending could be far more progressive and pro-poor. Social spending can play a key role in reducing the amount of unpaid care work that women do – a major cause of gender inequality – by redistributing child and elder care, healthcare and other domestic labour.
2. **Progressive taxation**, where corporations and the richest individuals are taxed more in order to redistribute resources in society and ensure the funding of public services, is a key tool for governments that are committed to reducing inequality. The potential role of taxation in reducing inequality has been clearly documented in OECD countries[8] and in developing countries.[9] However, taxation can be progressive or regressive, depending on the policy choices made by government. This indicator does not measure the extent to which a country is a tax haven, which means that some countries do significantly better than they would if this was considered (see Box 10).
3. There is strong evidence that **higher wages** for ordinary workers and **stronger labour rights, especially for women,** are key to reducing inequality.[10] Governments can have a direct impact here by setting minimum wages and raising the floor of wages; they can also have an indirect impact by supporting and protecting the right of trade unions to form and organize. Evidence from the International Monetary Fund (IMF) and others shows that the recent decline in trade union organization has been linked to the rise in inequality, as workers lose bargaining power and more of the value of production goes to profits and the owners of capital.[11] Women are disproportionately represented in the lowest-paid jobs, with poor protection and precarious conditions of employment.

Actions across all three areas – especially between spending and taxation – are mutually reinforcing. While progressive taxation is a good thing in itself, when used for progressive spending its impact is greatly increased, and the CRI Index reflects this in the scoring of countries' efforts.

Why monitor government policy? Why not just monitor levels of inequality?

There are three reasons DFI and Oxfam are choosing to measure the commitment of governments to reducing inequality.

First, in 2015, governments across the world made a commitment to reduce inequality and eradicate poverty through the Sustainable Development Goals (SDGs). The CRI Index will make a contribution in enabling citizens to hold governments to account for meeting their commitments.

Second, DFI and Oxfam strongly believe that the different levels of inequality from one national context to another show that inequality is far from inevitable; rather, it is the product of policy choices by governments. There are, of course, contextual challenges to consider in every situation, as well as contextual advantages in some cases. All countries are also subject to global forces that they cannot fully control (e.g. pressure to lower wages and tax rates), and this is particularly true of developing countries. The worldwide system of tax havens, which undermine scope for government action, is a clear example.

Nevertheless, despite these global issues, DFI and Oxfam believe that governments have considerable powers to reduce the gap between rich people and poor people in their countries. If this were not the case, there would not be so much variation in the policy actions of countries. This is why it is vital to be able to measure and monitor government policy commitments to reducing inequality.

The final reason for developing the CRI Index is that existing systems to measure incomes and wealth (e.g. national household surveys) are subject to significant data errors – notably the under-reporting of the incomes and wealth of the richest people in society. This means that the data available can be very weak, especially for the poorest countries, and is not updated very often, so is a poor measure by which to hold governments to account. There is a need for urgent and significant improvements in both the coverage and frequency of national data on levels of inequality.

LIMITATIONS OF THE CRI INDEX

The CRI Index can only ever be a simple tool that gives one measure of how countries are fighting inequality. The subsequent sections discuss the specific limitations of each of the three pillars, but there are also some overall limitations that are worth mentioning here.

What is clear is that the index can never substitute for context-specific knowledge and the story of each country's path to reducing inequality, or for detailed analysis of each government's proposals or positions. Wherever possible, DFI and Oxfam have worked with colleagues in each country to ensure the most accurate representation of their government's efforts, and in many countries Oxfam continues to work on detailed country reports on inequality that are far more comprehensive. Nevertheless, in a broad index such as this, some individual countries may be unfairly rewarded (see Box 1), while others may be unfairly penalized. But on balance, DFI and Oxfam consider that the index provides a strong foundation from which to gauge the commitment of a government to tackle the inequality crisis.

Box 1: Trading on past glories: when is commitment not commitment?

DFI and Oxfam have called this index the Commitment to Reducing Inequality (CRI) Index because they want to highlight the purposeful and proactive role that *committed* governments can play in tackling inequality. This has not been without its problems, though, especially in the first few iterations of the Index. It means that some governments may be receiving credit for commitments based on policies or approaches developed by their predecessor administrations. In some cases, the current government of the country in question actively opposes these policies and is seeking to undo them.

In a large number of rich countries, many of the policies that make these countries perform well were actually put in place in a previous era and are now under serious threat. In the UK, for example, some have forecast that inequality will rise as a result of current government policies.[12] Equally, across Latin America, new governments are being elected that are not as committed to reducing inequality and are even (in some cases) taking steps to reverse progressive policies.

Denmark (for example) scores very highly in the Index, based on its high and progressive taxation, high social spending and good protection of workers. However, recent governments have focused on reversing all three of these to some extent, with a view to liberalizing the Danish economy, with recent research revealing that the reforms of the past 15 years have led to increasing inequality in the country.[13] Germany has a well-respected welfare state, which significantly reduces income inequality. However, the income gains of the past two decades went predominantly to those earning more. In consequence, the government needs raise ever more resources to close the inequality gap, and it has in recent years been less successful in doing so. The French government gets a high score for its 33% corporate tax rate, but recently agreed to cut this to 28%[14] as it joins the race to the bottom on corporate tax rates, and this will be reflected in the next iteration of the Index. Even further cuts could occur soon, as newly elected President Macron has clearly stated his willingness to bring down corporate tax to 25%.

Nevertheless, the majority of the data that has been collected for the Index is recent and based on budgets, which means the Index can be updated each year, with countries moving up or down the ranking depending on changes in policies. If a country substantially increases the minimum wage or boosts education spending in the next budget, then it will be rewarded by an increased CRI Index score. Over time, this will enable more accurate attribution of the commitment of governments.

The Index mainly focuses on redistributive actions governments can take, rather than those that would prevent rising inequality in the first place. While the Index looks at how a government can intervene to make the labour market fairer, it does not, for example, look at corporate governance (to reduce excessive shareholder control of the economy), land redistribution or industrial policy as ways to ensure greater equality. Countries such as South Africa, with rising inequality despite a relatively good score on the CRI Index, can only be explained by looking at these structural issues. Oxfam’s recent paper, *An Economy for the 99%*,[15] also addresses these issues directly.[16]

Data constraints have prevented the inclusion of these structural policies and many other suitable indicators, because the Index has aimed to get the most inclusive group of countries possible. Many potential indicators have not been used because they do not extend beyond a small range of countries, usually those with higher incomes. A massive, concerted effort to improve data on inequality and its contributing factors is urgently needed, especially within poorer countries. Later in this report is a discussion of some other areas the Index might explore in subsequent versions.

Finally, the CRI Index does not aim to cover all actors in the fight against inequality. Other key players – notably the private sector and international institutions such as the World Bank and IMF – have an important role to play, as do rich individuals themselves. A separate report being launched simultaneously analyses the role of the major international institutions.[17] While Oxfam’s campaigns and those of its allies target all of these actors, governments remain the key players. Democratic, accountable government is the greatest tool for making society more equal, and unless governments across the world do much more in these three policy areas, there will be no end to the inequality crisis.

WHAT ARE THE MAIN FINDINGS OF THE CRI INDEX?

All countries could do more, even those near the top

The first and most important point is that no country is doing particularly well, and even those at the top have room for improvement. In total, 112 of the 152 countries included in the index are doing less than half of what they could to reduce inequality.

The countries near the top of the index

Table 1

Country	Spending on health, education and social protection	Progressive structure and incidence of tax	Labour market policies to address inequality	Total CRI Rank
Sweden	9	8	8	1
Belgium	4	3	24	2
Denmark	8	9	12	3
Norway	20	6	3	4
Germany	2	17	6	5
Finland	3	23	10	6
Austria	6	40	1	7
France	5	19	21	8
Netherlands	19	13	9	9
Luxembourg	12	21	11	10

The overall rank for a country is calculated as an average of their scores under the three pillars, not their rank under the three pillars. Their rank on each pillar is irrelevant to the overall ranking – see Sweden for example (Table 2).

Table 2: Sweden's ranking per pillar, and overall

Country	Spending on health, education and social protection	Progressive structure and incidence of tax	Labour market policies to address inequality	Total CRI Rank
Sweden	9	8	8	1
Score	0.91	0.87	0.9	0.89

Most of the countries near the top of the index are OECD countries, headed by **Sweden**. In this way, the rankings are similar to the Human Development Index (HDI). As wealthier countries, they have much more scope to raise progressive tax revenues because there are more citizens and corporations with higher incomes that can pay more tax; likewise, they have greater scope to spend those revenues on public services and social protection. They are also trying to tackle wage inequality by increasing the minimum wage and supporting labour rights and women's rights. Finally, they have a smaller informal sector than is typical in developing countries, but precarious forms of employment are on the increase.

For most rich countries, the main body of policies measured by the Index was introduced in a different period of history, when significant action in these areas was broadly accepted as the right thing to do and paid dividends in terms of social and economic progress. Today, in many countries, political support for these measures has eroded, with governments across the industrialized world chipping away at progressive spending, taxation and labour rights (see Box 1).

Of course, this does not mean that these countries are doing everything they could – for example, Germany and Denmark, coming near the top, could still make their tax systems much more progressive. Yet the degree to which OECD countries are using government policy to tackle inequality varies dramatically. The **USA** and **Spain** among the major economies, for example, come near the bottom of the rich countries in the CRI (see Box 2).

Box 2: The USA and the Commitment to Reducing Inequality Index

The USA is the wealthiest country in the history of the world, but its level of inequality is also the highest among major industrial countries, leaving tens of millions of working people impoverished – especially women and people of colour.

As in a number of OECD countries, in the US, the effective **tax rate** is substantially less than the statutory tax rate (i.e. nominal tax rate). Corporations – even the largest ones – often pay no federal income tax. For example, in 2012, 42.3% of corporations paid no federal income tax whatsoever.[18] Overall, the effective tax rate for 2008 to 2012 was just 14% on the pre-tax net income – in contrast to their nominal rate of 35%.[19] Later in 2017, the US Congress is expected to take up a major rewrite to its tax laws, which is likely to lower taxes for wealthy individuals and large corporations.[20]

Spending on education, health and social protection in the USA as a measure of efforts to combat inequality is problematic for several reasons. There are often massive inequalities in spending; for example, a 2015 report card on the financing of public education found that 15 out of 50 US states have a regressive structure for state-level education financing.[21] Per capita healthcare spending in the USA (which combines public and private) is greater than anywhere else in the world, while per capita public health expenditures are among the highest. Despite this, Americans experience poor health outcomes, with life expectancy that ranks 31st internationally.[22] In 2017, the US Congress is expected to roll back major provisions of the healthcare law passed during the Obama administration. These changes could cause more than 24 million Americans to lose their health insurance.

In line with the historic discrimination against women and minorities, **labour policy** in the USA is extremely inadequate. The federal minimum wage of $7.25 is well below the $10.60 per hour needed for a family of four to stay above the federal poverty line.[23] The government has failed to raise the minimum wage since 2009, which (adjusted for inflation) is less than it was 50 years ago. Similarly, federal legislation only requires employers to provide unpaid maternity leave; unlike the 175 other countries that instituted paid family leave for new mothers.

Trade union representation is dropping at an alarming rate, from 20.1% of the workforce in 1983 to approximately 10.7% in 2016. So-called ‘Right to Work’ legislation, which allows workers to avoid paying dues at union workplaces, has been passed in 28 states as of 2017, and is being considered at the national level under the Trump administration.

As this report highlights, many middle-income countries have the scope to do far more to tackle inequality than they are doing currently. For example, Indonesia today is richer in terms of per capita income than the USA was when it passed the Social Security Act in 1935.[24] Yet Indonesia has some of the lowest tax collection rates in the world, at 11% of gross domestic product (GDP), and the new finance minister has made increasing this her priority. Recently, a paper from the Center for Global Development demonstrated that the majority of developing countries have enough resources of their own to eliminate extreme poverty.[25] This also echoes Oxfam's previous research into inequality in the BRIC countries, Turkey and South Africa. [26]

Box 3: The best and the worst

Sweden tops our index, with the highest score. It has some of the most progressive spending in the world. It also has some of the best labour market policies, and their protection of women in the workplace is the best in the world.

Nigeria has the unenviable position of being at the bottom of the Index. Its social spending (on health, education and social protection) is shamefully low, reflected in very poor social outcomes for its citizens. More than 10 million children in Nigeria do not go to school [27] and 1 in 10 children do not reach their fifth birthday.[28] The Africa Progress Panel has demonstrated that despite Nigeria's positive economic growth for many years, poverty has increased, and the proceeds of growth have gone almost entirely to the top 10% of the population.[29] The CRI Index shows that while Nigeria collects significant tax revenues from oil, there is huge potential for it to raise more tax, for example on personal incomes, and so it scores very badly on this aspect too. Finally, Nigeria's treatment of workers and women in the workplace also puts it near the bottom of the rankings.

Most of the highest-ranked non-OECD countries in the Index are in Latin America, the most unequal region in the world (see Box 4). They are headed by **Argentina**, followed by **Costa Rica, Chile** and **Uruguay**. In all of these countries, governments have made strong efforts to reduce inequality and poverty through redistributive expenditure and (in some) by increasing minimum wages. In Argentina, for example, the Gini coefficient fell from 0.53 in 2003 to 0.42 in 2013[30] and the poverty rate fell from 23% to 5.5%, with 40% of the reduction in inequality and 90% of the reduction in poverty due to redistributive policies.[31] Chile has moved to increase spending, and to increase corporation tax, bucking the global trend. Unfortunately, the new government elected in Argentina in 2015 has already moved to reverse many of these policies, including cutting the education budget and extending tax breaks for the richest people (see Box 4).[32]

Lower middle-income countries can also show strong commitment to reducing inequality. **Guyana**, for example, spends 17% of its national budget on education and 12% on health, and has a progressive tax structure as well as progressive policies on trade unions and women's labour rights; **Armenia** has very strong and progressive social spending. Low-income countries can also demonstrate strong commitment to tackling inequality. For example, **Ethiopia** is spending 22% of its budget on education, the twelfth highest proportion in the world. **Niger** and **Liberia** both appear in the top third of the Index. Both countries perform well on labour rights and minimum wages, with Liberia having introduced a Decent Work Law and the world's highest minimum wage compared to GDP per capita.[33] Both are doing relatively well on collecting taxes in a progressive way, partly as Liberia has been renegotiating its tax deals with mining companies. Niger has been spending large and increasing amounts on education, while Liberia has done the same in relation to healthcare in the wake of the Ebola outbreak.

Namibia is one of the highest-ranked African countries in the Index and is fifth among the middle-income countries. It is a good example of the difference between the CRI ranking and traditional measures of inequality. Despite being one of the most unequal countries in the world, its high CRI score reflects the commitment of the Namibian government to reducing inequality, particularly through its high levels of social spending (with secondary education free for all students) and some of the most progressive taxation policies. Its commitment has been recognized by economist Joseph Stiglitz and others, and although inequality remains very high, it is no longer the most unequal country in the world and has been continually reducing inequality since 1993.[34]

Box 4: Latin America: making a wrong turn[35]

In the past 15 years, Latin America as a region has bucked the trend in terms of reducing inequality. Although there are, of course, some exceptions, governments in Uruguay, Bolivia, Argentina and others had put in place strong policies to tackle inequality, mostly by increasing public revenues and social spending, and, in some countries, raising minimum wages. This is reflected in the Index, with a number of Latin American countries ranking relatively highly.

However, the global economic slowdown since 2010 and the fall in commodity prices (on which many countries in the region depend) has led to an increase in poverty rates since 2015. In some countries this has combined with a shift of government towards the centre-right, with less interest in reducing inequality. There is thus a strong likelihood that the previous gains in reducing inequality will slow and may well even be reversed.

The impact of these policy changes is yet to show up in the data and the impact on the Gini coefficient for these countries will take some years to register. In contrast, the CRI Index, with its significant reliance on annual budgets, will start to pick up the impact of such changes sooner. Countries taking regressive actions are likely to start to slip down the Index unless they make subsequent policy changes, and will start to contrast with those countries in Latin America which remain on a progressive path, like Chile, Uruguay, Ecuador and more recently El Salvador.

The poor performers

Table 3: Rank out of 152 countries: the ten worst

Country	Spending on health, education and social protection	Progressive structure and incidence of tax	Labour market policies to address inequality	Total CRI Rank
Bhutan	112	124	141	143
Tonga	98	108	144	144
Belarus	48	148	137	145
Afghanistan	141	131	133	146
Timor-Leste	135	147	121	147
Panama	145	114	140	148
Albania	87	152	59	149
Myanmar	151	38	126	150
Bahrain	133	151	102	151
Nigeria	152	117	139	152

Swaziland also fares very badly. One of the most unequal countries in Africa (and, indeed, the world), its government has failed to put measures in place to tackle inequality. It scores poorly in terms of social spending and progressive taxation, and has a terrible record on labour rights, which together put the country near the bottom of the Index.

India also fares very badly, ranking 132 out of 152 countries in its commitment to reducing inequality – a very worrying situation given that the country is home to 1.2 billion people, many of whom live in extreme poverty. Oxfam calculated that if India were to reduce inequality by a third, more than 170 million people would no longer be poor.[36] Government spending on health, education and social protection is woefully low. The tax structure looks reasonably progressive on paper, but in practice much of the progressive tax is not collected. On labour rights and respect for women in the workplace, India also fares poorly, reflecting that the majority of the labour force is employed in the agricultural and informal sectors, which lack union organization.

These are just some of the many stories behind the numbers in the CRI Index. There is, of course, a story for every country, and we encourage readers to share those with us.

THE RELATIONSHIP BETWEEN THE CRI INDEX AND ACTUAL INEQUALITY LEVELS

This report also looks at **inequality levels**. Although the Index itself does not include measures of inequality, section 5 looks at in-country inequality and the various measures and their limitations, conceptually and in terms of data. This report uses the Palma ratio, which compares the incomes of the top 10% to the bottom 40%. This is considered the best measure of inequality for the purposes of this research, because it takes more notice of incomes at the extremes of the distribution (whereas the Gini coefficient focuses more on the incomes of those in the middle, and can underestimate the importance of top incomes). While the Palma measures relative income, Oxfam's paper, *An Economy for the 1%*, found that in absolute terms, the biggest share of income growth has gone to the top 10%. Palma ratios range from 7 (where a country such as South Africa has the top 10% earning seven times more than the bottom 40%) to less than 1 (where, as in Sweden, the top 10% is earning the same as the bottom 40%). Oxfam and DFI maintain that all countries should aim for a Palma ratio of no more than 1.

The index does not use measures of **wealth inequality,** as the data is simply not available at country level, especially for low-income countries. Global comparisons, like those made in Oxfam's recent reports for the Davos meetings[37] are unfortunately not replicable in many countries due to data constraints. Most countries have much higher wealth inequality than income inequality. Germany for example has very high wealth inequality by European standards, which past and current governments have failed to address – or have even aggravated through regressive policies. [38] Despite the continued concern of Oxfam and DFI for wealth inequality, this index does not look at specific policies aimed at tackling wealth, such as wealth, land and property taxation, as again cross-country data on this is not available for enough countries. We hope to look at these taxes in future indexes; and wealth inequality and how to tackle it continues to be a major focus of Oxfam reports for the World Economic Forum in Davos.

WHICH POLICIES ARE STRONGEST AND WEAKEST?

Across all 152 countries, scores vary considerably for different policies. Within each of the pillars:

- Many countries are doing relatively well on the scale of social spending. They are spending more on social protection (19% of budgets) than on education (15%) or health (11%). The average spending levels for education and health are well below those needed to achieve the SDGs (20% and 15% respectively), which a number of countries have signed up to as part of the Abuja and Incheon Declarations.[39] In most low- and lower middle-income countries, social protection spending also remains well below the levels needed for basic social protection floors, as estimated by the Bachelet Commission (3–5% of GDP).[40] Most countries across the world still need to increase their spending on all three sectors dramatically.
- Many countries are doing rather poorly on ensuring that their social spending benefits their poorest citizens more than the wealthy, and thereby reduces inequality. In around two-thirds of the countries analysed, social spending is having at best a neutral effect on the Gini coefficient, rather than reducing it. Countries need to do much more to ensure that their social spending reaches the poorest citizens through universal, free, public provision.

- On tax, many countries are doing increasingly poorly on having progressive tax structures. The rates at which progressive corporate and personal income taxes are levied have been falling and now average only 24.5% and 30% respectively. On the other hand, rates of much less progressive VAT have been increasing and now average 15%. It is essential to reverse these trends and ensure that rates of progressive taxes are higher, as well as ensuring that VAT is made less regressive by exempting basic foodstuffs and small traders.
- Most countries are also doing very poorly on collecting income taxes, with tax productivity levels for these taxes averaging only around 15%, compared with 40% for VAT. To improve the impact on inequality, countries need to collect a much higher proportion of corporate and personal income tax by clamping down on exemptions for large corporations and deductions for wealthy individuals, renegotiating tax treaties and ending tax havens.
- On labour, the average minimum wage is only one-third of national GDP per capita. Just over half of all the 152 countries have laws mandating equal pay and non-discrimination in hiring by gender, and countries are only scoring 4 out of 10 (on average) on the labour rights indicator, with a much lower score on enforcement than on existence of laws. In addition, across the world, 9% of the workforce has no labour rights because they are unemployed, while 32% have no labour rights because they work in the informal sector. A further 35% have reduced rights due to non-standard employment contracts. Countries need to increase their minimum wages, reinforce gender equality laws, implement labour rights laws much more rigorously, and extend labour rights and minimum wages to employees on non-standard contracts.

The patterns vary dramatically for countries with different levels of income, as follows.

- Developing countries are spending 16% of their budgets on education, compared with only 12% among OECD countries. However, the lower a country's income, the less they spend on health (8% for low-income countries compared with 15% for OECD countries) and on social protection (6% for low-income countries compared with 37% for OECD countries).
- Developing countries (especially low-income countries) often have a more progressive tax system on paper than OECD countries because of VAT exemptions for basic goods and small traders, and higher corporate tax rates. Nevertheless, OECD countries reduce inequality more effectively because they collect income taxes more efficiently. There are different priorities here for different countries according to their level of wealth: OECD countries need to improve their tax structures (enhance pro-poor exemptions from VAT and reverse the race to the bottom on corporate tax rates); developing countries (especially middle-income countries) should collect more personal and corporate income taxes; and OECD countries and upper middle-income countries must end tax haven practices.
- OECD countries generally score much higher than developing countries on labour and gender rights – especially on the existence of relevant laws and paid maternity leave. On the other hand, low-income countries perform best on statutory minimum wages due to far-sighted minimum wage increases by a small number of governments (albeit potentially undermined by poor enforcement). A large number of developing countries still need to adopt and enforce laws guaranteeing labour and gender rights, while many OECD and middle-income countries need to focus on increasing the minimum wage.

AREAS FOR IMPROVEMENT AND FURTHER DEVELOPMENT

Economic inequality and gender

Within each of the three areas, spending, tax and labour rights, action to combat economic inequality overlaps significantly with action to combat gender inequality. Gender inequality is exacerbating the growing gap between rich and poor, while widening inequality is in turn making the fight for gender equality harder in countries across the world. Oxfam has shown in its recent paper, *Women and the 1%*, that the fight against economic inequality is closely linked to the fight against gender inequality.[41] Women are hardest hit by regressive taxation and low or regressive public spending, and they are consistently among the worst paid in the most precarious jobs while both laws and social conventions limit their ability to organize for their rights. They also provide the majority of unpaid care work and so are most affected when public services are inadequately funded, further entrenching inequality.

Each section of this report has specific sections on gender. Sadly, the data availability only allows a specific indicator in the section on labour. There is not currently sufficient disaggregated data to look at either spending or taxation from a gender perspective for the purposes of this Index. Only a few countries have engaged in sustained gender budgeting, especially on the spending side, so no overall comparative assessment is possible to the degree to which tax and spending policies fight gender inequality, although the benefits of gender budgeting are well documented. Oxfam strongly supports efforts to increase both gender-responsive budgeting and the collection of data in this area.

Economic inequality and youth

Inequalities between young people and old people are growing across the world. The major accumulation of the world’s wealth to those at the top of the income spectrum has delivered a difficult present and uncertain future to the majority of today’s youth. Extreme economic inequality has been shown to inhibit social mobility,[42] which means that the children of poor parents will stay poor. Unless they come from privileged backgrounds, in many countries the young people of today have fewer opportunities and chances to make the most of their skills and talents than before, because of the huge and growing gap between rich people and everyone else.

Progressive social spending and taxation can counter the growing inequality between young and old people by reducing the wealth handed down between generations directly, and by using revenues to spend more on education and health services that are accessible to all. This is particularly true of education. In countries where education services are very limited and there is a reliance on private education, the vast majority of young people (especially girls) are excluded. Equally strong labour rights are key to helping young people secure a fair wage. Many minimum wages do not apply to young people, so eligibility criteria need to be extended.

Economic inequality, elite capture and political participation

Many decades ago, US Supreme Court Justice Louis Brandeis famously said ‘you can have extreme inequality or you can have democracy – you cannot have both’. Across the world, faced with growing gaps between elites and the rest of society, politicians are clamping down on democratic rights and closing the space for civil society.[43] Inclusive policy making processes which respect the rights and voice of all people are important as an end in themselves – but also to secure the best policies. Conversely, policy making processes dominated by elites undermine democracy and have been shown to result in policies which predominantly benefit those elites.[44]

Currently, the CRI Index has no explicit measure of political openness or corruption. Many of the poorest performers are also countries that experience high levels of corruption and low levels of political participation. They also have high levels of elite control of government, media and businesses, with extensive networks of patronage and clientelism. While the index does not measure this directly, it is clear that there is a link between poor government performance and the level of corruption and poor governance. This connection is something that DFI and Oxfam intend to look into in greater depth in future years, perhaps including indicators on corruption or governance and participation, and in particular women's participation.

Other policies of relevance to inequality

Social spending, tax and labour rights are not the only areas in which governments can take action to reduce inequality. Other policies – for example, on small and medium-sized enterprises (SMEs), rural development and financial inclusion – can and do have an impact. However, concerted action on spending, taxation and labour rights is a common feature of success stories in reducing inequality, and any government seeking to tackle inequality should therefore prioritize action in these three areas.

Figures on **agricultural spending** are not included in the CRI Index, although this is arguably central to reducing inequality in the majority of developing countries where the poorest groups are predominantly still engaged in farming, the majority of whom are women. African governments have committed to spending 10% of their budgets on agriculture, and other developing countries could be asked to do the same. It is not clear what would be asked of industrialized nations, particularly as their agricultural investment often takes the form of subsidies that can fail to benefit the poorest people. Nevertheless, in subsequent iterations of the CRI Index, DFI and Oxfam will consider including spending on agriculture for the subset of developing countries.

Equally, in spite of recent evidence on the extent to which the impacts of **climate change** are more likely to hit the poorest communities than the richest,[45] the biggest contributors to climate change remain the richest.[46] Spending on climate adaptation may also be something that is factored in, in some way, to subsequent iterations of the Index.

Although this hypothesis has not been tested, it is reasonable to suppose that action on social spending, taxation and labour to reduce inequality can be used as a proxy for a government's general approach to tackling inequality through other policy interventions too. In this way, the CRI Index is similar to the Human Development Index, which measures three critical variables – life expectancy, education and per capita income – to make a broader point about a given country's overall level of human development. Clearly, human development is more complex than these three pillars of policy, but the Index nevertheless serves a powerful and useful purpose.

RECOMMENDATIONS

1. **Better data**

   Governments, international institutions and other stakeholders should work together to radically and rapidly improve data on inequality and related policies, and to accurately and regularly monitor progress in reducing inequality.

   Throughout this report, we highlight the many areas where data constraints prevent a robust assessment of the progress being made on reducing inequality; yet it is imperative that people can understand and hold governments to account for the policies that are in place and the outcomes they affect. Data on inequality remains extremely poor and irregular; official data on spending, tax and labour policies should be collected regularly as part of the SDG monitoring process. There is also a wide range of additional data priorities (notably on the impact of policies on gender and youth, but also on social protection spending, capital gains and property/wealth taxes, minimum wages, and non-standard employment).

2. **Policy impact**

   Governments and international institutions should analyse the distributional impact of any proposed policies, and base their choice of policy direction on the impact of those policies on reducing inequality

   Data is of little use without an analysis of the impact of policies on reducing inequality. There must be greater investment in analysis (across more countries, more regularly, and in a wider range of policy areas) of the impact of government policies on inequality: top priorities are to analyse spending composition and incidence, tax incidence and effort/potential, tax haven behaviour, trends in and coverage/enforcement of labour rights, gender equality and minimum wage rights in all countries.

3. **Policy action**

   Governments must dramatically improve their efforts on progressive spending, taxation and workers' pay and protection.

   There needs to be an increase in taxation of the richest corporations and individuals, and an end to tax-dodging and the harmful 'race to the bottom' on taxation. Spending on public services and social protection needs to be increased and improved. There needs to be systematic tracking of public expenditures, involving citizens in budget oversight. Workers need to be better paid and better protected. The next section presents the overall rankings on the CRI Index, with subsequent sections on the three areas it measured: social spending, taxation and labour rights. The final section looks at levels of economic inequality.

THE COMMITMENT TO REDUCING INEQUALITY FINDINGS

What follows are the overall global CRI ranking for each country and rankings for each region of the world. These are followed by sections on each area being monitored: spending, tax and labour. Finally there is a short section looking at the relationship between the CRI Index and measures of inequality, in particular the Palma ratio.

On the CRI Index, each country is given a score between 0 and 1 for each indicator, and then ranked under that indicator based on its score. These scores are then averaged to give the overall CRI ranking. This means that countries may have rankings in the three pillars that are not as high as their overall rank, because their overall average score remains high.

Table 5: CRI Index headline findings

Country	Spending on health, education and social protection	Progressive structure and incidence of tax	Labour market policies to address inequality	Total CRI Rank
Sweden	9	8	8	1
Belgium	4	*3	24	2
Denmark	8	9	12	3
Norway	20	6	3	4
Germany	2	17	6	5
Finland	3	23	10	6
Austria	6	*40	1	7
France	5	19	21	8
Netherlands	19	*13	9	9
Luxembourg	12	*21	11	10
Japan	7	43	4	11
Iceland	24	27	7	12
Ireland	1	*53	19	13
Australia	27	4	25	14
Canada	30	7	16	15
Italy	17	14	29	16
United Kingdom	28	31	5	17
Switzerland	14	*86	2	18
Portugal	18	29	30	19
Slovenia	13	56	22	20
South Africa	29	1	54	21
Malta	37	*2	26	22
United States	25	26	37	23
Czech Republic	10	104	14	24
Greece	11	60	46	25
Argentina	34	16	36	26
Spain	16	48	55	27
Hungary	21	85	32	28
Israel***	38	42	23	29
New Zealand	15	115	35	30

Country	Spending on health, education and social protection	Progressive structure and incidence of tax	Labour market policies to address inequality	Total CRI Rank
Cyprus	42	*38	27	31
Slovak Republic	23	128	20	32
Croatia	44	32	39	33
Costa Rica	32	*36	77	34
Poland	22	121	38	35
Uruguay	33	44	81	36
Occupied Palestinian Territory**	91	79	13	37
Estonia	26	127	43	38
Chile	36	58	76	39
Namibia	41	52	64	40
Niger	125	51	17	41
Liberia	108	*96	18	42
Guyana	68	72	40	43
Tunisia	40	20	130	44
Colombia	51	50	84	45
Latvia	31	145	28	46
Bolivia	43	77	85	47
Mauritius	62	*108	45	48
Lesotho	76	46	57	49
Romania	57	132	31	50
Korea, Rep.	45	67	93	51
Mozambique	70	35	72	52
Zimbabwe	69	25	88	53
Burkina Faso	104	87	33	54
Turkey	59	55	83	55
Malawi	115	18	51	56
Ecuador	80	41	60	57
Armenia	47	92	80	58
Djibouti	92	12	0	59
Samoa	46	*118	61	60
Guinea	136	122	15	61
Jordan	86	*15	90	62
Seychelles	102	*10	0	63
Georgia	63	5	138	64
Tajikistan	81	111	41	65
Togo	114	112	34	66
El Salvador	60	63	102	67
Mexico	35	125	91	68
Kiribati	56	75	100	69
Thailand	61	22	136	70

Country	Spending on health, education and social protection	Progressive structure and incidence of tax	Labour market policies to address inequality	Total CRI Rank
Benin	94	47	70	71
Papua New Guinea	117	71	52	72
Trinidad and Tobago	84	73	68	73
Sierra Leone	111	103	47	74
Solomon Islands	54	89	121	75
Mongolia	66	123	62	76
Kazakhstan	90	39	98	77
Tanzania	118	24	92	78
Bulgaria	52	144	44	79
Vietnam	109	74	65	80
Nepal	110	69	71	81
Algeria	89	83	78	82
Lithuania	49	141	49	83
Zambia	82	37	123	84
Russian Federation	58	66	132	85
Singapore	65	*105	96	86
China	67	94	107	87
Burundi	73	76	116	88
Kyrgyz Republic	55	117	111	89
Peru	77	57	126	90
Maldives	71	*136	58	91
St. Lucia	85	*84	0	92
Rwanda	123	81	73	93
Kenya	131	88	53	94
Azerbaijan	134	28	75	95
Honduras	132	49	66	96
Ethiopia	105	54	103	97
Mali	93	61	113	98
Mauritania	143	11	63	99
Dominican Republic	74	78	128	100
Indonesia	121	34	114	101
Ghana	124	45	104	102
Morocco	99	140	50	103
Serbia	39	139	0	104
Botswana	78	62	134	105
Malaysia	96	30	135	106
Moldova	50	143	69	107
Congo, Dem. Rep.	107	82	105	108
Guatemala	72	110	124	109
Congo, Rep.	126	93	79	110
Cambodia	137	137	42	111
Gambia, The	95	95	115	112

Country	Spending on health, education and social protection	Progressive structure and incidence of tax	Labour market policies to address inequality	Total CRI Rank
Côte d'Ivoire	100	134	67	113
Philippines	101	80	122	114
Barbados	97	*100	0	115
Paraguay	79	129	97	116
Uganda	127	68	94	117
Antigua and Barbuda	88	114	0	118
St. Vincent and the Grenadines	64	*133	0	119
Vanuatu	120	*97	110	120
Senegal	116	106	112	121
Central African Republic	147	135	48	122
Angola	139	90	82	123
Jamaica	106	126	95	124
Yemen, Rep.	119	99	129	125
Egypt, Arab Rep.	75	102	143	126
Fiji	129	*109	106	127
Guinea-Bissau	113	138	99	128
Cabo Verde	103	142	89	129
São Tomé and Principe	122	119	0	130
Lebanon	138	*101	108	131
India	149	91	86	132
Cameroon	144	64	119	133
Lao PDR	150	33	87	134
Madagascar	128	150	56	135
Oman	130	146	74	136
Haiti	140	120	109	137
Sri Lanka	142	59	131	138
Pakistan	146	98	118	139
Swaziland	83	130	142	140
Bangladesh	148	65	127	141
Ukraine	53	149	117	142
Bhutan	112	124	141	143
Tonga	98	*107	144	144
Belarus	48	148	137	145
Afghanistan	141	131	133	146
Timor-Leste	135	147	120	147
Panama	145	*113	140	148
Albania	87	152	59	149
Myanmar	151	70	125	150
Bahrain	133	*151	101	151
Nigeria	152	116	139	152

Note: ***** This country has been identified by Oxfam, the Tax Justice Network and/or other institutions as playing a significant role as a corporate tax haven and/or secrecy jurisdiction. If this were taken into account, their rank on the tax pillar would not be as high and it is likely their overall CRI rank would also be lower. We were unable to incorporate the tax haven status of these and other countries into the Index for this first version and are working with experts in the tax field to aim to make an updated assessment of the characteristics of a tax haven for all countries for subsequent versions.

Note: ** **Occupied Palestinian Territory**

These figures relate to those parts of the Occupied Palestinian Territory (OPT) that fall under the jurisdiction of the Palestinian National Authority (PNA). The OPT refers to the Palestinian territory occupied by Israel since the 1967 war: the Gaza Strip and the West Bank including East Jerusalem. The OPT is recognized as one territorial entity under international law. The key drivers of inequality and injustice for Palestinians in the OPT are the protracted occupation, recurrent conflict and the systematic and ongoing denial of Palestinian rights. While this Index measures fairness of taxation, levels of social spending and work conditions, it is not designed to capture elements related to a situation of military occupation. It should be noted that the PNA and Palestinian economy remain heavily constrained by the ongoing occupation. Taxation in the OPT is subject to the Oslo Accords (Protocol on Economic Relations or Paris Protocol) and the PNA is not fully sovereign in determining tax policies as they pertain to indirect taxation, the majority of which are collected by the occupying power and transferred to the PNA. However the PNA retains power to levy and collect direct taxes under its authority and Oxfam partners are seeking to encourage the PNA to address issues of tax inequality where it can, within the constraints outlined above. The results of Oxfam's 'Commitment to Reducing Inequality' Index as they relate to the OPT should be interpreted in the light of these facts.

Note: *****Israel**

These figures relate to the Government of Israel (GoI)'s national budget, tax system, labour conditions and gender equality and related laws that the GoI applies to its citizens. It must be noted, however, that Israel is the occupying power in the Occupied Palestinian Territory (OPT). In this capacity, the GoI maintains various degrees of control over the occupied Palestinian population. For example, Palestinians for whom the GoI is responsible in Area C of the West Bank do not benefit from the protections of the GoI's labour laws, while the residents of illegal Israeli settlements in the same geographic locations do. The key drivers of inequality and injustice for Palestinians in the OPT are the protracted occupation, recurrent conflict and the systematic and ongoing denial of Palestinian rights. While this Index measures fairness of taxation, levels of social spending and work conditions, it is not designed to capture elements related to a situation of military occupation. The results of Oxfam's Commitment to Reducing Inequality Index as they relate to the GoI's control of the OPT should be interpreted in the light of these facts.

REGIONAL RANKINGS

Asia

Asia's phenomenal economic growth over the past two decades is a remarkable success story in the fight against poverty. However, this growth has also led to a sharp widening of the gap between rich and poor. In cities from Mumbai to Bangkok, state-of-the-art condo and office towers stand alongside shantytowns where people live with no basic services and little protection from the elements. Asia includes some of the countries with the fastest-growing inequality in the world. Whereas growth in the region from the 1960s to the 1980s was remarkable for its broad base, recent growth has been far less inclusive. This is partly due to recent policies that favour those at the top, including widespread tax breaks for corporations and individuals, and cuts in headline tax rates.

Tables 6 and 7 show the individual ranking per indicator and the overall ranking for countries in East Asia and the Pacific, and South Asia respectively.

Table 6: East Asia and Pacific

Country	Spending on health, education and social protection	Spending rank	Progressive structure and incidence of tax	Tax rank	Labour market policies to address inequality	Labour rank	CRI score	Regional CRI rank
Japan	0.93	1	0.62	6	0.93	1	0.82	1
Australia	0.70	3	0.91	1	0.74	2	0.78	2
New Zealand	0.84	2	0.38	19	0.68	3	0.60	3
Korea, Rep.	0.44	4	0.53	7	0.36	9	0.44	4
Samoa	0.43	5	0.35	20	0.48	6	0.42	5
Kiribati	0.36	7	0.51	11	0.34	11	0.40	6
Thailand	0.35	8	0.72	2	0.18	21	0.39	7
Papua New Guinea	0.19	16	0.52	9	0.53	5	0.39	8
Solomon Islands	0.39	6	0.46	13	0.28	17	0.38	9
Mongolia	0.31	10	0.33	21	0.48	7	0.37	10
Vietnam	0.20	15	0.51	10	0.46	8	0.36	11
Singapore	0.32	9	0.41	16	0.35	10	0.36	12
China	0.31	11	0.45	14	0.31	13	0.35	13
Indonesia	0.18	18	0.67	5	0.30	15	0.33	14
Malaysia	0.22	12	0.69	3	0.18	20	0.32	15
Cambodia	0.11	21	0.24	22	0.60	4	0.31	16
Philippines	0.21	14	0.49	12	0.28	18	0.31	17
Vanuatu	0.18	17	0.44	15	0.31	14	0.29	18
Fiji	0.14	19	0.39	18	0.31	12	0.26	19
Lao PDR	0.04	22	0.67	4			0.24	20
Tonga	0.22	13	0.40	17			0.20	21
Timor-Leste	0.12	20	0.10	23	0.29	16	0.17	22
Myanmar	0.02	23	0.53	8	0.27	19	0.15	23

Table 7: South Asia

Country	Spending on health, education and social protection	Spending rank	Progressive structure and incidence of tax	Tax rank	Labour market policies to address inequality	Labour rank	CRI score	Regional CRI rank
Nepal	0.20	2	0.53	3	0.45	2	0.36	1
Maldives	0.29	1	0.25	8	0.50	1	0.35	2
India	0.07	8	0.46	4	0.40	3	0.25	3
Sri Lanka	0.09	5	0.55	1	0.23	6	0.22	4
Pakistan	0.08	6	0.43	5	0.29	4	0.22	5
Bangladesh	0.07	7	0.53	2	0.26	5	0.21	6
Bhutan	0.20	3	0.32	6			0.21	7
Afghanistan	0.09	4	0.27	7	0.20	7	0.17	8

Africa

Seven of the world's most unequal countries are in Africa.[47] Across Africa, inequality is harming the ability of growth to reduce poverty and deliver shared prosperity. It is hindering the emergence of a new middle class. Instead, the benefits of economic growth are all too often accruing to a small minority. The gap between rich and poor is greater than in any other region of the world apart from Latin America, and in many African countries this gap continues to grow. Equatorial Guinea is a high-income country, with a per capita income higher than that of Spain, but with an infant mortality rate significantly higher than that of Burundi.[48] Table 8 shows the rankings for each pillar and the overall ranking for sub-Saharan African countries included in the CRI Index.

Table 8: Sub-Saharan Africa

Country	Spending on health, education and social protection	Spending rank	Progressive structure and incidence of tax	Tax rank	Labour market policies to address inequality	Labour rank	CRI score	Regional CRI rank
South Africa	0.67	1	1.00	1	0.51	11	0.72	1
Namibia	0.45	2	0.58	13	0.46	15	0.49	2
Niger	0.16	30	0.59	12	0.83	2	0.48	3
Liberia	0.20	20	0.45	27	0.82	3	0.47	4
Mauritius	0.34	3	0.39	30	0.59	6	0.44	5
Lesotho	0.28	7	0.61	10	0.50	13	0.44	6
Mozambique	0.29	5	0.65	7	0.44	18	0.44	7
Zimbabwe	0.30	4	0.71	6	0.39	22	0.44	8
Burkina Faso	0.20	17	0.47	22	0.68	4	0.43	9
Malawi	0.19	24	0.76	4	0.54	9	0.43	10
Guinea	0.12	35	0.34	34	0.85	1	0.42	11
Seychelles	0.21	15	0.82	2			0.41	12
Togo	0.19	23	0.39	31	0.68	5	0.41	13
Benin	0.22	12	0.61	11	0.45	17	0.39	14
Sierra Leone	0.20	21	0.41	28	0.56	7	0.38	15
Tanzania	0.18	26	0.72	5	0.37	24	0.37	16
Zambia	0.25	9	0.65	8	0.28	35	0.36	17
Burundi	0.28	6	0.51	19	0.30	33	0.35	18
Rwanda	0.18	28	0.49	20	0.44	19	0.34	19
Kenya	0.14	34	0.46	23	0.52	10	0.34	20
Ethiopia	0.20	18	0.58	14	0.33	27	0.34	21
Mali	0.22	11	0.55	15	0.30	31	0.33	22
Mauritania	0.09	37	0.81	3	0.46	14	0.33	23
Ghana	0.17	29	0.62	9	0.32	28	0.33	24
Botswana	0.27	8	0.55	16	0.20	36	0.32	25
Congo, Dem. Rep.	0.20	19	0.48	21	0.32	29	0.32	26
Congo, Rep.	0.15	31	0.45	25	0.41	20	0.31	27
Gambia, The	0.22	13	0.45	26	0.30	32	0.31	28

Country	Spending on health, education and social protection	Spending rank	Progressive structure and incidence of tax	Tax rank	Labour market policies to address inequality	Labour rank	CRI score	Regional CRI rank
Côte d'Ivoire	0.21	14	0.27	36	0.45	16	0.31	29
Uganda	0.14	32	0.53	18	0.35	25	0.30	30
Senegal	0.19	25	0.40	29	0.30	30	0.28	31
Central African Republic	0.08	39	0.27	37	0.56	8	0.28	32
Angola	0.11	36	0.46	24	0.40	21	0.28	33
Guinea-Bissau	0.19	22	0.24	38	0.34	26	0.26	34
Cabo Verde	0.20	16	0.17	39	0.38	23	0.25	35
São Tomé and Principe	0.18	27	0.35	33			0.25	36
Cameroon	0.09	38	0.53	17	0.29	34	0.24	37
Madagascar	0.14	33	0.07	40	0.51	12	0.23	38
Swaziland	0.25	10	0.28	35	0.13	38	0.22	39
Nigeria	0.00	40	0.38	32	0.15	37	0.05	40

Latin America

Latin America is the most unequal region in the world, built of a history of colonial exploitation and land concentration favouring small elites and disenfranchising the poorest people, especially indigenous people and women. Nevertheless, in the past 15 years, the region has bucked the trend in terms of reducing inequality. Although there are a number of exceptions, governments in Uruguay, Bolivia, Argentina and other countries have developed important reforms to reduce inequality. Public revenues from commodities were used to increase spending on public services and social protection. In some countries, the minimum wage was also increased. This is reflected in the CRI Index, with a number of Latin American countries doing well (see Table 9).

The region is currently facing an economic downturn connected to the fall in commodity prices. In 2015, it experienced the highest increase in poverty rates since the late 1980s and the change of government in many countries is driving policy shifts that threaten the achievements of recent years.[49]

Table 9: Latin America and the Caribbean

Country	Spending on health, education and social protection	Spending rank	Progressive structure and incidence of tax	Tax rank	Labour market policies to address inequality	Labour rank	CRI score	Regional CRI rank
Argentina	0.54	3	0.77	1	0.67	1	0.65	1
Costa Rica	0.63	1	0.65	2	0.42	7	0.57	2
Uruguay	0.57	2	0.62	4	0.40	8	0.53	3
Chile	0.52	5	0.56	8	0.42	6	0.50	4
Guyana	0.30	10	0.52	10	0.61	2	0.47	5
Colombia	0.41	7	0.59	6	0.40	9	0.46	6
Bolivia	0.44	6	0.50	12	0.40	10	0.44	7
Ecuador	0.25	15	0.64	3	0.49	3	0.43	8
El Salvador	0.35	8	0.55	9	0.33	14	0.40	9
Mexico	0.53	4	0.32	20	0.38	11	0.40	10
Trinidad and Tobago	0.24	16	0.51	11	0.45	5	0.39	11
Peru	0.27	13	0.56	7	0.26	17	0.35	12
St. Lucia	0.24	17	0.48	14			0.34	13
Honduras	0.13	21	0.59	5	0.46	4	0.34	14
Dominican Republic	0.28	12	0.50	13	0.25	18	0.33	15
Guatemala	0.29	11	0.39	16	0.27	16	0.31	16
Barbados	0.22	19	0.43	15			0.30	17
Paraguay	0.27	14	0.29	22	0.34	13	0.30	18
Antigua and Barbuda	0.23	18	0.38	18			0.30	19
St. Vincent and the Grenadines	0.32	9	0.27	23			0.30	20
Jamaica	0.20	20	0.31	21	0.35	12	0.28	21
Haiti	0.10	22	0.35	19	0.31	15	0.23	22
Panama	0.08	23	0.38	17	0.15	19	0.17	23

High-income OECD countries

In most high-income countries, the gap between rich and poor people has been rising for the past 30 years. This trend comes after many years of narrowing inequality, so much so that it was thought that when countries reached a certain level of wealth, an increase in equality was inevitable.[50] At the end of the Second World War, many high-income countries developed high levels of progressive taxation, strong welfare states and strong protection of workers. This combination of policies created some of the most equal countries in the world – which is reflected in the fact that high-income countries are predominantly at the top of the CRI Index (see Table 9). In recent decades, though, there has been a steady erosion of these policies in many rich nations, from Denmark to the US. Institutions such as the IMF and OECD have linked this to rising inequality. The reduction in trade union membership, for example, has been directly linked by the IMF to the increase in inequality.

Table 10: High-income countries

Country	Spending on health, education and social protection	HIC spending rank	Progressive structure and incidence of tax	HIC tax rank	Labour market policies to address inequality	HIC labour rank	CRI score	HIC CRI rank
Sweden	0.71	9	0.71	6	0.65	8	0.88	1
Belgium	0.75	4	0.75	2	0.55	20	0.88	2
Denmark	0.72	8	0.70	7	0.64	12	0.88	3
Norway	0.63	20	0.73	4	0.69	3	0.88	4
Germany	0.75	2	0.68	12	0.66	6	0.88	5
Austria	0.73	6	0.64	20	0.72	1	0.86	6
Finland	0.75	3	0.66	15	0.64	10	0.85	7
France	0.74	5	0.67	13	0.59	17	0.83	8
Netherlands	0.63	19	0.68	9	0.65	9	0.83	9
Luxembourg	0.68	12	0.66	14	0.64	11	0.82	10
Japan	0.72	7	0.62	24	0.67	4	0.82	11
Iceland	0.58	24	0.65	17	0.65	7	0.78	12
Ireland	0.77	1	0.60	27	0.59	15	0.78	13
Australia	0.55	27	0.74	3	0.54	21	0.78	14
Canada	0.51	29	0.71	5	0.61	14	0.77	15
Italy	0.65	17	0.68	10	0.51	25	0.77	16
United Kingdom	0.54	28	0.64	19	0.67	5	0.76	17
Switzerland	0.66	14	0.55	35	0.71	2	0.75	18
Portugal	0.63	18	0.65	18	0.51	26	0.73	19
Slovenia	0.67	13	0.59	28	0.59	18	0.73	20
Malta	0.41	34	0.77	1	0.53	22	0.71	21
United States	0.57	25	0.65	16	0.48	30	0.70	22
Czech Republic	0.68	10	0.53	37	0.62	13	0.69	23
Greece	0.68	11	0.59	30	0.41	34	0.65	24
Argentina	0.43	32	0.68	11	0.48	29	0.65	25
Spain	0.65	16	0.61	26	0.37	36	0.64	26
Hungary	0.62	21	0.55	34	0.50	27	0.63	27
Israel	0.39	35	0.62	23	0.55	19	0.62	28
New Zealand	0.66	15	0.51	40	0.49	28	0.60	29
Cyprus	0.36	36	0.63	22	0.53	23	0.60	30

Country	Spending on health, education and social protection	HIC spending rank	Progressive structure and incidence of tax	HIC tax rank	Labour market policies to address inequality	HIC labour rank	CRI score	HIC CRI rank
Slovak Republic	0.59	23	0.47	43	0.59	16	0.58	31
Croatia	0.36	37	0.64	21	0.46	32	0.57	32
Poland	0.61	22	0.50	41	0.47	31	0.56	33
Uruguay	0.46	31	0.62	25	0.29	40	0.53	34
Estonia	0.57	26	0.47	42	0.43	33	0.51	35
Chile	0.42	33	0.59	29	0.30	39	0.50	36
Latvia	0.51	30	0.41	45	0.52	24	0.45	37
Korea, Rep.	0.36	38	0.58	32	0.26	41	0.44	38
Seychelles	0.19	45	0.70	8			0.41	39
Trinidad and Tobago	0.22	42	0.57	33	0.33	37	0.39	40
Lithuania	0.35	39	0.42	44	0.40	35	0.36	41
Russian Federation	0.30	40	0.58	31	0.15	44	0.36	42
Singapore	0.27	41	0.52	38	0.25	42	0.36	43
Barbados	0.20	44	0.53	36			0.30	44
Antigua and Barbuda	0.21	43	0.51	39			0.30	45
Oman	0.14	46	0.40	46	0.31	38	0.23	46
Bahrain	0.14	47	0.36	47	0.24	43	0.15	47

Table 11 OECD countries

Country	Spending on health, education and social protection	OECD spending rank	Progressive structure and incidence of tax	OECD tax rank	Labour market policies to address inequality	OECD labour rank	CRI score	OECD CRI rank
Sweden	0.71	9	0.71	5	0.65	8	0.88	1
Belgium	0.75	4	0.75	1	0.55	20	0.88	2
Denmark	0.72	8	0.70	6	0.64	12	0.88	3
Norway	0.63	20	0.73	3	0.69	3	0.88	4
Germany	0.75	2	0.68	9	0.66	6	0.88	5
Austria	0.73	6	0.64	17	0.72	1	0.86	6
Finland	0.75	3	0.66	12	0.64	10	0.85	7
France	0.74	5	0.67	10	0.59	17	0.83	8
Netherlands	0.63	19	0.68	7	0.65	9	0.83	9
Luxembourg	0.68	12	0.66	11	0.64	11	0.82	10
Japan	0.72	7	0.62	19	0.67	4	0.82	11
Iceland	0.58	24	0.65	14	0.65	7	0.78	12
Ireland	0.77	1	0.60	21	0.59	15	0.78	13
Australia	0.55	27	0.74	2	0.54	21	0.78	14
Canada	0.51	29	0.71	4	0.61	14	0.77	15
Italy	0.65	17	0.68	8	0.51	23	0.77	16
United Kingdom	0.54	28	0.64	16	0.67	5	0.76	17
Switzerland	0.66	14	0.55	28	0.71	2	0.75	18
Portugal	0.63	18	0.65	15	0.51	24	0.73	19
Slovenia	0.67	13	0.59	23	0.59	18	0.73	20
United States	0.57	25	0.65	13	0.48	27	0.70	21
Czech Republic	0.68	10	0.53	29	0.62	13	0.69	22
Greece	0.68	11	0.59	25	0.41	30	0.65	23
Spain	0.65	16	0.61	20	0.37	31	0.64	24
Hungary	0.62	21	0.55	27	0.50	25	0.63	25
Israel	0.39	33	0.62	18	0.55	19	0.62	26
New Zealand	0.66	15	0.51	30	0.49	26	0.60	27
Slovak Republic	0.59	23	0.47	34	0.59	16	0.58	28
Poland	0.61	22	0.50	31	0.47	28	0.56	29
Estonia	0.57	26	0.47	33	0.43	29	0.51	30
Chile	0.42	32	0.59	24	0.30	32	0.50	31
Latvia	0.51	30	0.41	35	0.52	22	0.45	32
Korea, Rep.	0.36	34	0.58	26	0.26	35	0.44	33
Turkey	0.30	35	0.59	22	0.29	33	0.43	34
Mexico	0.43	31	0.48	32	0.27	34	0.40	35

NOTES

All web links were accessed in May 2017 unless otherwise stated.

1 For an outline of this see for example World Bank 2016 Shared Prosperity 2016: Tackling Inequality

2 D. Hardoon, S. Ayele and R. Fuentes-Nieva (2016). *An Economy for the 1%: How privilege and power in the economy drive extreme inequality and how this can be stopped*. Oxford: Oxfam International. http://oxf.am/Znhx. https://doi.org/10.21201/2016.592643

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N.Lustig (2015). *The Redistributive Impact of Government Spending on Education and Health: Evidence from Thirteen Developing Countries in the Commitment To Equity Project*. CEQ Working Paper Series. Tulane University; and OECD (2015*), In It Together: Why Less Inequality Benefits All* and see, for example, F. Jaumotte and C. Osario Bultron (2015). *Power From The People*. IMF. *Finance & Development*. 52:1. http://www.imf.org/external/pubs/ft/fandd/2015/03/jaumotte.htm

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8 OECD (2015). *In It Together: Why Less Inequality Benefits All.* Op. cit.

9 For evidence of the power of taxation to reduce inequality, see the multiple country studies carried out by the Commitment to Equity Institute, available at www.commitmenttoequity.org

10 F. Jaumotte and C. Osorio Buitron (2015). *Inequality and Labor Market Institutions* IMF Staff Discussion Note SDN/15/14.

11 F. Jaumotte and C. Osorio Buitron (2015). *Inequality and Labor Market Institutions*. Op. cit.

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13 Prior to 2004, the bottom 40% of Denmark's population got more income than the top 10%; this has since reversed. See https://www.ae.dk/sites/www.ae.dk/files/dokumenter/publikation/ae_fl16.pdf

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16 It is also the case that these structural factors are often a lot more context-specific than the core actions of progressive spending, taxation and labour rights, which are relevant to inequality reduction in almost every instance.

17 New Rules for Global Finance/Development Finance International, Are the International Institutions Reducing Inequality ? The Global Financial Institutions Impact Report 2017, Friedrich Ebert Stiftung

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M.J. Lee and T. Luhby (2017). http://www.cnn.com/2017/03/13/politics/cbo-report-health-care/index.html

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26 A. Krozer (2015). *For Richer or Poorer: The capture of growth and politics in emerging economies*. Oxfam International. http://oxf.am/ZmqK

27 Nigeria out-of-school figures, see: http://www.premiumtimesng.com/news/top-news/188590-10-5m-children-out-of-school-in-nigeria-unicef.html

28 Nigeria infant mortality figures, see World Bank: http://data.worldbank.org/indicator/SH.DYN.MORT

29 Africa Progress Panel (2013). *Equity in Extractives: Stewarding Africa's natural resources for all*.

30 See World Bank, http://data.worldbank.org/indicator/SI.POV.GINI?locations=AR

31 D. Rossignolo (2016). *Taxes, Expenditures, Poverty and Income Distribution in Argentina*. Commitment to Equity Working Paper 45. http://www.commitmentoequity.org/wp-content/uploads/2017/05/CEQ_WP45_Rossignolo_May17_2017.pdf

32 See, for example, Tihomir Gligorevic (2017). https://inserbia.info/today/2017/03/argentina-biggest-work-stoppage-looms-for-macri-as-teachers-plan-strike/

33 Of course all three countries have large informal sectors, so these progressive labour rights do not apply to a large section of the population. The index figures do discount all the labour indicators for levels of informality, which is explained in Section 4, but nevertheless these countries do well because of their generous minimum wages.

34 J.E. Stiglitz and A. Schiffrin (2016). *Learning from Namibia*. Project Syndicate. https://www.project-syndicate.org/commentary/namibia-economic-social-success-story-by-joseph-e--stiglitz-and-anya-schiffrin-2016-06

35 For a full discussion and analysis of the inequality situation in Latin America and the Caribbean see R. Canete et al. (2015). *Privileges That Deny Rights: Extreme Inequality and the Hijacking of Democracy in Latin America and the Caribbean*. Oxfam. http://oxf.am/ZmS9

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38 Policy choices that were detrimental to the reduction of wealth inequality are e.g. the abandonment of the wealth tax in 1997; the continued privilege on business assets in the inheritance taxation; and the introduction of flat-rate taxation on capital gains since 2009.

39 For detail of the Abuja Declaration, see http://www.who.int/healthsystems/publications/abuja_declaration/en/ and for the Incheon Declaration, see http://www.uis.unesco.org/Education/Documents/incheon-framework-for-action-en.pdf

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47 World Bank (2016). *Poverty in a Rising Africa*. http://www.worldbank.org/en/region/afr/publication/poverty-rising-africa-poverty-report

48 Per capita income of Equatorial Guinea at GDP PPP is 34,000; for Spain it is 33,600. Infant mortality for Burundi is 54 per 1,000 live births; for Equatorial Guinea it is 68. Sources: http://data.worldbank.org/indicator/SP.DYN.IMRT.IN and http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD

49 For a full discussion and analysis of inequality in Latin America and the Caribbean see R. Canete et al. (2015). *Privileges That Deny Rights*. Op. cit.

50 This is known in economics as the Kuznets Curve, after the work of Simon Kuznets.

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