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GLOBAL INEQUALITY

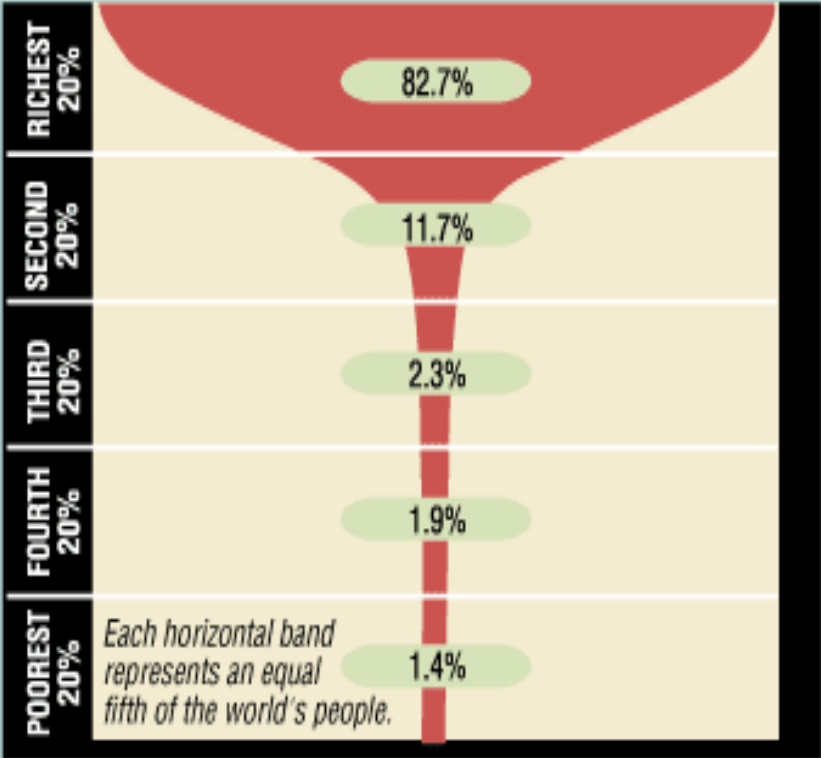
Isabel Ortiz, Director Social Protection ILO
Geneva, 14 November 2018



Distribution of World GDP: The “Champagne Glass”

Distribution of world GDP, 1989

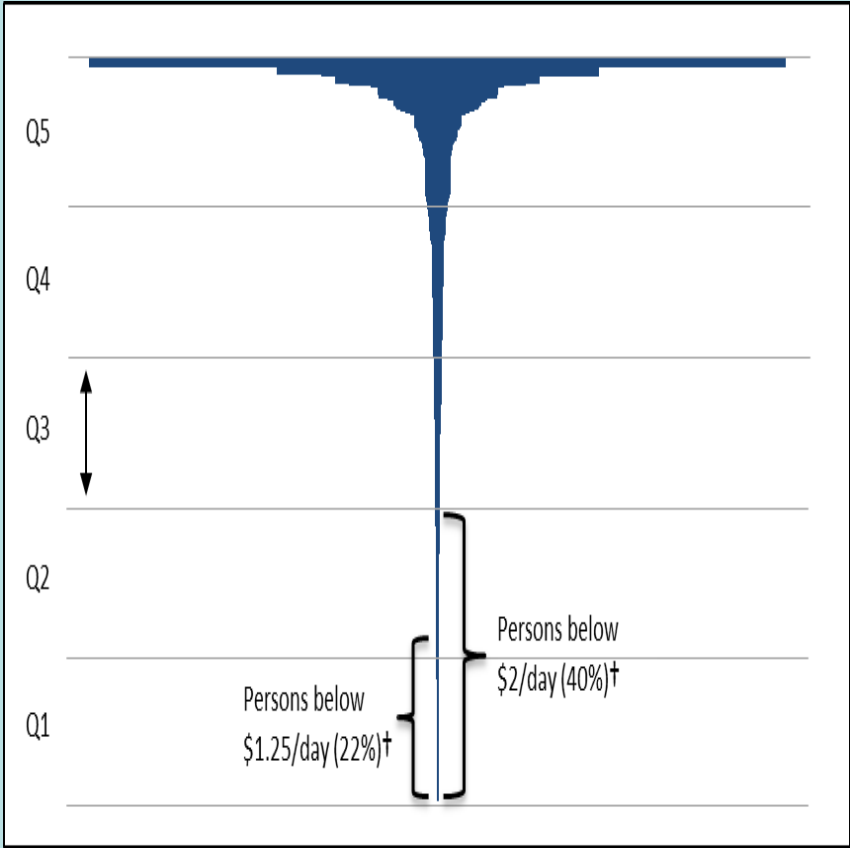
(percent of total, with quintiles of population ranked by income)



Source: United Nations Development Program, 1992, Human Development Report 1992 (New York: Oxford University Press for the United Nations Development Program).

Distribution of world GDP, 2010

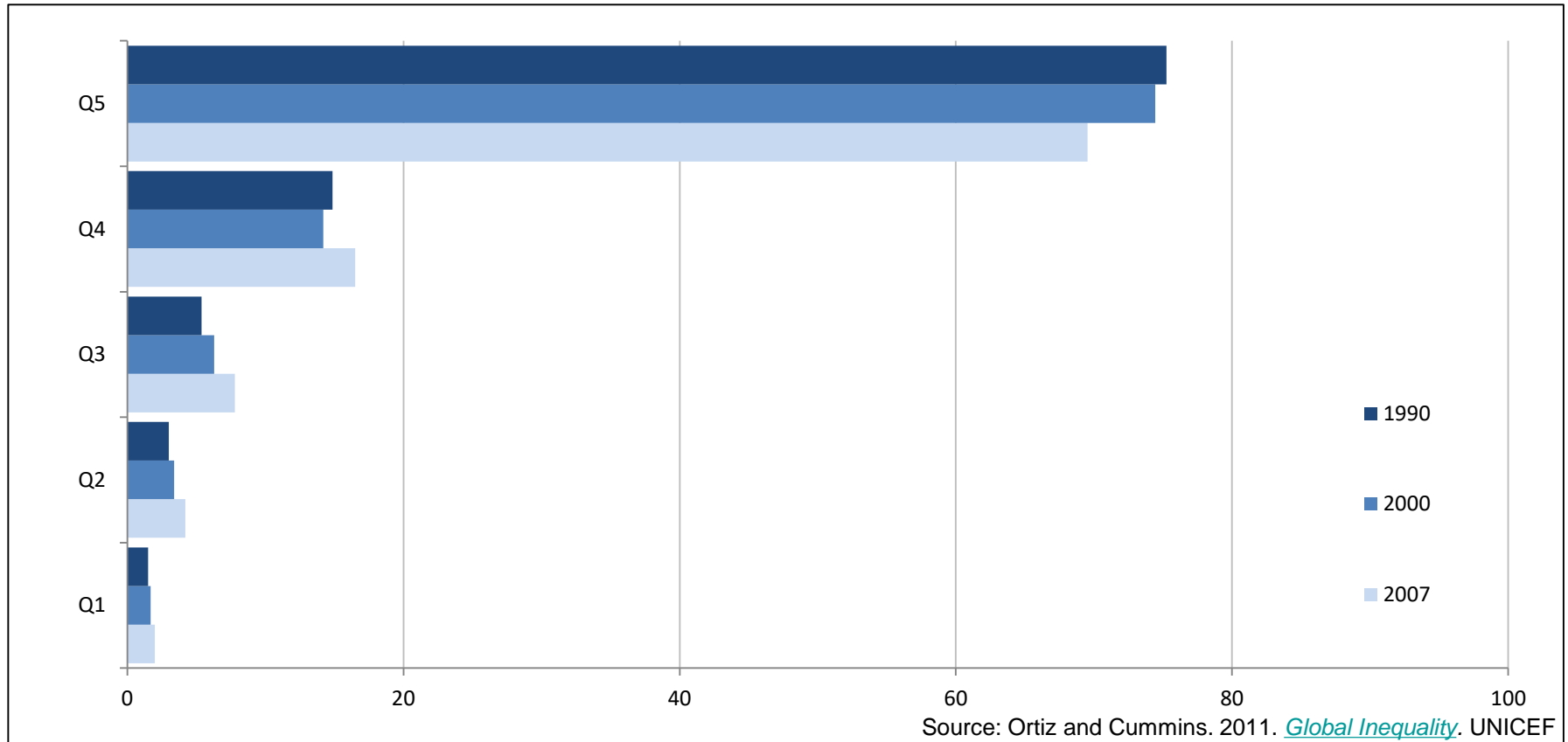
(by quintiles, richest 20% top, poorest 20% bottom)



Source: Ortiz and Cummins. 2011. *Global Inequality*. UNICEF

Distribution of World Income: Development for Whom?

Global Income Distribution by Countries, 1990-2007/08
in PPP constant 2005 international dollars



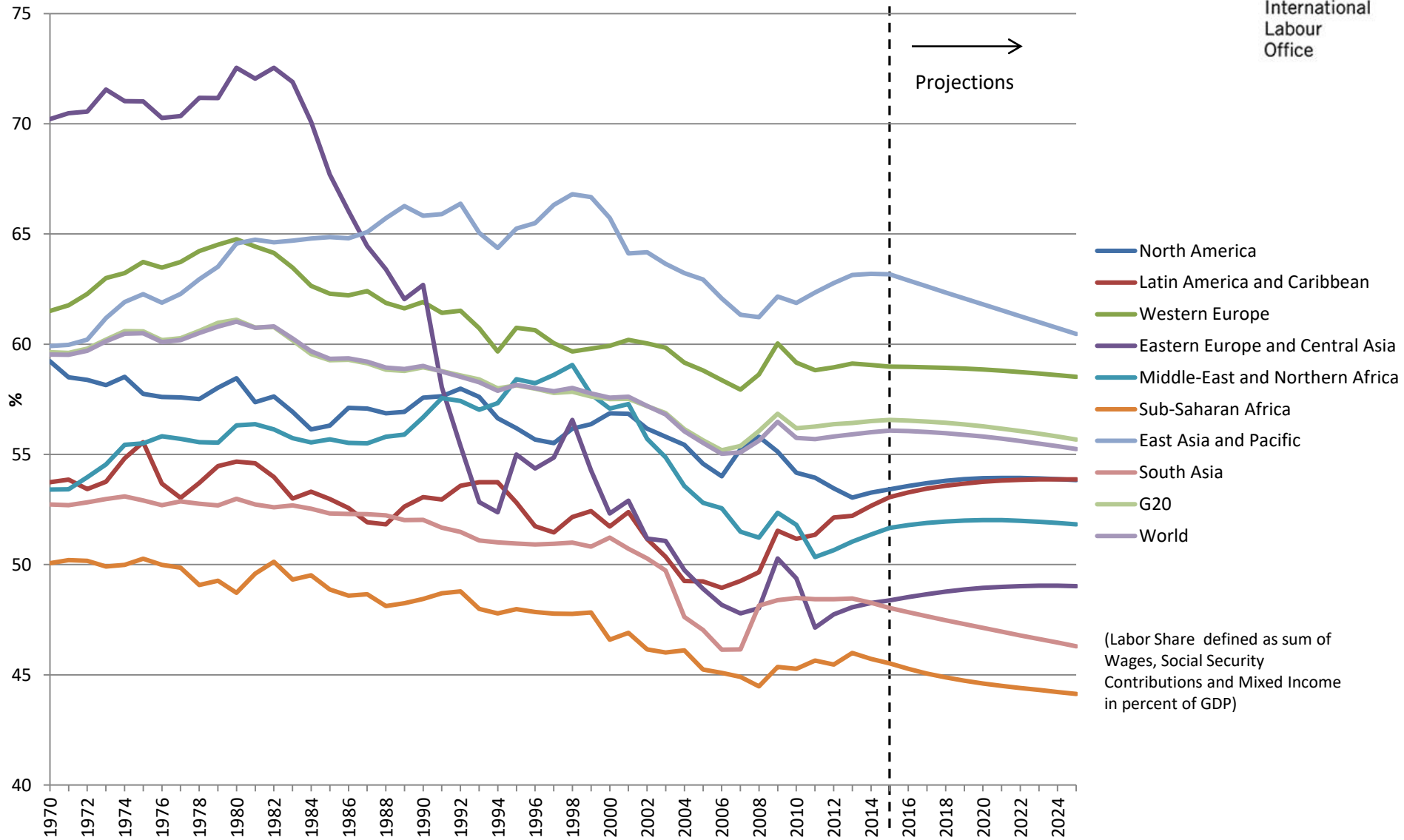
- **Top 1% (61 million) has the same as the poorest 3.5 billion (or 56%) of the world's population**
- **Some progress, but too slow: At this rate, it would take 800 years for the bottom billion to achieve 10% of global income**

Declining Labor Share 1980-2016 Wages and Social Security



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(Projections Based on United Nations Global Policy Model, 2015 Baseline)



Source: UN Global Policy Model 2015

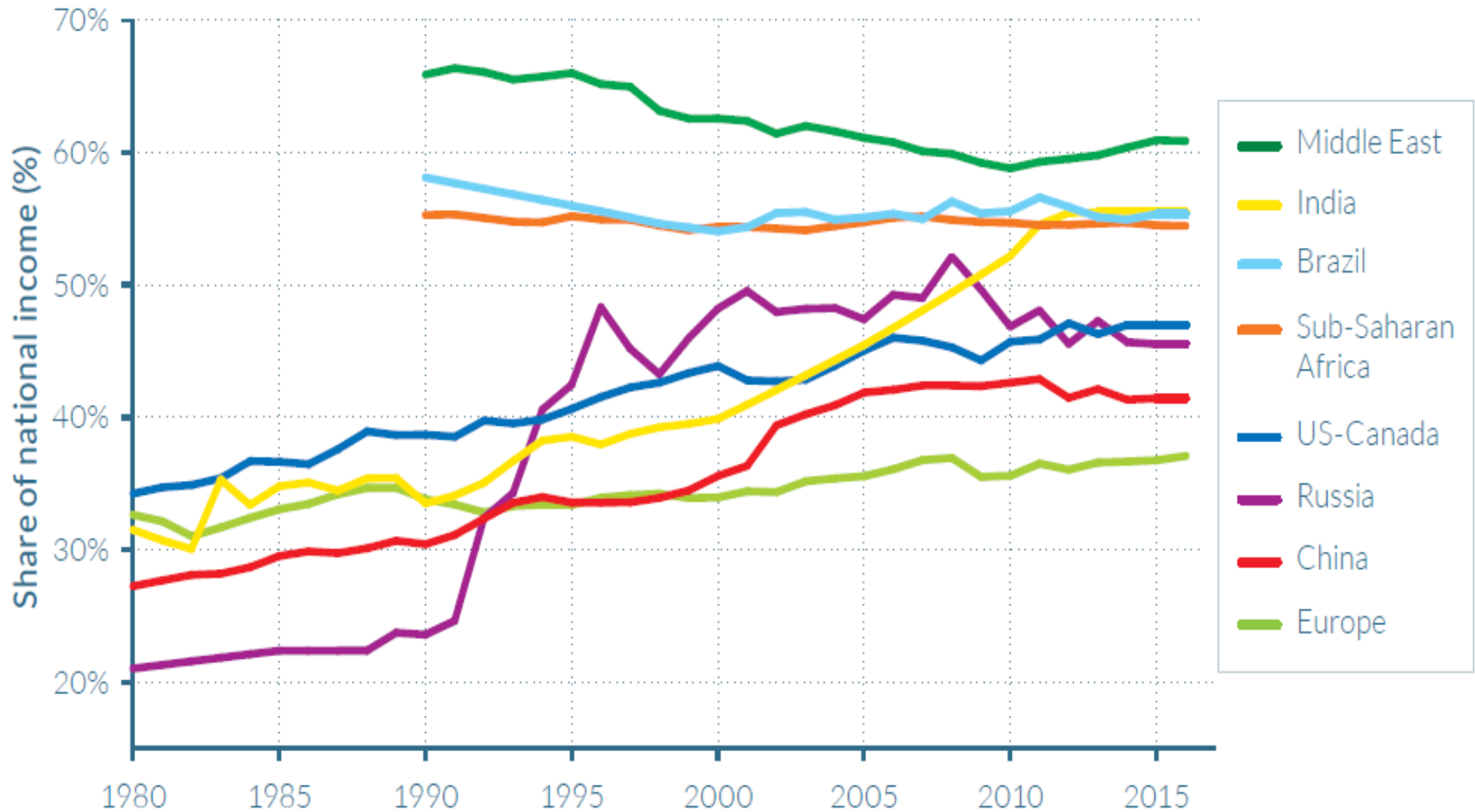
(Labor Share defined as sum of Wages, Social Security Contributions and Mixed Income in percent of GDP)

Increasing Top 10% Income Shares 1980-2016



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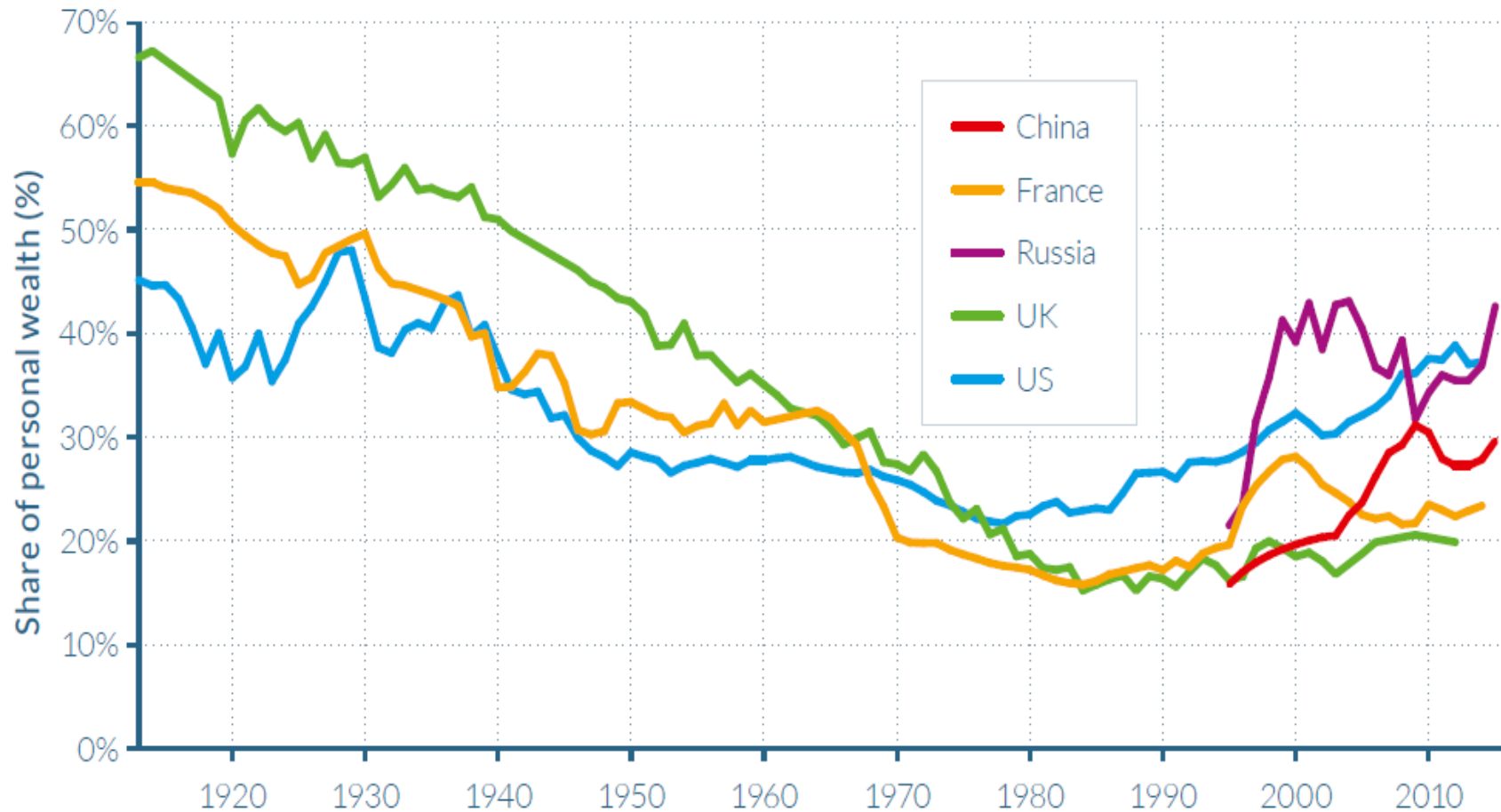
Top 10% income shares across the world, 1980-2016



Historic Perspective 1913-2015: Top 1%

Rise in wealth inequality since the 1980s after a period of historical decline

Top 1% personal wealth share in emerging and rich countries, 1913-2015



Source: World Inequality Report 2018, Figure 4.2.1. See wir2018.wid.world for data sources and notes.

Source: [World Inequality Report 2018](#)

Bringing Equity to the Development Agenda

1980s-90s Orthodox Policy Advise	UN Agenda Development for All - SDGs
✘ Growth priority through deregulation, free markets, minimalist governments, residual social policies	➤ Growth and equity through active promotion of national development. Social and economic development integrated
✘ Macroeconomic policies focused on inflation and stabilization	➤ Macroeconomic policies focused on the stability of real output, incomes and employment
✘ Containing public expenditures, fiscal discipline, avoiding fiscal deficits	➤ Public investment for development, supporting technology policy, transport, rural and urban development, other sectors; need to expand governments' fiscal space
✘ Minimal direct taxation	➤ Taxation for development and redistributive purposes
✘ Export-led growth	➤ Developing domestic markets, selective export policy
✘ Privatization of public assets	➤ Building state capacity to promote

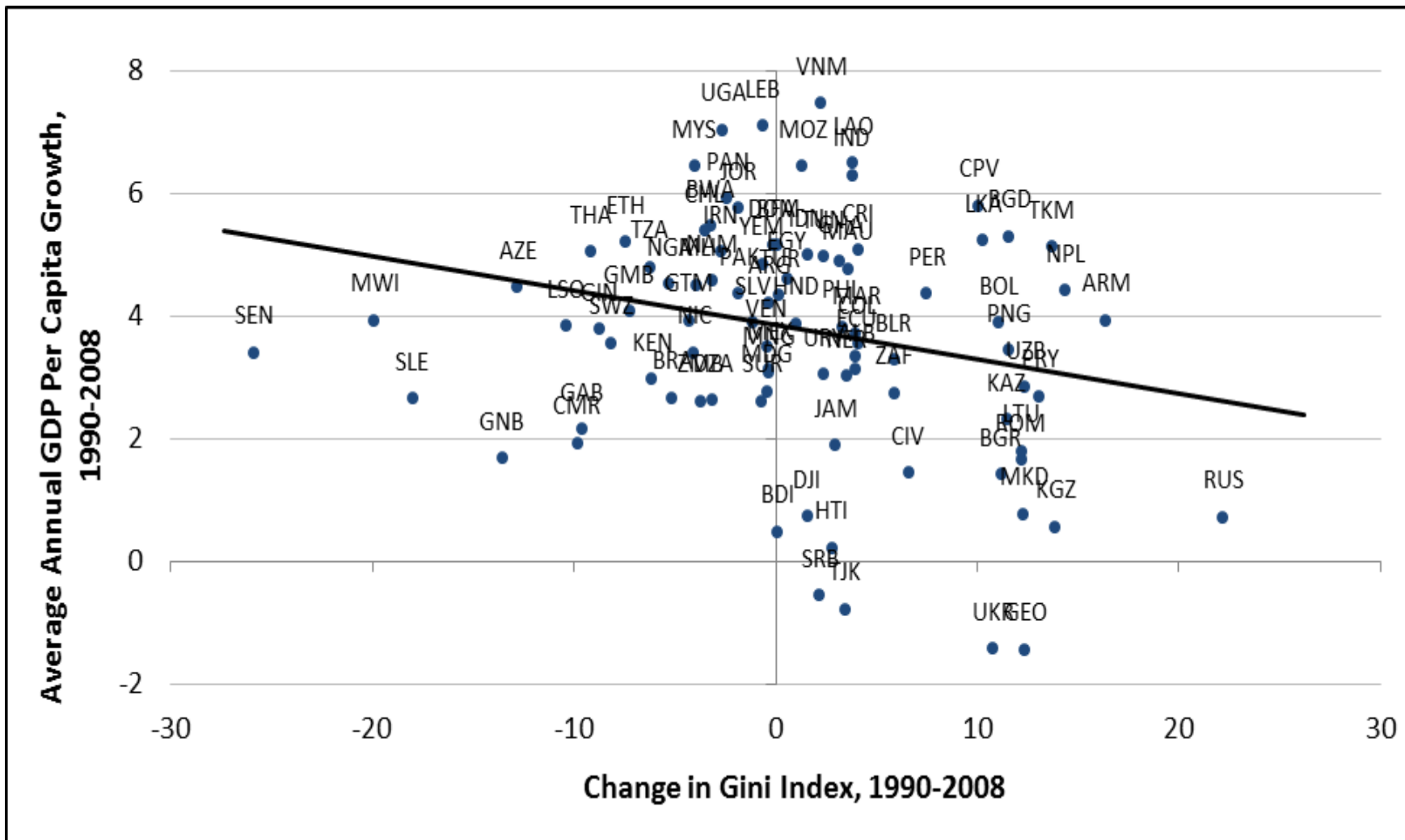
1980s-90s Orthodox Policy Advise	UN Agenda Development for All - SDGs
<ul style="list-style-type: none"> ✘ Residual social policies – seen as a cost (minimal, <i>targeted to the poor</i>, safety nets) 	<ul style="list-style-type: none"> ➤ Social Policies as an investment. Universal policies (for all), redistribution back in the development agenda
<ul style="list-style-type: none"> ✘ Commercialization of social services 	<ul style="list-style-type: none"> ➤ Public services - education, health, water and sanitation, etc (WHO, UNICEF)
<ul style="list-style-type: none"> ✘ Labor flexibility 	<ul style="list-style-type: none"> ➤ ILO Decent work agenda
<ul style="list-style-type: none"> ✘ Reform social security and welfare systems, pension privatization 	<ul style="list-style-type: none"> ➤ Universal social protection systems for all, including floors, revering pension privatization
<ul style="list-style-type: none"> ✘ Human Rights: endorsed but not implemented 	<ul style="list-style-type: none"> ➤ Empowering people through rights and standards (OHCHR, ILO)
<ul style="list-style-type: none"> ✘ No interest for culture and values (intangible) 	<ul style="list-style-type: none"> ➤ Important for tackling exclusion, discrimination (UNESCO, UNFPA)
<ul style="list-style-type: none"> ✘ No attention at sources of conflict (“political”) 	<ul style="list-style-type: none"> ➤ Conflict prevention (UNDP)

The case for Equity

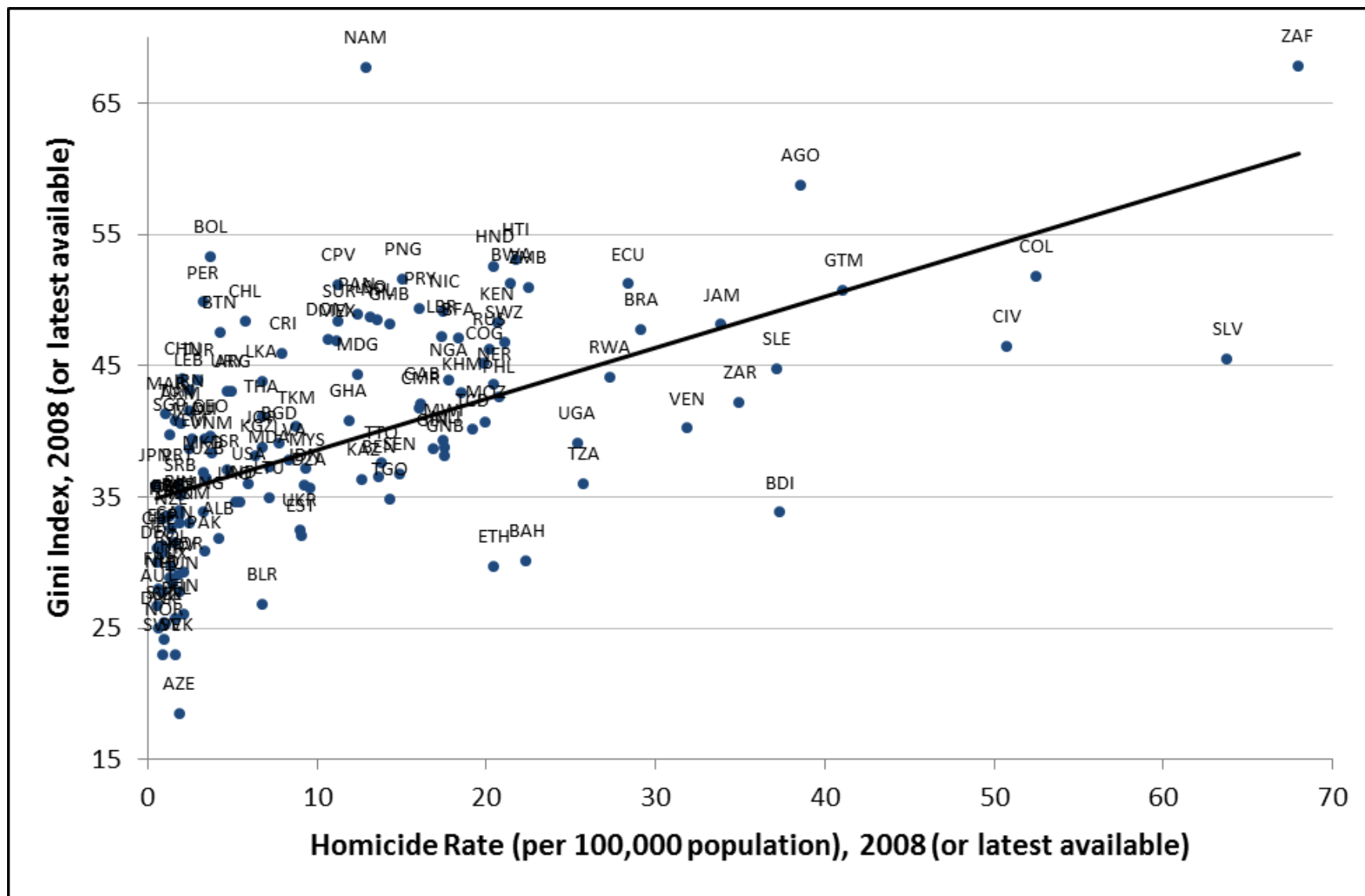
- Social Justice
- But equity also contributes to growth:
 - Inequality is economically inefficient / dysfunctional
 - Consumption concentrated in top income deciles in all countries
 - Depressed world markets, lack of demand, excess capacity. Questioning export-led model, surplus cannot be absorbed by world markets. Need for domestic markets as a development strategy.
 - Raising the incomes of the poor increases domestic demand
 - And enhances human capital and productive employment
- And equity builds political stability
 - Poverty and gross inequities tend to generate intense social tensions and violent conflict
 - Social benefits ensure the political/electoral support of citizens

Inequality Slows Down Economic Growth

Per Capita Growth and Change in Income Inequality in 94 Developing Countries, 1990-2008 (or latest available)



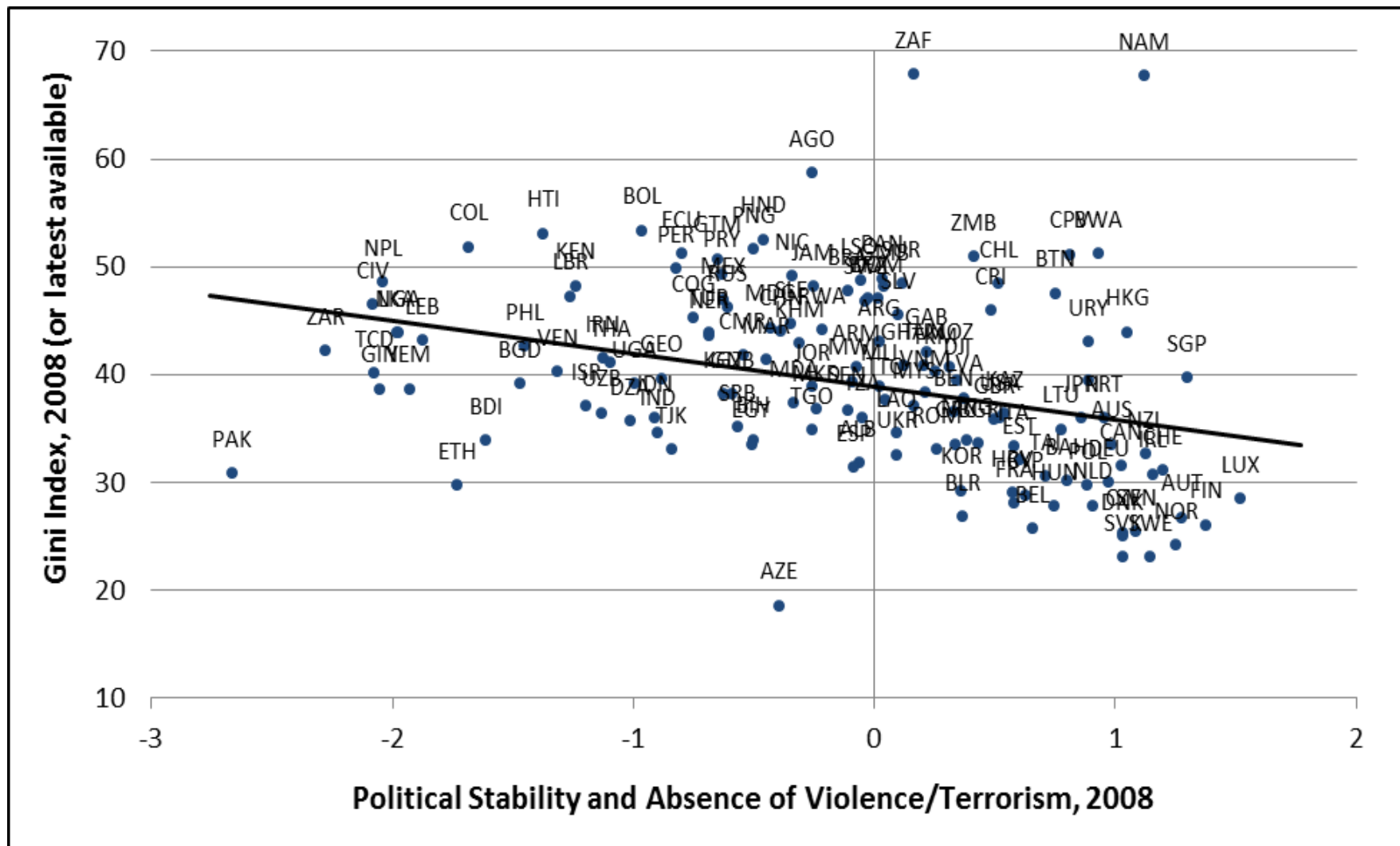
Inequality Generates Violence and Crime



Source: Ortiz and Cummins. 2011. [Global Inequality](#). UNICEF

Inequality Generates Political Instability

Income Inequality and Political Stability in 141 Countries, 2008



Visualization Global Inequality

100,000

80,000

60,000

40,000

20,000

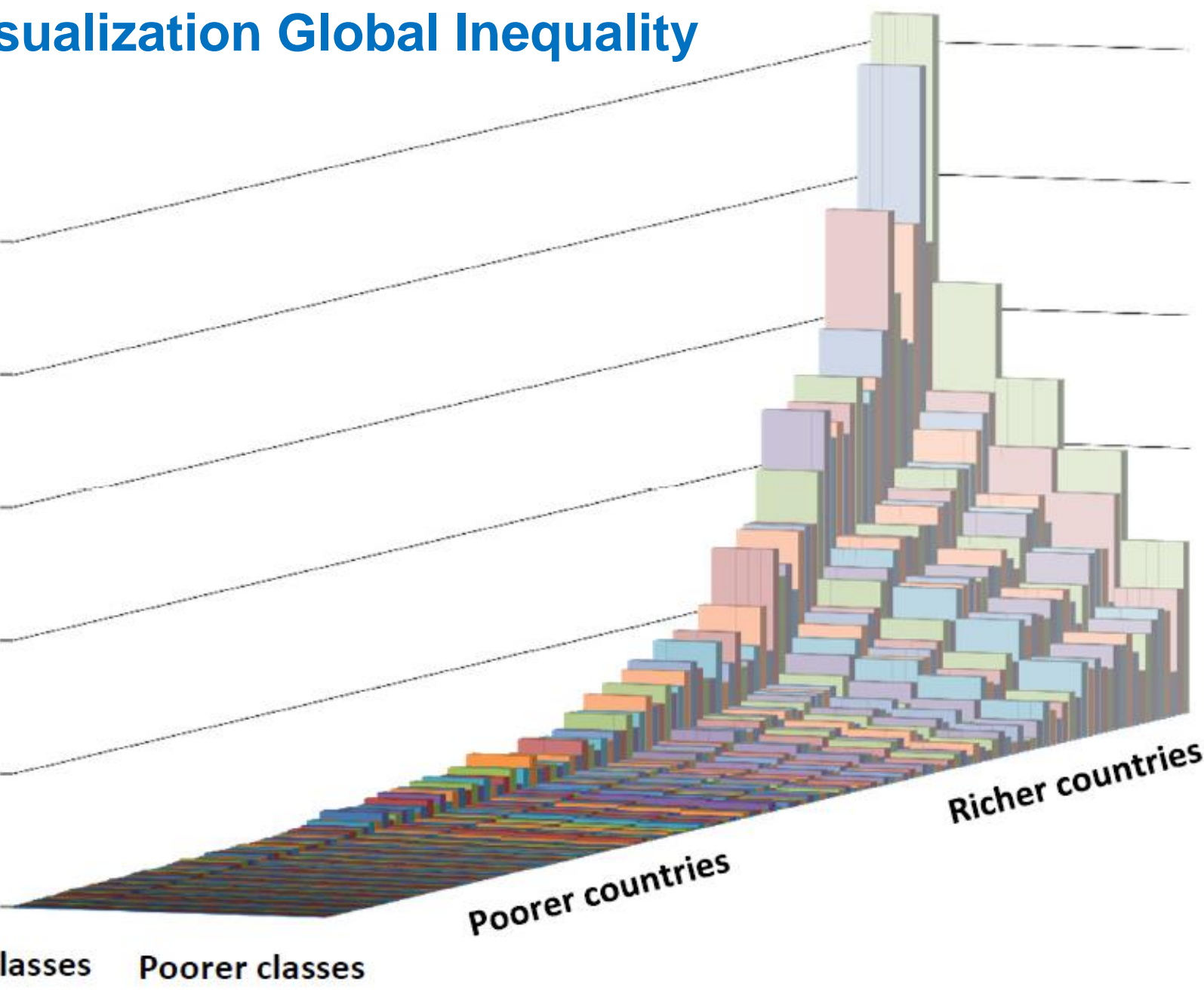
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Richer classes

Poorer classes

Poorer countries

Richer countries



Poorest and Richest Quintiles in the World

2007, constant 2000 U.S. dollars

Poorest				Richest			
Country	Quintile	GDP per capita	Population	Country	Quintile	GDP per capita	Population
Dem. Rep. of Congo	1	26	12,504,557	Luxembourg	5	104,189	95,999
Dem. Rep. of Congo	2	43	12,504,557	United States	5	96,946	60,316,000
Liberia	1	47	725,457	Singapore	5	76,189	917,720
Haiti	1	49	1,944,017	Switzerland	5	73,404	1,510,223
Burundi	1	49	1,567,596	Norway	5	70,184	941,831
Niger	1	50	2,827,937	Luxembourg	4	63,986	95,999
Guinea-Bissau	1	51	308,208	Ireland	5	63,507	871,386
Malawi	1	52	2,887,899	United Kingdom	5	58,408	12,196,061
Central African Rep.	1	60	851,481	Denmark	5	56,421	1,092,288
Dem. Rep. of Congo	3	65	12,504,557	Sweden	5	55,543	1,829,618

Source: Ortiz and Cummins. 2011. [Global Inequality](#). UNICEF



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THANK YOU