

# INCOME INEQUALITY

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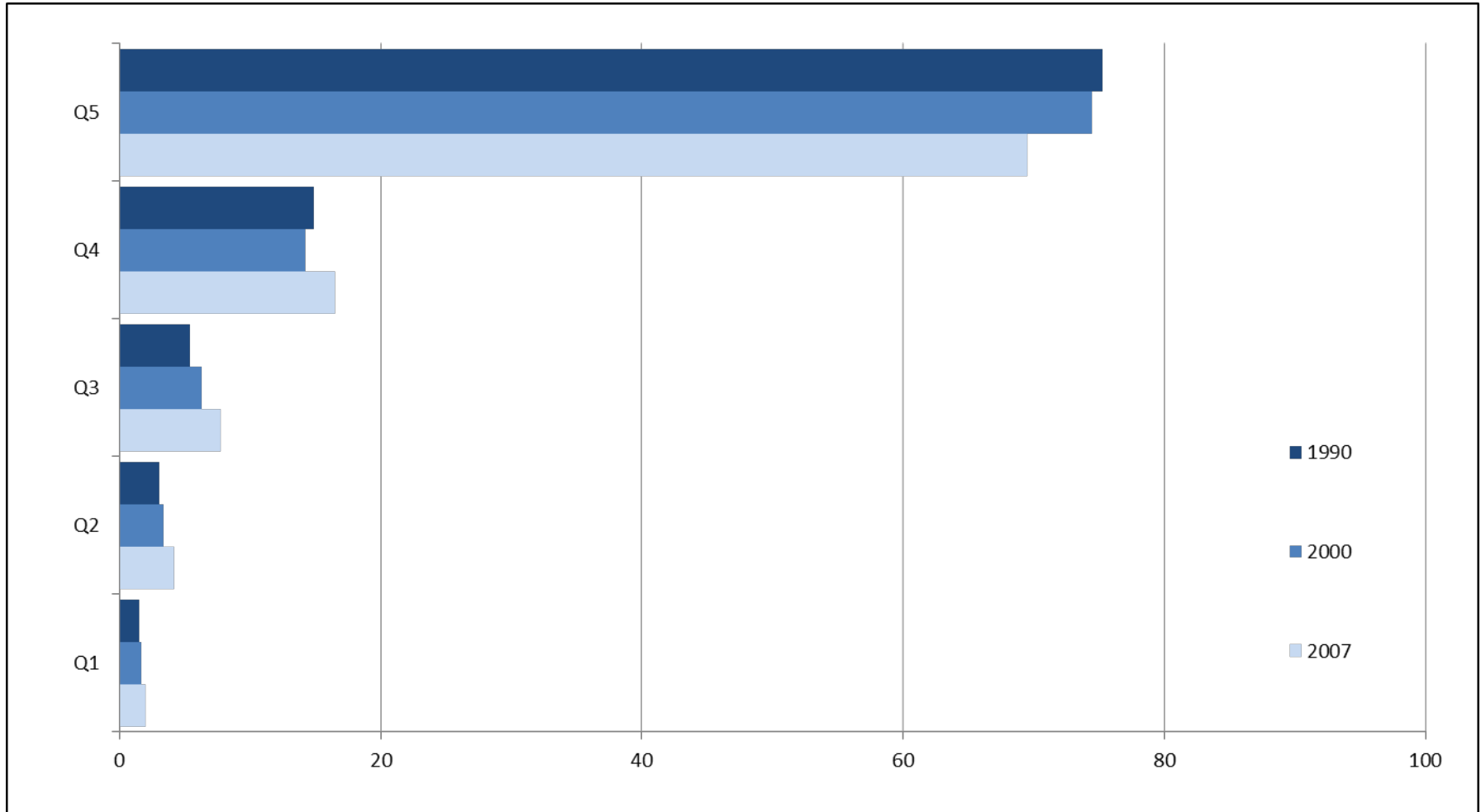
**From Rising Inequalities to Shared Societies: The need to create a sustainable International Monetary and Financial System**

**Washington DC, 25 September 2011**



# Distribution of World Income: Development for Whom?

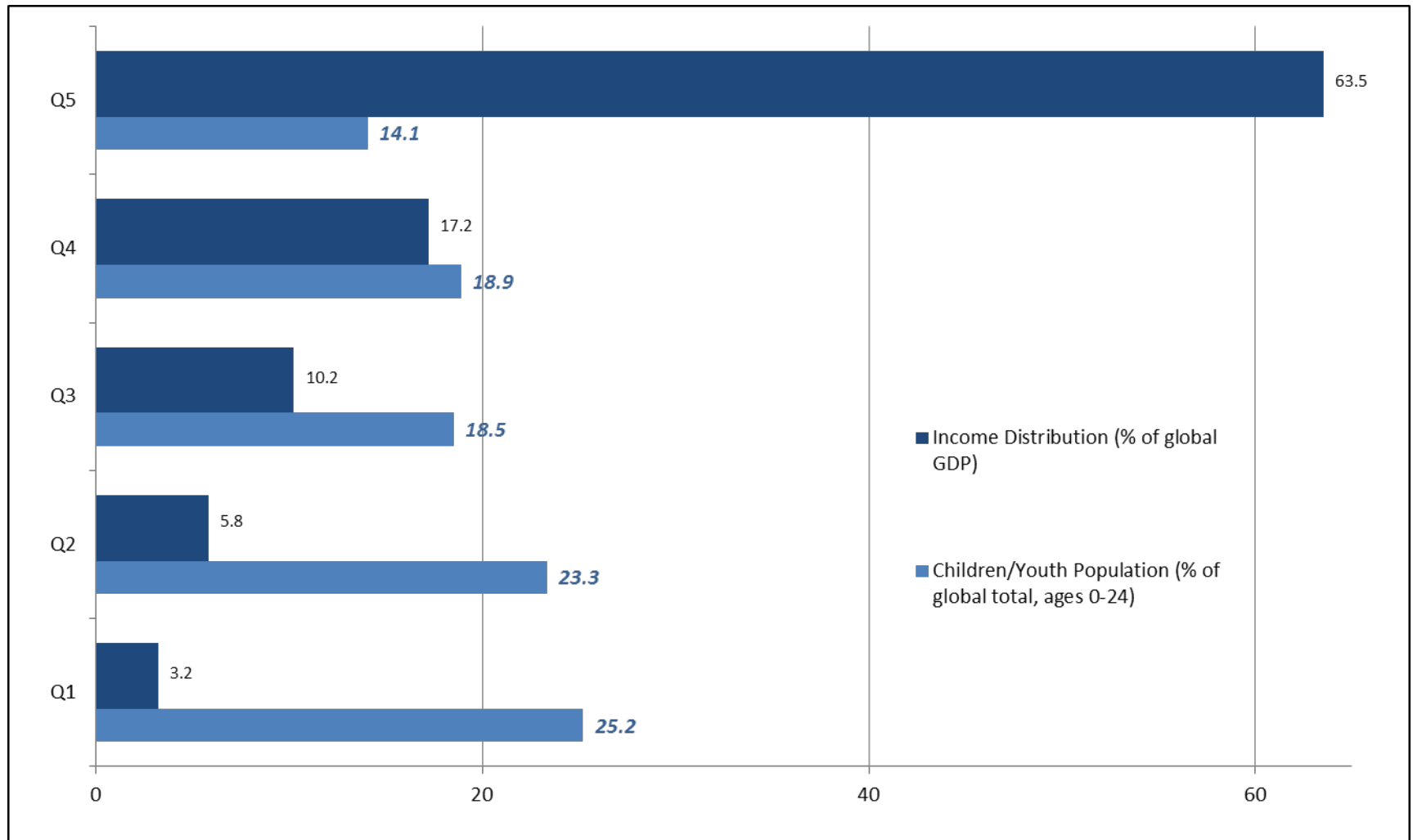
Global Income Distribution by Countries, 1990-2007 (or latest available)  
in PPP constant 2005 international dollars



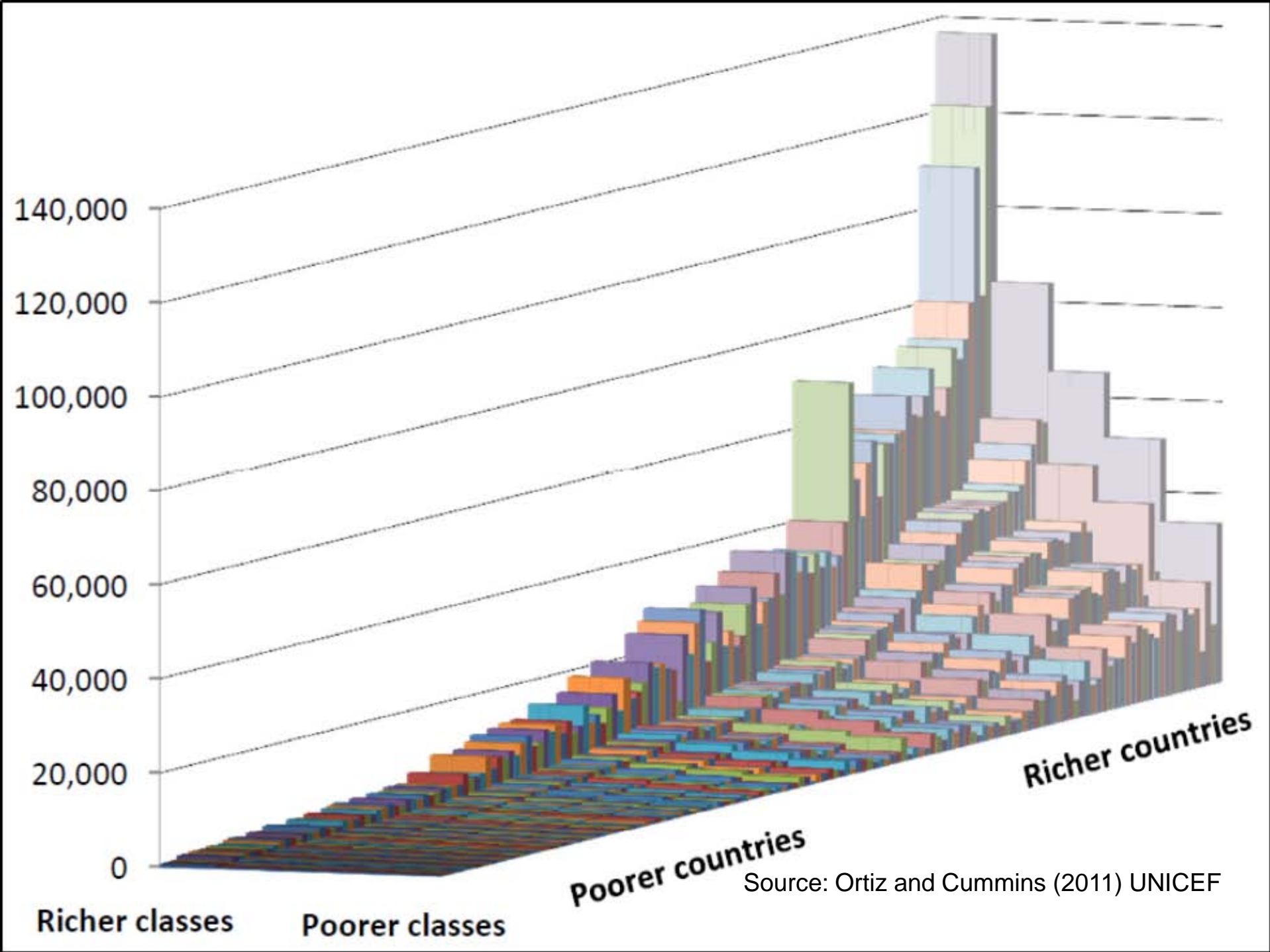
Source: Ortiz and Cummins (2011) UNICEF

# Children and Youth at the Bottom

Global Income Distribution and Children/Youth in 2007  
in PPP constant 2005 international dollars



Source: Ortiz and Cummins (UNICEF 2011)



# Poorest and Richest Quintiles in the World

2007, in PPP constant 2005 dollars

Poorest				Richest			
Country	Quintile	GDP per capita	Population	Country	Quintile	GDP per capita	Population
Dem. Rep. of Congo	1	77	12,504,557	Luxembourg	5	136,936	95,999
Liberia	1	113	725,457	Singapore	5	121,781	917,720
Dem. Rep. of Congo	2	129	12,504,557	United States	5	109,373	60,316,000
Haiti	1	132	1,944,017	Luxembourg	4	84,096	95,999
Burundi	1	156	1,567,596	Norway	5	81,739	941,831
Niger	1	175	2,827,937	Ireland	5	80,832	871,386
Central African Rep.	1	178	851,481	Switzerland	5	73,248	1,510,223
Lesotho	1	191	406,335	Canada	5	72,032	6,595,200
Dem. Rep. of Congo	3	193	12,504,557	Seychelles	5	70,113	17,006
Liberia	2	199	725,457	Netherlands	5	69,311	3,276,339

Source: Ortiz and Cummins (2011) based on World Bank (2011), UNU-WIDER (2008) and Eurostat (2011)

# Income Inequality vs. Wealth Inequality

Country	Wealth Gini (2000)	Income Gini	Year
Argentina	74.0	50.1	2005
Australia	62.2	31.2	2003
Bangladesh	65.8	33.5	1996
Brazil	78.3	56.6	2004
Canada	66.3	31.5	2000
China	55.0	44.9	2003
France	73.0	27.8	2000
Germany	67.1	31.1	2004
India	66.9	36.5	1997
Indonesia	76.3	39.6	1996
Italy	60.9	33.3	2000
Japan	54.7	31.9	1998
South Korea	57.9	37.2	1998
Mexico	74.8	49.9	2004
Nigeria	73.5	52.2	1996
Pakistan	69.7	39.8	1996
Spain	56.5	33.6	2000
Taiwan	65.4	33.9	2003
Thailand	70.9	42.7	2001
United States	80.1	46.4	2004
Viet Nam	68.0	37.3	1998

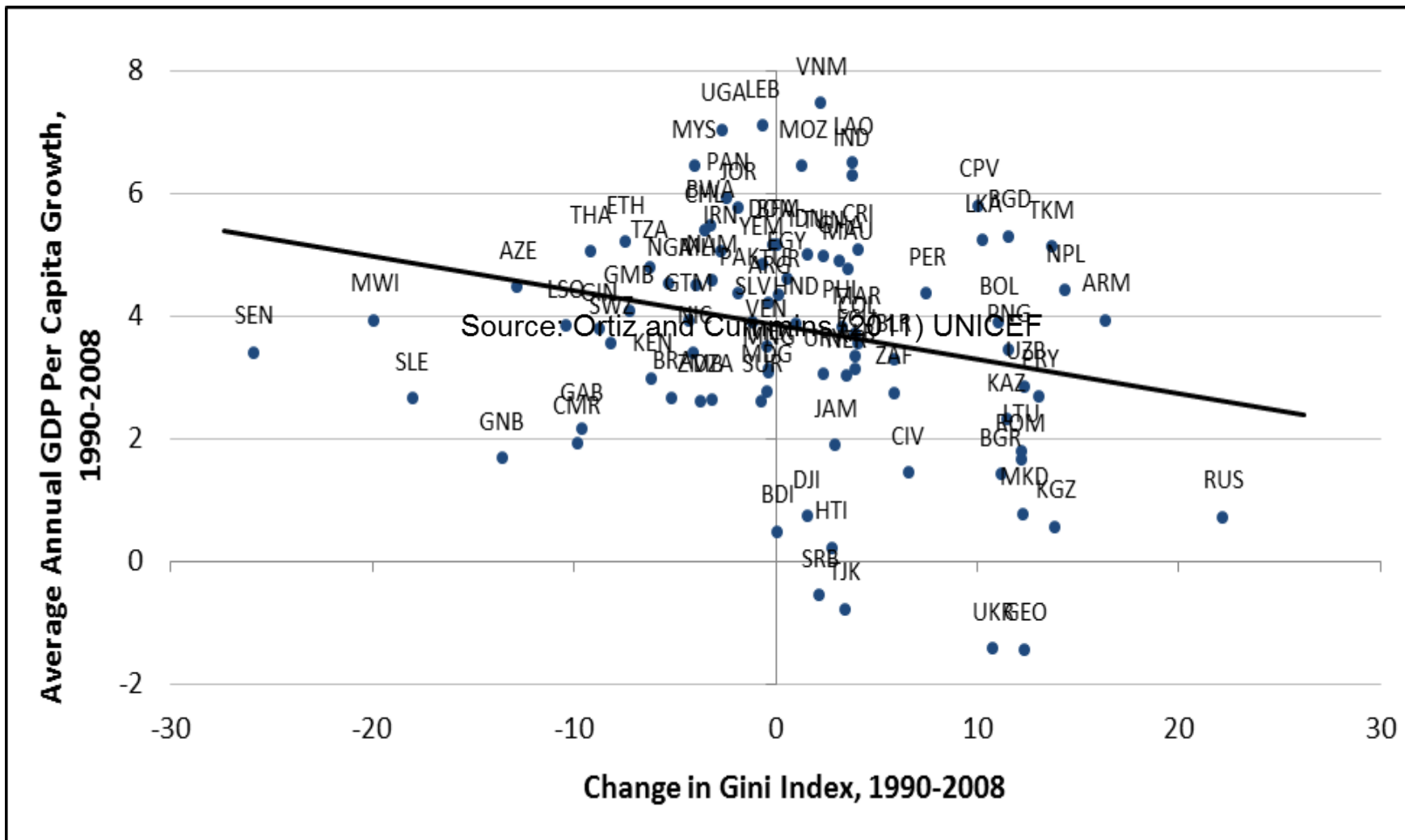
Source: Davies et al. (UNU WIDER, 2008)

# 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
  - 2011: 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

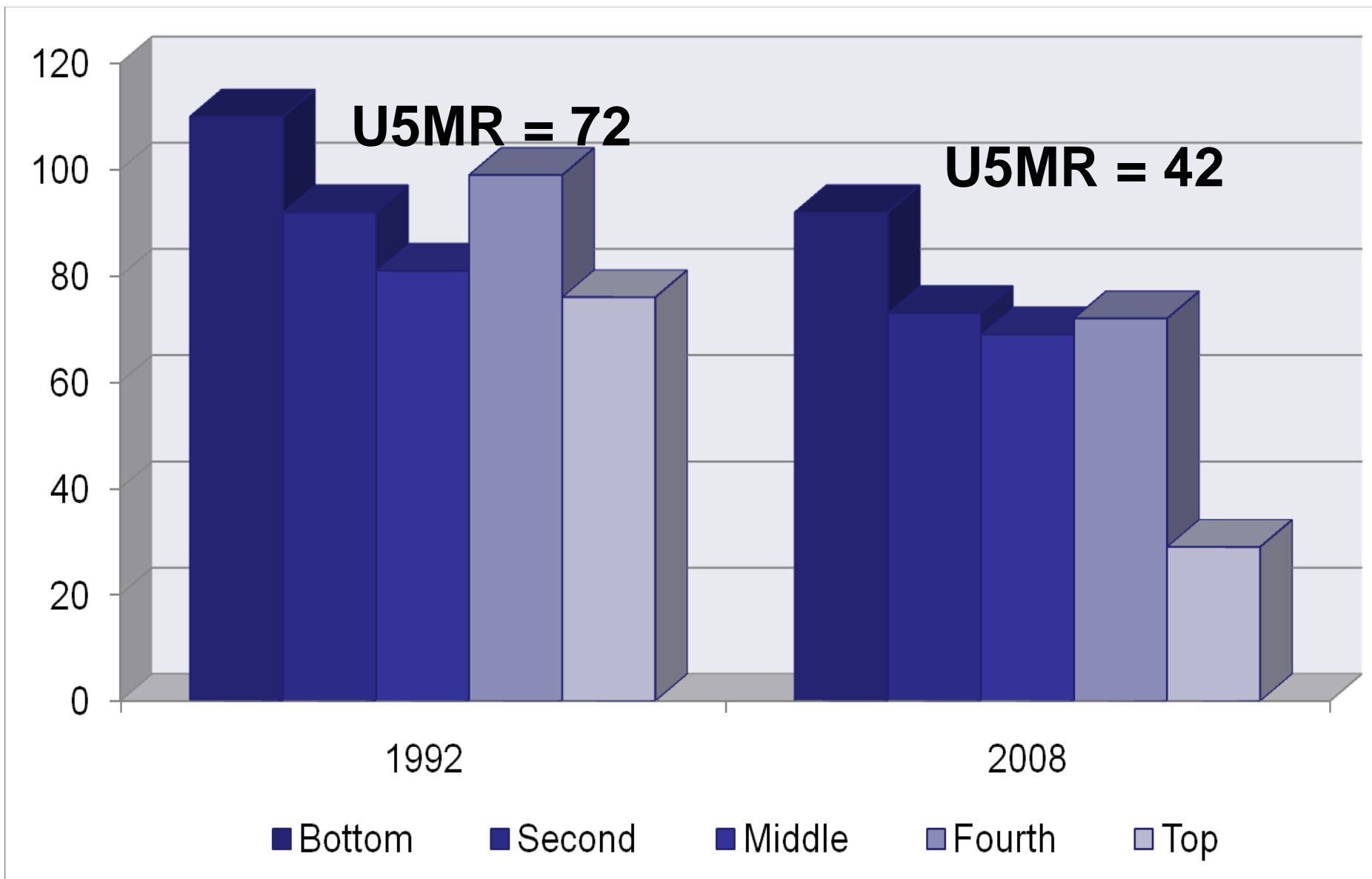
# Inequality Slows Down Economic Growth

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



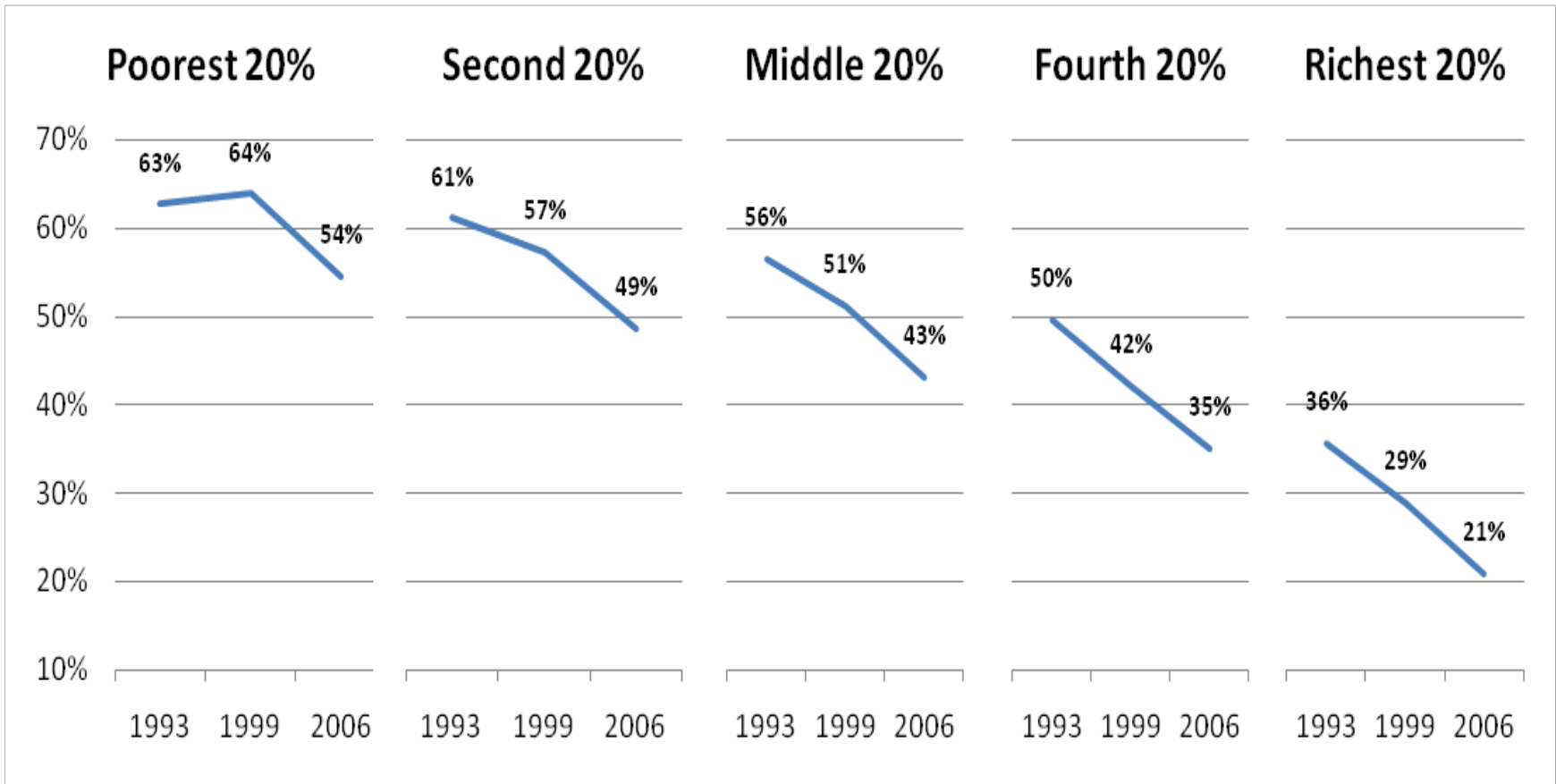
Source: Ortiz and Cummins (UNICEF 2011)

# Namibia: Reduction of Under-5 Child Mortality Rate



# India: Child Stunting U5

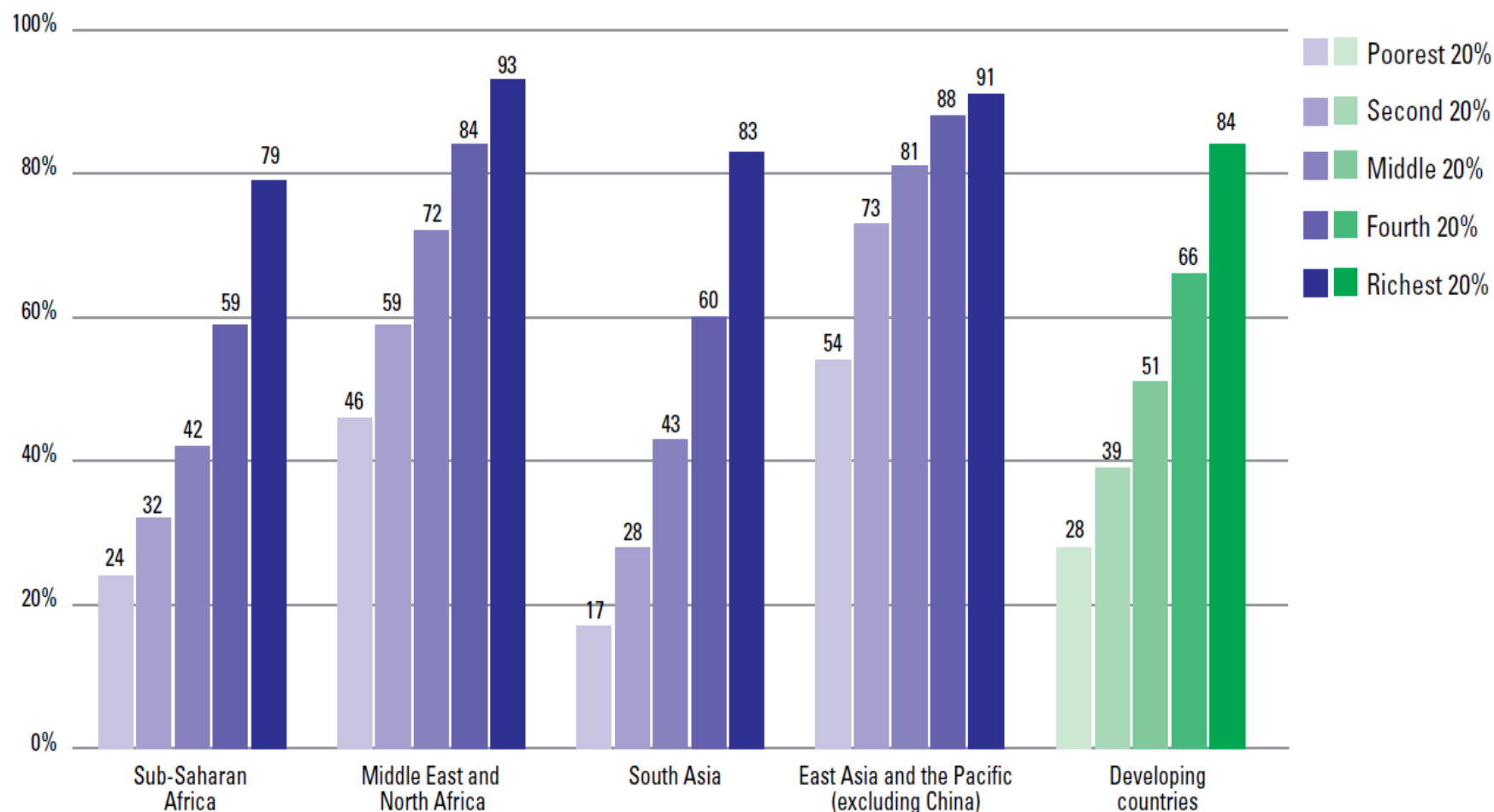
Proportion of children 0 – 59 months old who are stunted, by household income quintile in India



Source: National Family Health Survey, 1992–1993, 1998–1999 and 2005–2006.

## The poorest women are substantially less likely than the richest women to deliver with the assistance of a doctor, nurse or midwife

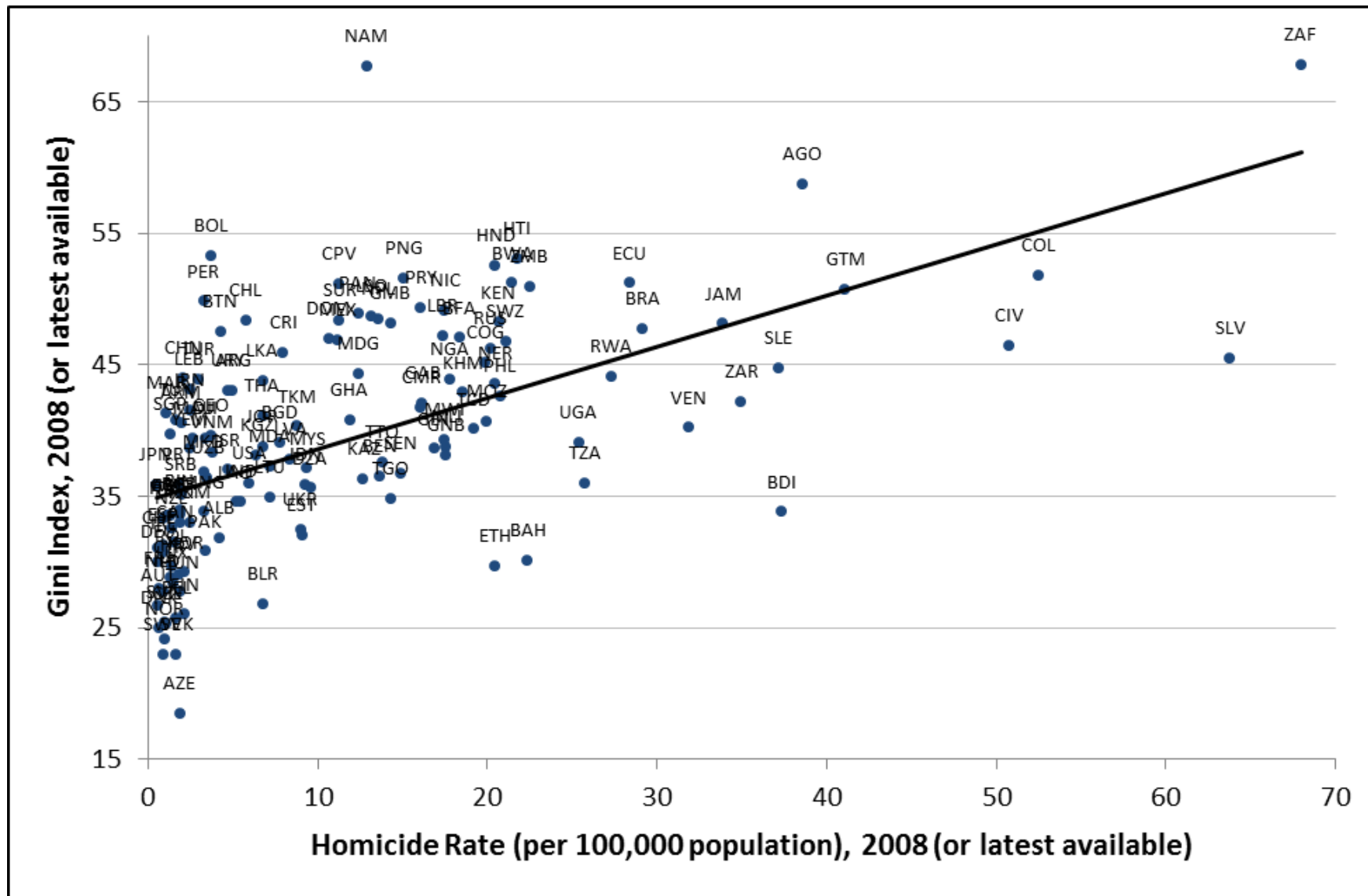
Percentage of births attended by skilled health personnel



**Note:** Estimates are based on more than 70 countries with available data (2003–2009) on skilled attendant at delivery by household wealth quintile, representing 69% of births in the developing world.

**Source:** UNICEF global databases, 2010.

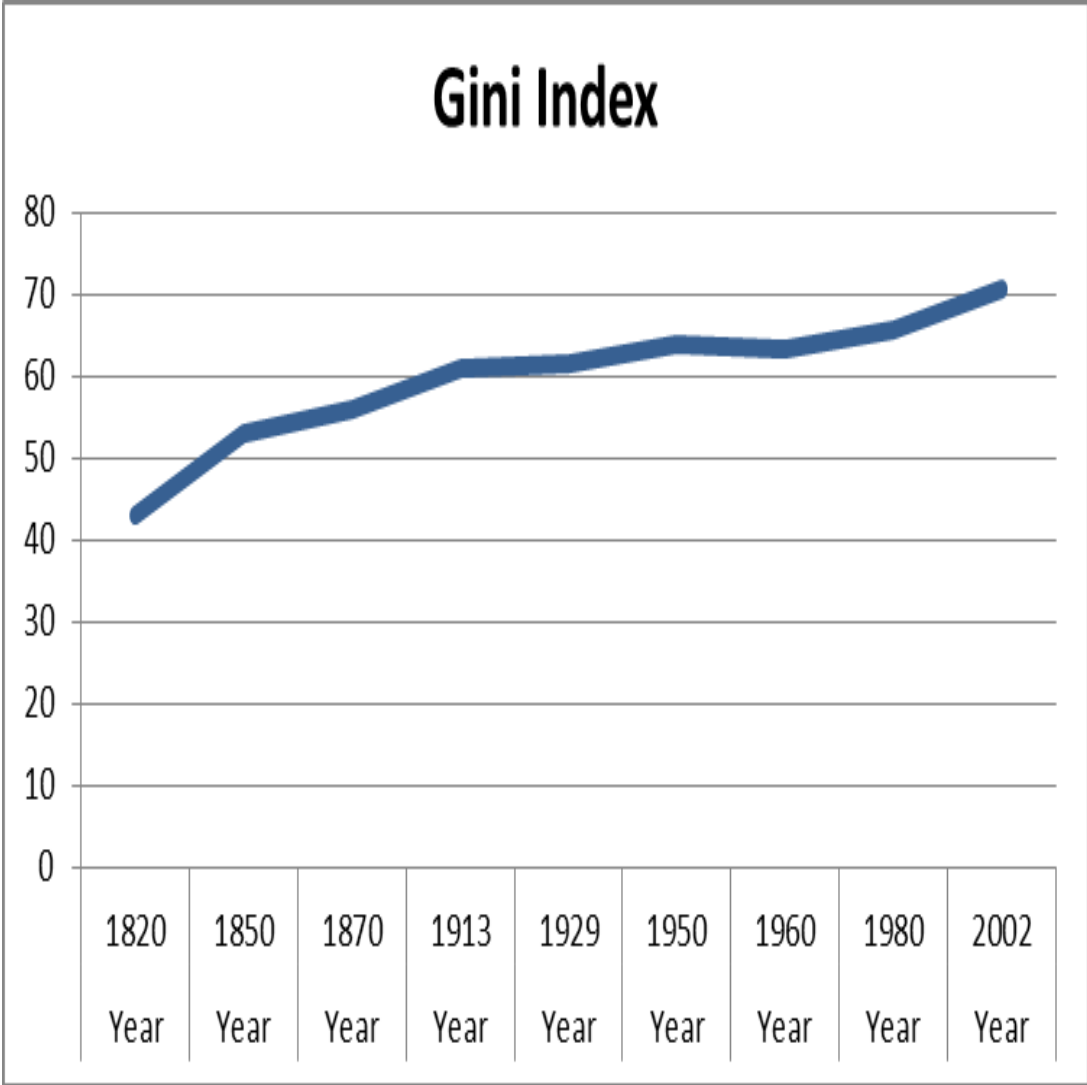
# Inequality Generates Violence and Crime



Source: Ortiz and Cummins (UNICEF 2011)

# Historical Perspective: Income Inequality Increasing

Year	Gini
1820	43.0
1850	53.2
1870	56.0
1913	61.0
1929	61.6
1950	64.0
1960	63.5
1980	65.7
2002	70.7



Source: Milanovic (World Bank 2009)

# Inequality Further Increased by Global Crisis

## Crisis: Transmission Channels

### Employment and Income

- Wage cuts, reduction in benefits
- Decreased demand for migrant workers
- Lower Remittances
- Returns from pension funds

### Prices

- Basic food
- Agricultural inputs
- Essential drugs
- Fuel

### Assets and Credit

- Loss of savings due to bank failures
- Loss of savings as a coping mechanism
- Home foreclosures
- Lack of access to credit

### Government Spending and Utilization of Social Services

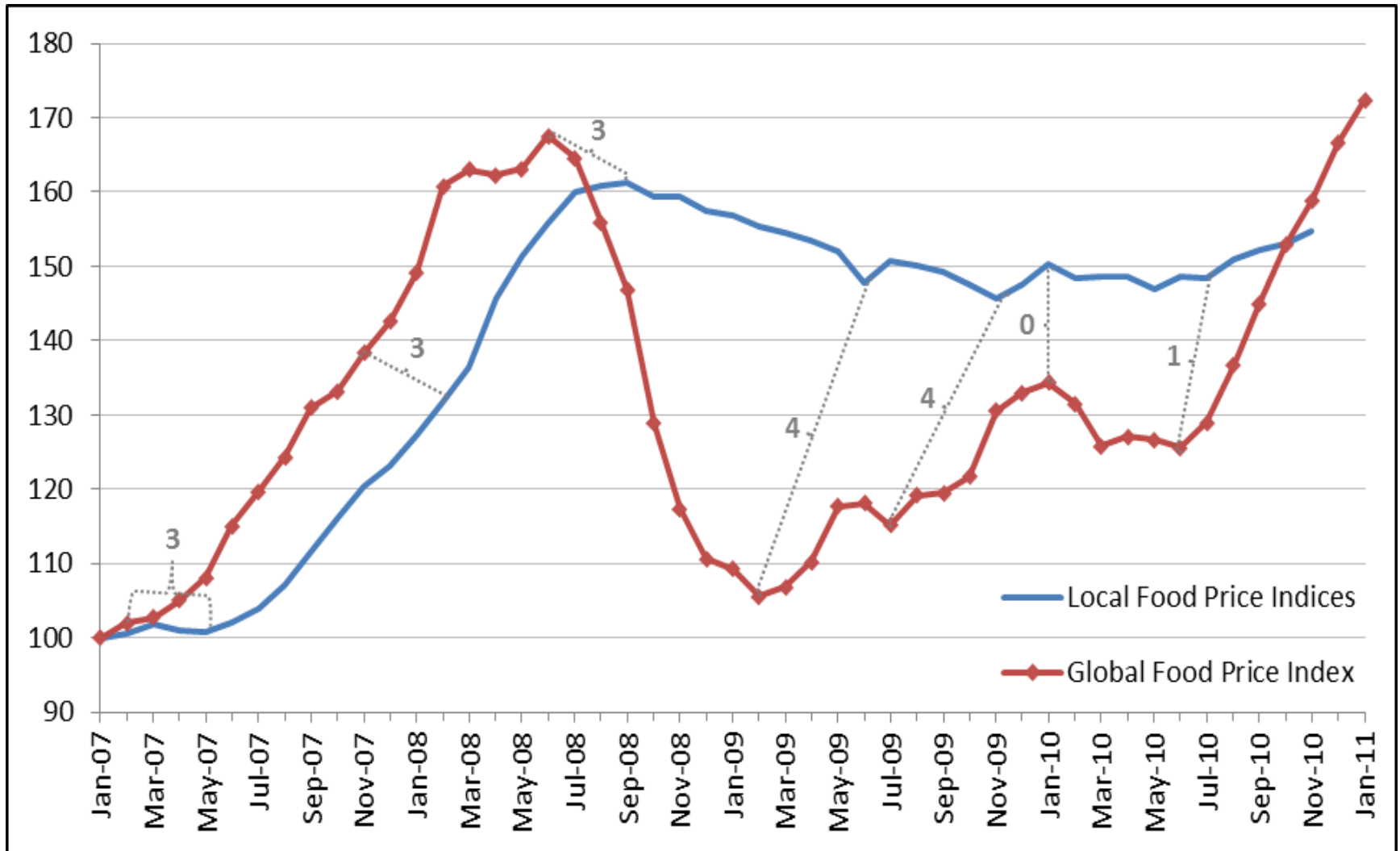
- Education
- Health
- Social protection
- Employment programmes

### Aid Levels - ODA

**MDGs at Risk**

# Inequality Further Increased by Global Crisis

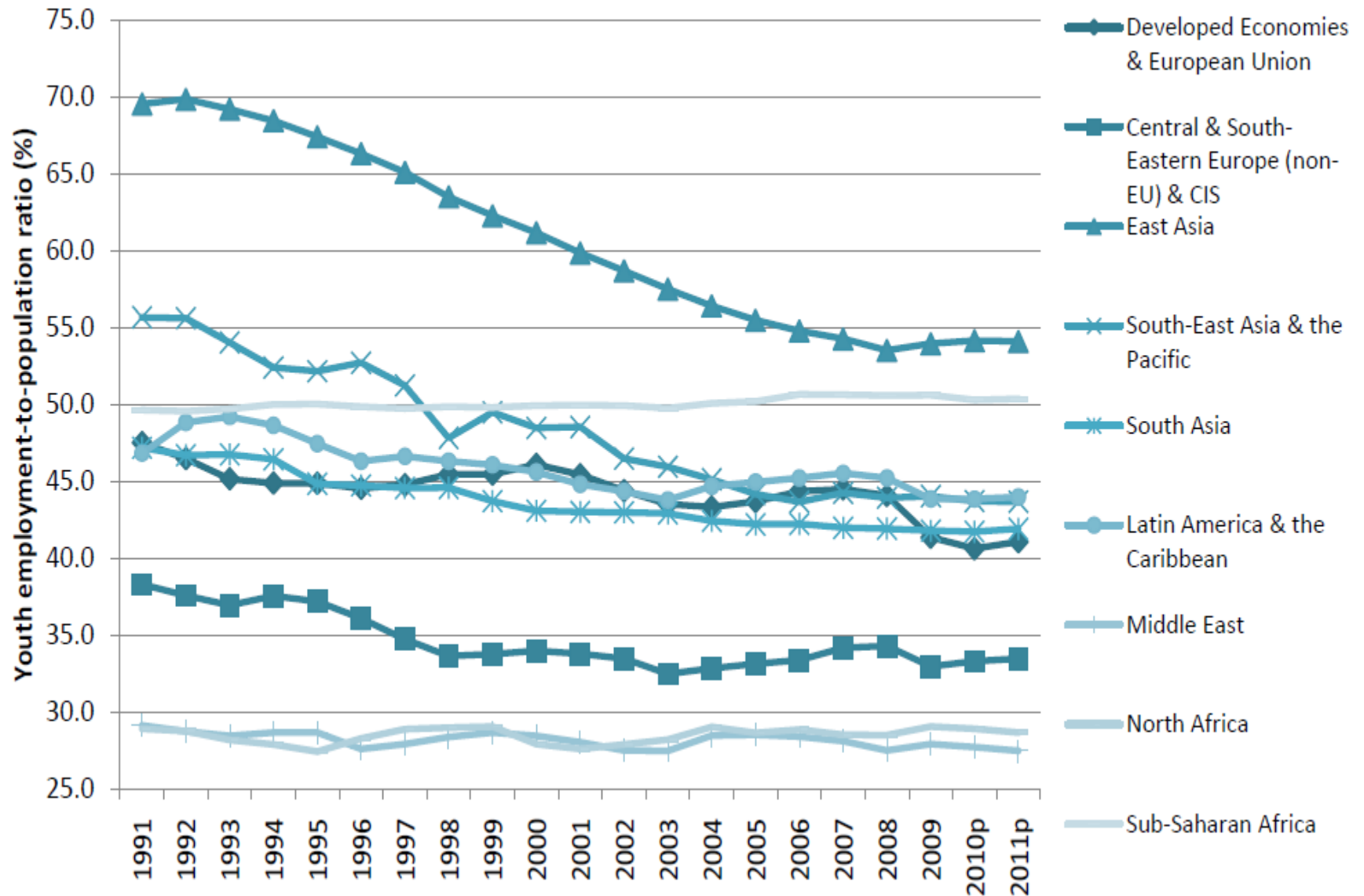
## Food Prices



Source: Ortiz, Chai and Cummins (UNICEF 2011)

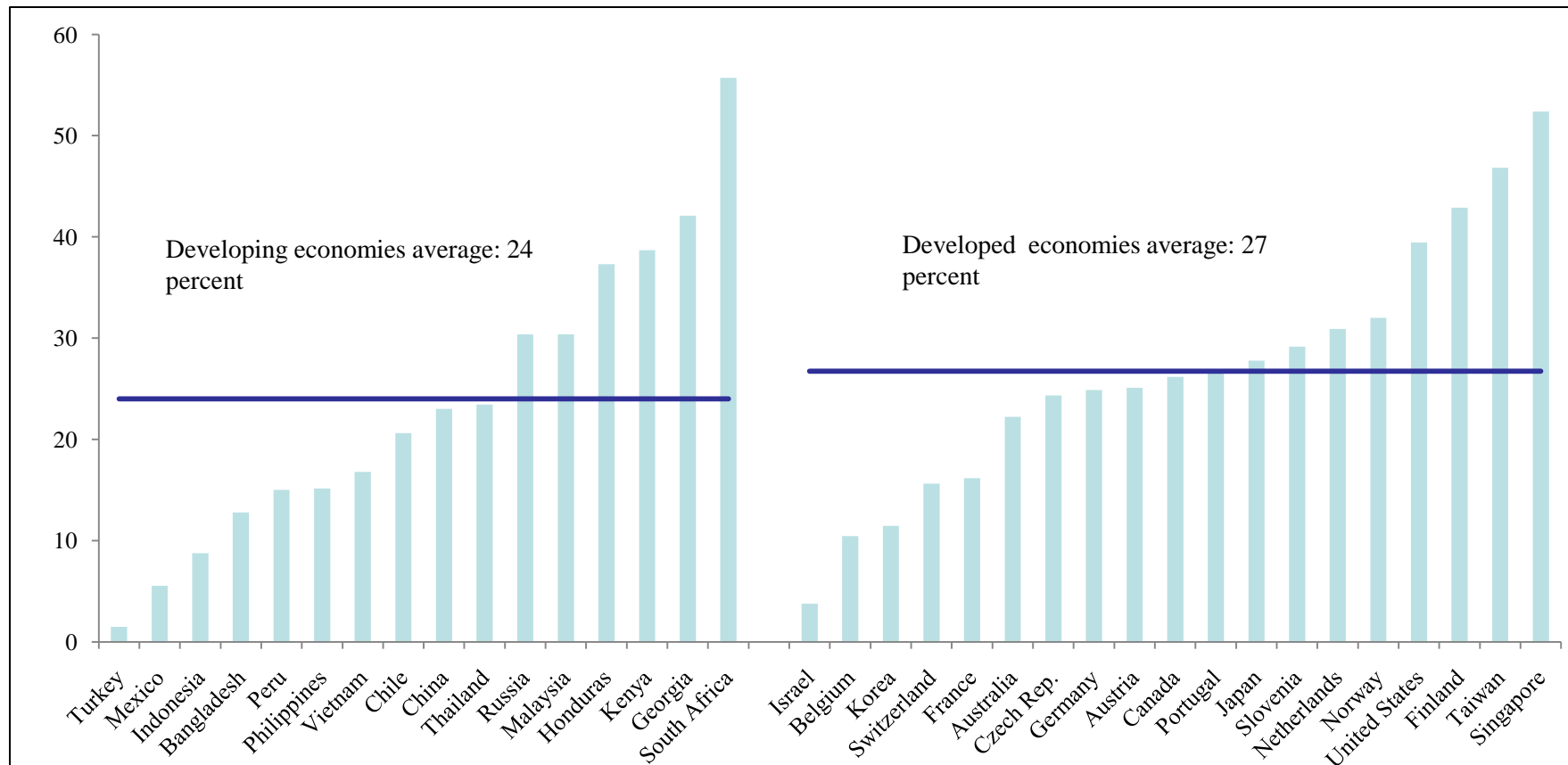
# Youth Employment

Youth employment-to-population ratio, by region, 1991 to 2011



Source: ILO 2010

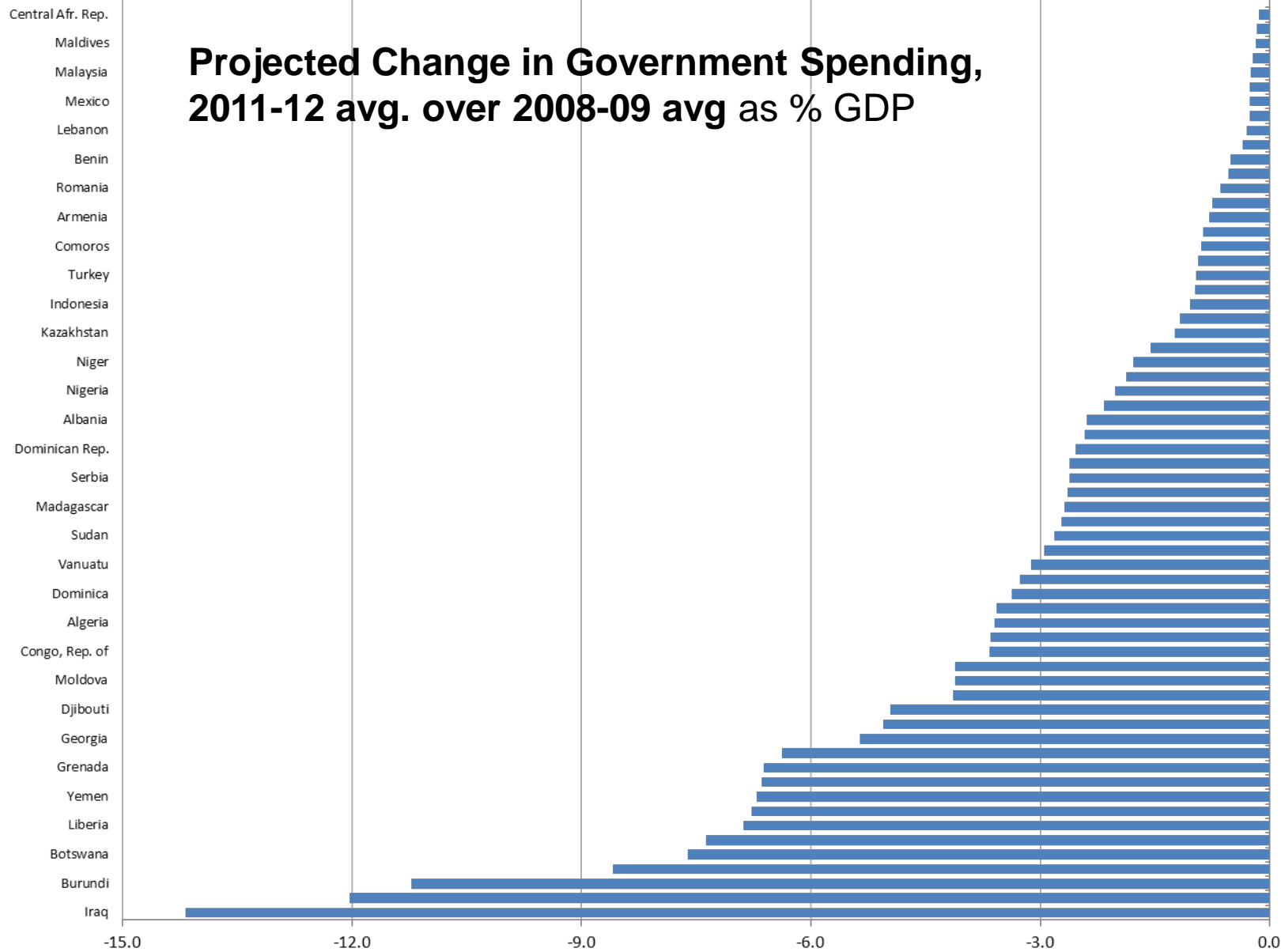
# Phase I of Crisis (2008-09) - Social Protection in Fiscal Stimulus Plans 2009



Source: Ortiz, Chai and Cummins (UNICEF 2011) based on Zhang et. al (2010) and IMF staff reports.

# Phase II 2010 - Governments Contracting Public Expenditures

**Projected Change in Government Spending,  
2011-12 avg. over 2008-09 avg as % GDP**

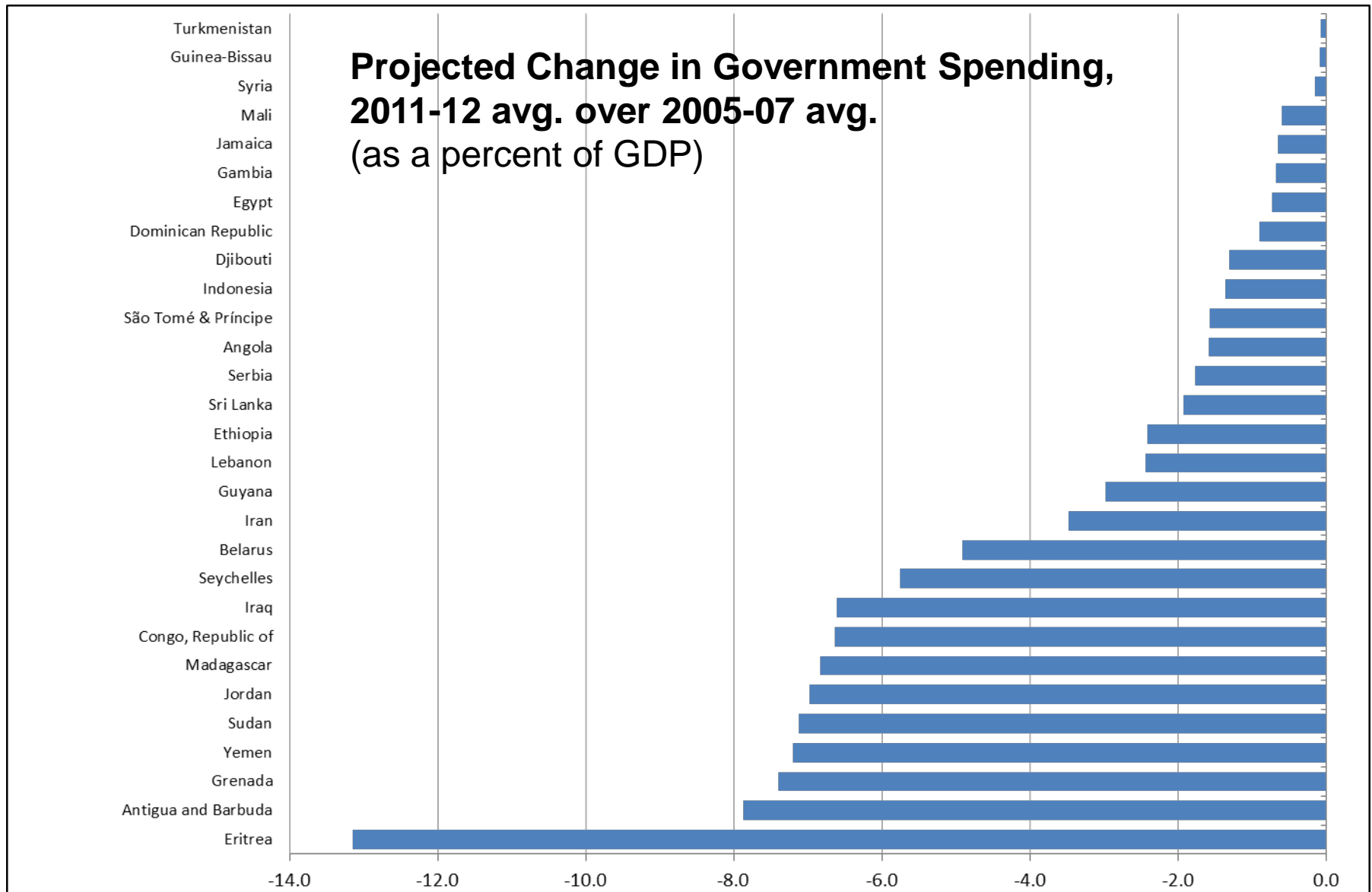


Source: Ortiz. Chai and Cummins (UNICEF 2011) based on IMF 2011

# Projected Total Government Spending Trends by Region, 2010-12

Region / Income Group (Number of countries)	Indicator	(A) Change in Spending (year on year, in % of GDP)			(B) Growth of Real Spending (year on year, as a %)		
		2010	2011	2012	2010	2011	2012
East Asia and the Pacific (17)	Overall average change	0.0	0.1	-0.7	5.6	5.3	1.9
	Average contraction	-1.5	-1.7	-1.6	-5.3	-4.5	-5.4
	% of countries contracting	58.8	47.1	64.7	23.5	23.5	29.4
Eastern Europe and Central Asia (22)	Overall average change	-1.2	-0.5	-0.9	3.1	4.6	2.2
	Average contraction	-2.5	-1.6	-1.0	-3.4	-3.1	-2.4
	% of countries contracting	63.6	59.1	86.4	36.4	31.8	13.6
Latin America and Caribbean (29)	Overall average change	-0.7	0.1	-0.7	3.5	5.3	1.8
	Average contraction	-2.6	-1.4	-1.1	-9.9	-4.5	-2.8
	% of countries contracting	55.2	48.3	75.9	27.6	24.1	31.0
Middle East and North Africa (11)	Overall average change	-3.3	0.6	-1.3	-0.2	9.9	1.3
	Average contraction	-4.0	-2.8	-2.0	-5.5	-3.9	-3.3
	% of countries contracting	81.8	27.3	81.8	45.5	9.1	45.5
South Asia (8)	Overall average change	-0.1	0.6	-0.1	5.9	7.8	5.6
	Average contraction	-2.9	-1.5	-1.8	-14.0	-4.1	-2.7
	% of countries contracting	50.0	50.0	37.5	12.5	25.0	25.0
Sub-Saharan Africa (41)	Overall average change	0.1	-0.5	-0.8	8.4	5.7	4.1
	Average contraction	-2.6	-3.4	-1.9	-6.8	-8.2	-5.8
	% of countries contracting	41.5	46.3	65.9	24.4	31.7	29.3
All Developing Countries (128)	Overall average change	-0.6	-0.1	-0.8	5.1	5.9	2.8
	Average contraction	-2.6	-2.2	-1.5	-6.6	-5.6	-4.2
	% of countries contracting	54.7	48.4	71.1	28.1	26.6	28.1
High Income (49)	Overall average change	-0.7	-1.5	-0.7	1.7	1.2	0.5
	Average contraction	-1.7	-2.2	-1.0	-4.2	-3.5	-2.2
	% of countries contracting	71.4	77.6	83.7	40.8	42.9	38.8

# Phase II 2010- Excessive contraction/Cutting expenditures below pre-crisis levels



Source: Ortiz. Chai and Cummins (UNICEF 2011) based on IMF 2011

# Adjustment Measures and their Potential Risk to the Poor

- Contraction of public expenditures
- Wage bill – Including salaries of teachers, health and social workers
- Eliminating subsidies (eg food, fuel)
- Social protection:
  - Targeting (reducing coverage)
  - Rationalizing/reducing benefits



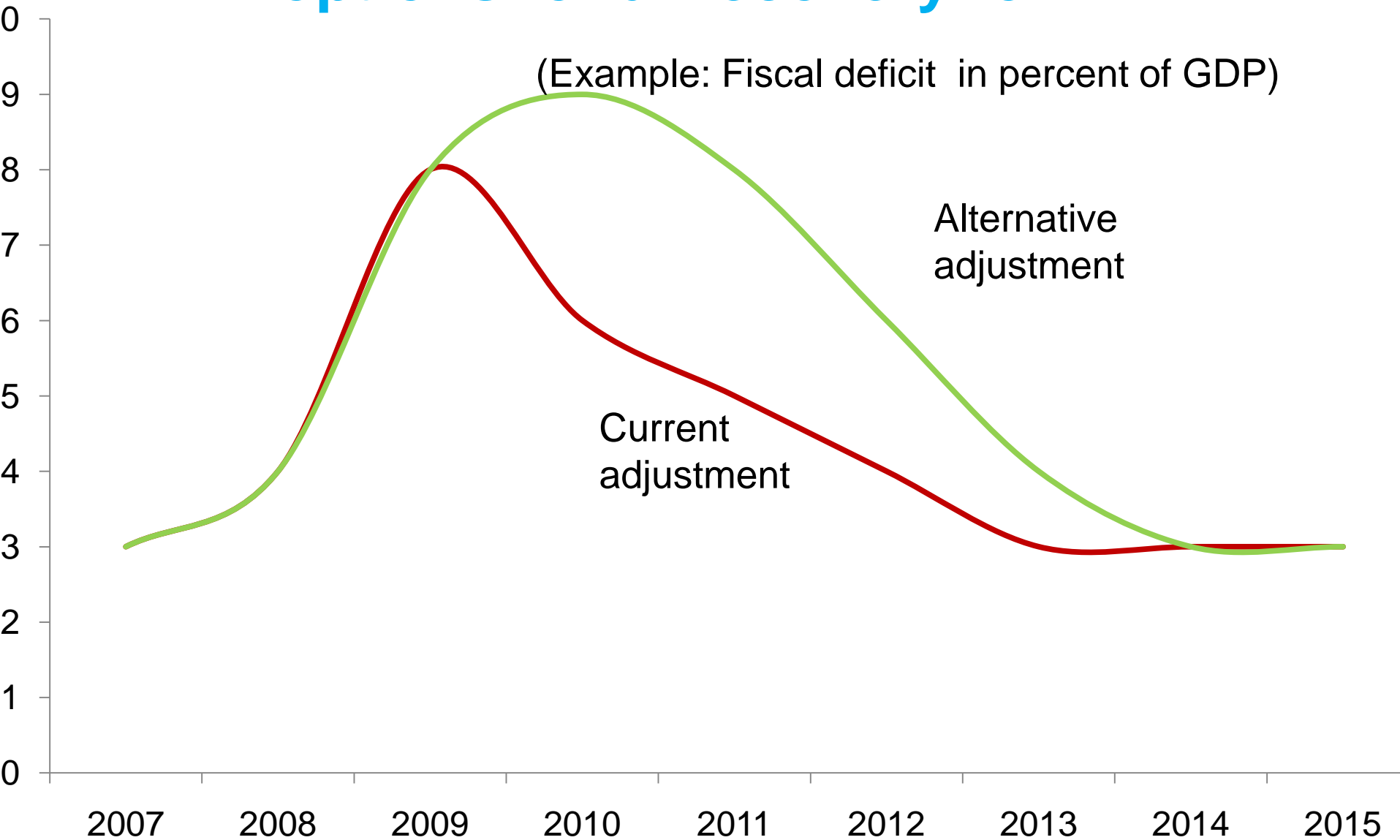
- While social protection expanded during the crisis - now contraction  
A social protection floor needed to achieve the MDGs and as a mechanism for future crisis.



Wage Bill Cuts or Caps		Reduce or Eliminate Subsidies		Further Target SafetyNets	Old-Age Pension Reform	Increase Consumption Taxes	
Algeria	Macedonia	Algeria	Lesotho	Algeria	Albania	Antigua and Barbuda	Mexico
Antigua and Barbuda	Maldives	Angola	Liberia	Antigua and Barbuda	Antigua and Barbuda	Armenia	Micronesia
Belarus	Marshall Islands	Belarus	Macedonia	Belarus	Belarus	Belize	Moldova
Belize	Micronesia	Bolivia	Malaysia	Bolivia	Belize	Bhutan	Montenegro
Benin	Moldova	Burkina Faso	Maldives	Bolivia	Benin	Botswana	Nicaragua
Bosnia and Herzegovina	Montenegro	Burundi	Mali	Bosnia and Herzegovina	Bosnia and Herzegovina	Colombia	Pakistan
Botswana	Mozambique	Cameroon	Mauritius	Bulgaria	Herzegovina	Costa Rica	Panama
Bulgaria	Nicaragua	Cape Verde	Mexico	Bulgaria	Herzegovina	Djibouti	Romania
Burkina Faso	Nigeria	Central African Republic	Mozambique	Cambodia	Bulgaria	Dominican Republic	Russia
Burundi	Palau	Congo, Dem. Rep. of	Nepal	Dominica	Egypt	Egypt	Seychelles
Cambodia	Pakistan	Congo, Rep. of	Nicaragua	Egypt	Guyana	Egypt	Sri Lanka
Chad	Romania	Dominican Republic	Nigeria	El Salvador	Honduras	Ethiopia	St. Kitts and Nevis
Chile	Samoa	Egypt	Pakistan	Fiji	India	Fiji	St. Lucia
Costa Rica	Serbia	El Salvador	Palau	Grenada	Jamaica	Gambia	Sudan
Côte d'Ivoire	Solomon Is	Fiji	Philippines	India	Jordan	Ghana	Suriname
Djibouti	South Africa	Gabon	Romania	Indonesia	Lebanon	Guatemala	Swaziland
Fiji	St. Kitts and Nevis	Ghana	Serbia	Jordan	Lithuania	Guinea-Bissau	Tanzania
Gabon	St. Lucia	Grenada	Sierra Leone	Kazakhstan	Mali	Guyana	Tanzania
Grenada	Swaziland	Guinea-Bissau	St. Kitts and Nevis	Lebanon	Mexico	India	Thailand
Guinea-Bis.	Tajikistan	Haiti	Sudan	Malaysia	Micronesia	Jamaica	Togo
Haiti	Tanzania	Honduras	Suriname	Mauritania	Montenegro	Jordan	Togo
Honduras	Timor-Leste	India	Suriname	Mauritius	Nicaragua	Jordan	Tunisia
India	Tonga	Indonesia	Tanzania	Moldova	Romania	Jordan	Turkey
Jamaica	Tonga	Iran	Thailand	Mongolia	Russia	Jordan	Uruguay
Jordan	Tunisia	Honduras	Timor-Leste	Mozambique	Russia	Jordan	Vanuatu
Kazakhstan	Tuvalu	India	Togo	Nepal	Serbia	Jordan	Vietnam
Kiribati	Tuvalu	Indonesia	Tunisia	Nicaragua	St. Kitts and Nevis	Jordan	Yemen
Lebanon	Ukraine	Iran	Tuvalu	Paraguay	Nevis	Jordan	
Lithuania	Yemen	Iraq	Ukraine	Peru	St. Lucia	Jordan	
		Jordan	Yemen	Philippines	Tunisia	Jordan	
		Kiribati		Romania	Turkey	Jordan	
		Kosovo		Russia	Ukraine	Jordan	
				Russia		Jordan	
				St. Kitts and Nevis		Jordan	
				Sudan		Jordan	
				Timor-Leste		Jordan	
				Tunisia		Jordan	

Source: Ortiz, Chai and Cummins (UNICEF 2011)

# Need to discuss a set of alternative policy options for a Recovery for All





**THANK YOU**

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children

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