



A CALL TO ACTION TO SAVE SDG10

The world must reverse the explosion in inequality which endangers us all

In his 2023 SDG Progress Report, the UN Secretary-General finds that SDG10 – reducing inequality – is one of the worst performing SDGs. Action has never been more urgent on this goal, because during the COVID-19 pandemic and global inflation crisis, inequality of income, wealth and health outcomes has risen sharply. This is true within countries, and between them (because poorer countries lacked finances to support incomes of the poor or confront COVID and AIDS pandemics). Without decisive action, most of the other SDGs – on poverty, health and pandemics, social and environmental progress – will be fatally compromised.

This paper makes the case for rapidly accelerating efforts to reduce inequality, through four steps:

- The world must adopt much more accurate and stronger **indicators** to measure inequality under SDG10, which focus on trends across all incomes. These should include the Gini coefficient and Palma ratio of both income and wealth, and an indicator to measure inequality among countries.
- These indicators should be accompanied by ambitious **targets**, such as a Gini coefficient of 0.25 and a Palma ratio of 1, which evidence shows are the optimal levels to achieve for a range of other economic and social indicators, and which have already been reached by more than 10 countries
- To improve monitoring, there must be a revolution in **inequality data**, with the international community increasing investments in sample surveys and models, so that all countries track progress annually.
- Countries should design **anti-inequality action plans** as part of their national development plans, and the international community should invest far more in helping one another to design such plans.

Only by taking these steps can we end the extreme inequality and poverty crisis, achieve rapid progress on health, education and social protection, and revive prospects of meeting the SDGs by 2030.

EXECUTIVE SUMMARY

This policy brief explains why an urgent Call to Action is needed to save SDG Goal 10, which aims to “reduce inequality” in a deeply concerning context. The UN Secretary-General has found in his 2023 SDG Progress Report that SDG10 is one of the worst performing SDGs, with only 10% of countries on track to meet it. Without major progress on SDG10, most of the other SDGs – especially on poverty, health and pandemics, social and environmental progress – will be fatally compromised.

We are facing an explosion of inequality. The COVID19 pandemic, and the crisis related to the war in Ukraine, have brought even more extreme levels of inequality, with the richest continuing to get richer, and the bottom half of the world’s citizens suffering huge health and economic losses. As a result of lower-income countries limited fiscal space to invest in protecting their economies and people, and the failure of external financing to respond to the challenge, the gap between countries has also grown. Without decisive action to counter these trends, most of the social and economic SDGs will not be achieved. Low health and education investments are punishing lower-income countries’ citizens. AIDS, a pandemic overshadowed by COVID-19, is suffering from insufficient financing and action to reduce the inequalities, especially economic inequality, which drive it.

At the end of 2022, the World Bank stated that global progress in reducing poverty had come to a halt, amid the largest increase in global between-country inequality since World War II. It also forecast that without a dramatic acceleration of efforts, we will fail to meet SDG1 of ending extreme poverty by 2030.

This year’s High-Level Policy Forum (HLPF) and UNGA SDG Mid-Term Review Summit provide the only opportunity during the SDGs to review indicators and their impact on progress, and to change them if necessary. This policy brief analyses the evolution of inequality within and between countries, by examining progress on indicator 10.1, and makes suggestions for reforming it, in order to accelerate progress in reducing inequality in the second half of the SDG period.

Section 2 of the paper looks at progress on inequality. Using the official SDG 10.1 indicator, 42 countries have achieved more than marginal increases in shared prosperity (income of the bottom 40% growing faster than the average). However, shared prosperity has not historically been used to measure inequality, because it ignores what is happening to the rich, meaning many countries have “shared prosperity” even while income becomes more concentrated at the top. Countries, international organisations and independent analysts all therefore use the Gini coefficient (which tracks all income levels) or the Palma ratio (which compares top 10% and bottom 40%.) These alternative indicators show much less positive trends: far more countries have gone backwards or stagnated on Gini since 2015 than made progress, and only 12% of countries have made progress on Palma. Equally vital, only 11% of countries will reach the 0.25 Gini target being used by UNDESA to assess progress. ***The paper suggests that these more accepted, comprehensive and accurate Gini and Palma indicators provide a much more realistic picture and should henceforth be used to measure progress on inequality.***

Wealth inequality is even more extreme, with the richest 10% of the world’s citizens owning 76% of wealth and the poorest half virtually none. Wealth inequality has grown in recent years, especially during COVID-19, further feeding income inequality. As a result, reducing income inequality will require reducing wealth inequality. ***The paper therefore suggests that measuring wealth inequality using Ginis and Palmas must be a key part of a revised SDG10 monitoring framework.***

The paper also reiterates recent findings that for the first time since the global financial crisis, between-country inequality (and inequality between the world’s richest and poorest citizens) has risen sharply during COVID, due to the vastly different financial capacities of countries to respond to the pandemic with health and social protection programmes, and the inequity of global vaccine distribution. It argues that ***it is vital to add into the SDG10 monitoring framework indicators of between-country income and wealth inequality.***

Section 2 also looks at the quality of inequality data, finding massive problems, meaning that official data tracks only 91 of 193 UN member states. Most data are collected via very infrequent household surveys, meaning almost all G77 countries' data are pre-2019. On the other hand, OECD and Latin American countries produce annual data, using smaller samples and modelling. ***The paper recommends a revolution in data on inequality, so that all countries can produce annual data and track progress regularly.***

Section 3 of the paper argues that the current SDG10.1 indicator is having pernicious effects. It shows too optimistic a picture of progress, has no clear end-targets, complicates analysis to design policies, and encourages governments to ignore ways to make the rich contribute to reducing inequality. As a result, it undermines progress in implementing the key social spending, tax, labour, financial sector and land policies which have been proven to cut inequality, so there has been very little progress on these policies since 2015. More broadly, rising inequality is slowing progress on the other social and environmental SDGs, increasing HIV incidence and AIDS mortality, undermining trust in governments and democracy, and exacerbating political instability, crime and migration.

For all these reasons, the paper recommends in Section 4 that the international community should agree to use new indicators of the Gini and Palma of income and wealth, and of between-country inequality. It suggests setting 2030 targets of 0.25 for income Gini (the level already being used by the UN to assess progress) and 1 for income Palma (which corresponds to 0.25 Gini). Countries should then incorporate action plans to achieve these targets in their national plans for achieving the SDGs. It also recommends that the international community should invest far more in helping countries to design and implement such plans, and in tracking their impact across the world through better inequality data. Only by taking these steps can we guarantee action to end the extreme inequality and poverty crisis, achieve rapid and urgent progress on health, education and social protection for all, and revive prospects of meeting the SDGs by 2030.

Section 1: The Extreme Inequality Crisis and Implications for the SDG Review Summit

In 2023, the world is facing an unprecedented crisis of extreme inequality. As [Oxfam](#) has put it:

“We are living through an unprecedented moment of multiple crises. Tens of millions more people are facing hunger. Hundreds of millions more face impossible rises in the cost of basic goods or heating their homes. Poverty has increased for the first time in 25 years. At the same time, these multiple crises all have winners. The very richest have become dramatically richer and corporate profits have hit record highs, driving an explosion of inequality.”

Extreme inequality is also having many major wider impacts, notably:

- undermining progress on the social SDGs, as the poorest and marginalised continue to have least access to education, health and social protection. According to the [World Bank](#), health spending in developing countries is likely to reach pre-COVID levels in only one third of countries by 2027. According to [UNAIDS](#), domestic financing to fight HIV has been falling 2% a year since 2020, and there is a robust association between higher levels of income inequality in a country, and high HIV/AIDS incidence and mortality.
- government failure to act on inequality is undermining trust in governments across the planet, partly by fuelling state capture and corruption ([Pathfinders 2021](#)). It is causing high levels of political instability and popular protest in many countries ([Ortiz 2022](#)). It is also increasing the risk of violent conflict ([UN/World Bank 2018](#)); and increasing levels of crime and violence ([UNDP 2021](#)), thereby displacing people from their homes and accelerating migration ([IOM 2018](#)).
- the world’s wealthiest citizens continue to be largely responsible for extreme carbon emissions and the collapse in biodiversity, while its poorest citizens pay the price through climate disasters ([World Inequality Lab 2023](#); [Oxfam 2020](#); [Kubiszewski 2023](#); [Avaaz 2023](#)).

As many have analysed (eg [Pathfinders 2021](#); [World Bank 2022](#)), without dramatically accelerating progress on SDG10, it will be impossible for the world to achieve most of the other SDGs, including the elimination of extreme poverty (SDG1) by 2030. Economic inequality intersects strongly with all other social, environmental, gender and race inequalities, so taking strong action to fight economic inequality is an essential requirement for reducing other inequalities.

These links to economic inequality are particularly strong for universal health coverage (SDG3) and ending AIDS as a public health threat (SDG 3.3). When inequalities rise, those left behind, including the populations most vulnerable to HIV, suffer most. Without urgent action to reduce inequality, the AIDS pandemic will see infections and deaths grow, with a heavier economic toll for developing countries. Successful action against AIDS also requires higher spending on broader health systems and public primary and secondary education, which are impossible in the post-COVID context of extreme inequality and poverty, and lack of fiscal space for governments to spend ([UNAIDS 2022](#)).

The Sustainable Development Goals (SDGs) for 2030 feature reducing inequality prominently. This is to be achieved primarily via a stand-alone Goal 10 on reducing inequality (see [UN 2021](#)), measured mainly by an indicator 10.1 which looks at whether countries are “sharing prosperity”. However, the [UN Secretary-General’s 2023 report on Progress Towards the SDGs](#) has found that SDG10 is one of the worst-performing SDGs. There has been virtually no progress on reducing inequality within countries. Only 10% of countries are on track to meet SDG10, 40% are reducing inequality too slowly to meet it, 40% have stagnating or increasing inequality, and 10% are not even monitoring progress. In addition, according to the [World Bank](#), the COVID-19 pandemic has dramatically worsened global inequality among countries and citizens.

This year’s SDG Mid-Term Review Summit provides the only opportunity before 2030 to review the indicators used to track progress on SDG10, analyse their impact on progress, and change them if necessary. This policy brief therefore examines progress on indicator 10.1, compares it with other ways to measure

inequality, examines the impact of the indicator itself on progress, and makes suggestions for reforming the indicator so as to accelerate progress in reducing inequality in the second half of the SDG period.

Section 2: Trends in Income Inequality During the SDG Period

2.1. The Inadequacy of Data on Inequality

Before starting the analysis, it is vital to realise that indicator 10.1 (and related indicator 10.4) suffer from major problems with lack of data. This is why SDG 10.1 is considered only a “Tier II” indicator by the [United Nations Statistical Commission’s Inter-Agency and Expert Group on SDG Indicators](#). As of April 2023, the World Bank is able to track progress for only 91 of the 193 UN member states.

There is also a major problem of timeliness and frequency of inequality data collection. The main methods used are household surveys, which because they demand large amounts of resources are conducted only every 3 or 5 years in most G77 member countries. On average, G77 countries last collected these data in 2018. The timeliness of data collection worsened during the COVID-19 period, when information was most needed so that governments could accurately target mitigation measures to stop inequality growing. As of April 2023, only one low-income country (the Gambia) has conducted a survey since 2019. On the other hand, OECD and Latin American countries conduct surveys more regularly, using smaller samples and modelling up to match larger surveys, allowing them to produce updated inequality data annually.

2.2. Shared Prosperity

The main indicator used to monitor progress in reducing inequality under SDG10 is indicator 10.1, under which countries have agreed to “By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average.” The World Bank is the “custodian” of this SDG indicator and is therefore responsible for compiling and verifying and submitting country data, along with regional and global aggregates, to the United Nations Statistics Division (UNSD).

The official UN assessment of progress on indicator 10.1 in the [Secretary-General’s 2023 progress report](#) (page 17) states that:

“Across 119 countries with data available prior to the pandemic, more than half of them have achieved income growth of the bottom 40% of the population at a rate higher than the national average. Sparse data from the pandemic suggest that two-thirds of 50 countries have experienced shared prosperity post-2019, driven by Northern America and Europe where in many countries, transfers mitigated the economic impacts of the pandemic on the bottom of distributions.”

The underlying data supporting this statement have not yet been published, but they represent a backward step from the 2022 report, which stated that 3/5 of countries were achieving the shared prosperity goal before the pandemic, but this had fallen back in 2020. Data from the [World Bank’s Poverty and Shared Prosperity report for 2022](#) show the same conclusion. Using an indicator called the “shared prosperity premium” (which measures whether the income of the bottom 40% rose faster than average), it found that this happened in 48 of 78 countries (61.5%) before COVID-19. However, during the pandemic, all 11 countries with survey data saw the income of the bottom 40% fall, going backwards on shared prosperity: 5 of these countries had even seen rising shared prosperity pre-pandemic. This implies that shared prosperity might have fallen back in the very many countries which could not afford large anti-COVID spending.

No “target” has been set for this indicator (such as the incomes of the bottom 40% growing by **XX% more** than the average), in order to track how fast prosperity is being shared. As a result, even a marginally positive outcome for the indicator is counted as positive. If we look more closely at the most recent [World Bank shared prosperity data](#) (April 2023) for 79 countries, we find that only 42 (53%) achieved a growth rate of income for the bottom 40% which was >0.1% higher than the average, 28 (35%) saw a growth rate >0.1%

lower than the average, and 9 (11%) saw virtually no change. In addition, the only three low-income countries (the Gambia, Malawi, Uganda) included have seen falls in shared prosperity since 2015.

2.3. Inequality: Gini Coefficient

“Shared prosperity” has not historically been the way of measuring reduction in income inequality, primarily because it ignores what is happening to the richest 10%. As a result, many countries have had positive trends in “shared prosperity”, even as income becomes more concentrated at the top.¹ Instead, the most widely used indicator of inequality has been the Gini Coefficient, which looks at all income levels. The Gini Coefficient measures inequality in a range from 0 to 1: a score of 0 would mean everyone has equal income, and 1 would mean one person collects all income. Because of its comprehensive analysis, almost all international organisations (the IMF, OECD, UNDESA, EU and regional UN commissions), economists and statisticians use it to measure inequality and to assess the potential impact of government policies on reducing inequality.

The current level of Gini coefficients shown by the [World Bank](#) range from 0.23 (Slovakia) to 0.63 (South Africa). While there is no Gini level officially agreed as ideal, a comprehensive [IMF study](#) has identified a Gini of 0.27 as the level above which inequality undermines growth, and shown that reducing inequality to that level could hugely accelerate growth and reduce poverty. [The UN Sustainable Development and Statistical Offices](#) in UNDESA, and the UN Regional Economic Commissions, have also been using a Gini coefficient of 0.25 as an informal target to monitor progress on SDG indicator 10.1.

Looking at trends in Gini during the SDG period, the [World Bank](#) has found that prior to the pandemic, among 78 countries, inequality was falling in 34, rising in 13, and unchanged in 31. Overall, the average in-country Gini coefficient declined from 0.417 in 2014 to 0.398 in 2019. Even if this trend had continued to 2030, it would have reduced the average Gini coefficient only to 0.356, under 37% of the progress needed to reach the target the UN is using to assess progress, of 0.25. As for the effects of the pandemic, according to the World Bank [PIP database](#), Gini fell in 25 of 49 countries in 2020, but rose in 9 of 16 in 2021.

We have also done the same calculation with the SWIID database used to establish the IMF “optimum” level of 0.27, which (due to modelling and estimation of data where surveys do not exist) covers 147 countries. We found that inequality is falling in 35% of countries, stagnating in 37% and rising in 28%. Projecting forward, by 2030, **only 6 countries (4%) will reach a 0.25 Gini target, none of them G77 members.** Of the remaining countries, 14% will be below 0.3, 49% below 0.4, and 34% above 0.4.

The Gini indexes presented above have two major weaknesses. First, their data sources are household surveys, which tend to be completed more often and more accurately by poorer citizens, and not completed (or with major under-reporting of income and wealth) by richer citizens (see [OECD 2018](#) and [Stone Center 2020](#)). As a result, they underestimate the income of the richest citizens, which is more accurately tracked by analysing tax records as well as surveys. The World Inequality Lab has compiled an alternative income database using these sources, which uses pre-tax Ginis and covers 174 countries. This shows even less positive trends, because the income of the rich is being calculated more accurately, with inequality rising in 36% of countries, stagnating in 37% and improving in only 27%.

2.4. Inequality: Palma Ratio

The second common criticism of the Gini index is that it is not sensitive enough to changes at the higher or lower ends of the income scale, and does not show whether changes in inequality are being caused by changes in incomes of the poor, middle class or rich. To remedy this, many National Statistical Offices (most

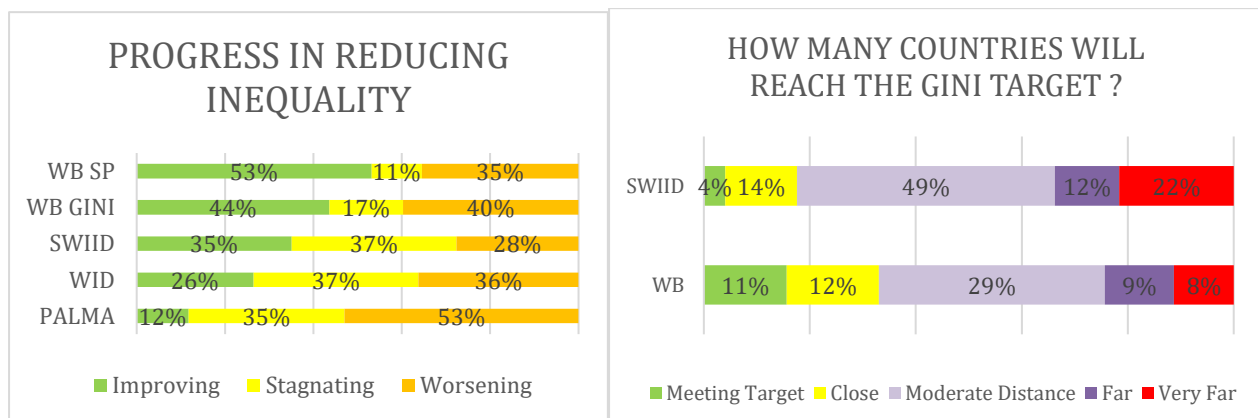
¹ The World Bank has also recently acknowledged that the current shared prosperity indicator does not take adequate account of the progress of the poorest, and that there is a need to improve its current goal.. [A group of World Bank economists](#) has proposed a way to measure “shared prosperity”, using a “prosperity gap”, which weights improvements for the poorest more heavily. We feel it is essential that any improved indicator for Goal 10 takes full account of trends among the top 10%, where income and wealth are rocketing upwards, as do Gini and Palma.

recently [South Africa](#)) and international development agencies also report the “Palma ratio”, which is the ratio between the income shares of the richest 10% and the poorest 40%.

In examining Palma ratios, it is particularly vital to have an accurate picture of the income of the top 10%. We have therefore focused our analysis on the [WID dataset](#), using pre-tax Palma ratios. The results are even worse than for Gini. Only 16 countries (10%) have improving Palma ratios, while 48 (29%) are stagnating and 72 (43%) are regressing. It is also vital to realise that 2014 baseline levels were highly unequal: in all 90 countries with data, the poorest 40% received less than 25% of total income, and the richest 10% more than 20% ([UN 2020](#)). There is no official Palma target to match the one the UN is using on Gini, but [Doyle and Stiglitz \(2014\)](#) made the case for a Palma target of 1 (ie the income share of the top 10% equals that of the bottom 40%), which would be equivalent to a Gini of 0.25, and [WID data](#) show 11 countries reaching.

2.5. Comparing the Income Inequality Indicators

Charts 1 and 2 below compare the findings using the different inequality indicators. While shared prosperity shows a narrow majority of countries are progressing, Gini shows much less progress. This is especially true when trends are modelled for countries without recent data (SWIID) or more accurate data are used for the top 10% (WID) – showing progress for only 35% and 26% of countries respectively. The Palma ratio, which best tracks top and bottom, is improving in only 12%. As for the proportion of countries which will reach the post-tax Gini target of 0.25, the World Bank says 11% and SWIID 4%.



2.6. The Case for Tracking and Tackling Wealth Inequality

The text of SDG10 frames inequality in terms of income, which back in 2015 was how most data measured economic inequality. But even then, we were aware that wealth is vital to long-term well-being. It provides the reserves and capital which make it possible for households to take risks and invest in human capital, housing, or businesses. It also makes households more resilient to shocks and able to recover more quickly in their aftermath. In 2014, [Thomas Piketty's work](#) underlined that wealth and its earnings rise much more quickly than other income, and that because the rich have far more wealth, their income also rises faster.

Since 2014, a series of reports by Oxfam and the World Inequality Lab have underlined the extreme inequality of wealth distribution, and that wealth inequality is growing dramatically. The latest [World Inequality Report](#) shows that the richest 10% of humanity owns 76% of all wealth, while the poorest half of humanity has virtually no wealth - indeed many are in debt, leaving them with “negative wealth”. The wealth of the richest individuals on earth has grown at 6 to 9% per year since 1995, whereas average wealth has grown at 3.2%. During COVID, wealth concentration accelerated: 2020 saw the steepest rise in billionaires’ share of wealth on record.

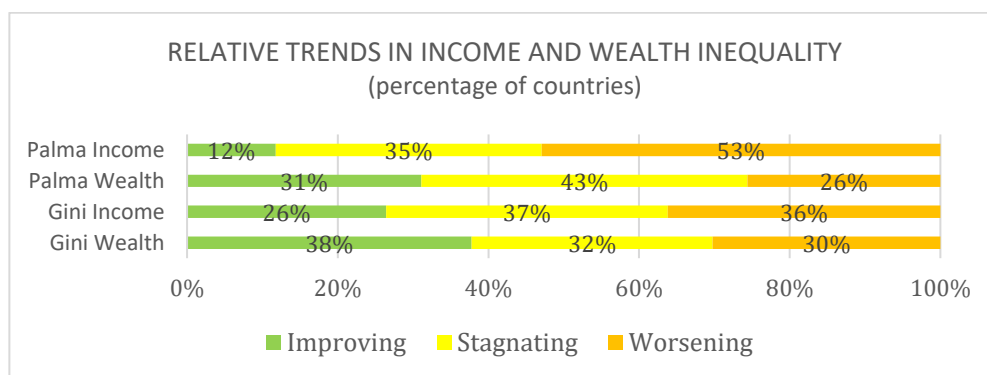
Measuring wealth inequality can use the same tools as income inequality: Gini coefficients and Palma ratios. Whichever indicator is used, the levels are much higher for wealth than for income, showing much greater

inequality. As shown in Table 1 (using WID pre-tax data to ensure comparability across income and wealth numbers), Gini coefficients for wealth are 38-70% higher than income, and Palma ratios 5-17 times higher. In the most unequal countries, Palma Ratios show the top 10% have 432 times as much wealth as the bottom 40%. In 53 countries, the bottom 40% have so much debt that their wealth is negative.

TABLE 1 COMPARING INCOME AND WEALTH INEQUALITY INDICATORS				
	Gini Coefficient of Income	Gini Coefficient of Wealth	Palma Ratio of Income	Palma Ratio of Wealth
Highest Country	0.746	0.936	27.1	432
Lowest Country	0.376	0.640	1.7	9.1
Unweighted Average	0.567	0.785	6.6	115

These data show that the crisis of extreme inequality is even worse for wealth than for income. Given that wealth inequality is also self-perpetuating, because it generates an automatic income increase for the wealthy (from financial and other investments) which is much higher than that of labour income, income inequality cannot itself be reduced over the medium-term without sharply reducing wealth inequality. It is therefore vital that the international community should track wealth inequality trends as closely as those of labour inequality.

In terms of trends during the SDG period, Figure 3 shows these have been slightly better than for income in terms of numbers of countries, but wealth inequality has been reduced in only around one third of countries.



2.7. Global and Inter-Country Inequality

The other key impact of the pandemic was to exacerbate global inequality, which compares the incomes of every person on earth. According to the [World Bank](#), the COVID-19 pandemic caused the largest single-year increase in global **income** inequality since World War II, with the Gini coefficient rising from 0.620 in 2019 to 0.626 in 2020, reversing a constant decline between 2000 and 2019. The incomes of the poorest 40% of global citizens fell twice as much as those of the top 40% in 2020, and the incomes of the rich have recovered much faster post-pandemic.

This rise in global inequality was driven primarily by the financial ability of wealthier countries to respond more strongly to the pandemic: this allowed them to purchase COVID-19 vaccines, and implement widespread income support and job protection programmes. On average, in 2020 and 2021 high income countries invested over 11% of their GDP in combating the pandemic, middle income countries 5-6% and low-income countries only 3% ([IMF](#)). The world's poorest countries and citizens were much less able to protect themselves than the richest countries.

As a result, the world's poorest citizens bore the steepest costs of the pandemic, with many living in countries whose governments had insufficient access to vaccines or funds to expand social protection. Greater global inequality now threatens to become entrenched by the reduced access poor citizens suffered

during the pandemic to education and non-COVID health services, as well as by the surging levels of inflation and debt, which are reducing fiscal space in many poorer countries for government spending to protect vulnerable groups and reach the SDGs ([UNDESA 2022](#) and [Martin 2022](#)).

Looking at inequality between countries (average or median incomes in each country), before the pandemic the world had been reducing the gap, via a “great convergence”. According to [CGD](#), this was driven by income growth in countries in East Asia, most importantly China. Once again, according to the [World Bank](#), the pandemic has reversed this trend. Between-country inequality has risen due to slower recovery from COVID in G77 member states, wiping out any gains in between-country inequality made since 2015.

The [World Inequality Report 2022](#) has analysed current data and recent trends in *global wealth*. WIR 2022 reports that in 2021, the poorest half of the world’s population owns just 2% of net wealth, while the top 10% owns 76%. The corresponding figures for income are 8.5% and 52%, showing that world distribution of wealth is much more extremely unequal. In terms of disparities among countries, wealth disparities between rich and poor regions are greater than income disparities. Poor regions are relatively poorer in terms of wealth: Sub-Saharan Africans, South and Southeast Asians and Latin Americans own just 20-50% of the global average amount (compared with 50%- 100% for income). As for trends, as already mentioned in Section 2.5, there has been a dramatically growing concentration of wealth within the top 1%: they have captured 38% of all additional wealth accumulated since the mid-1990s, whereas the bottom 50% captured just 2%. Since 1995, the share of global wealth possessed by billionaires has risen from 1% to over 3%.

2.8. Conclusion

From the analysis in this Chapter, it is easy to see that the “shared prosperity” indicator is dramatically overstating the degree to which the world is reducing income inequality which, as the next chapter shows, is leading countries to take much less energetic action to reduce inequality. The case is clear for moving to indicators which much more accurately measure income inequality and are therefore much more widely used by the international community (the Gini coefficient and Palma ratio). In addition, wealth inequality is much more extreme even than income inequality, and is exacerbating income inequality, so it will also be vital that the SDGs track inequality of wealth. Finally, during the COVID-19 pandemic, global inequality between individuals and between countries, neither of which are measured under the SDGs, rose sharply for the first time in 20 years. The SDGs must measure inequality among countries going forward, if we are to successfully reduce inequality and ending extreme poverty by 2030.

Section 3: The Effects of Measuring Inequality Badly

3.1. The Key Policies Which Reduce Inequality

The extreme inequality of income and wealth which we are seeing across the world (as shown in Chapter 2), is by no means inevitable. Inequality is a policy choice, in that government policies can be and have been used to reduce it very substantially ever since 1900. On the other hand, some governments have taken policy decisions, notably since the 1980s, which have sharply exacerbated inequality.

There are four ways in which the current design of indicator 10.1 may be undermining progress on policies:

1. it is showing much more progress in reducing inequality than other indicators, reducing the urgency of taking action to reduce inequality when countries are told they are “meeting the shared prosperity goal”.
2. The framing and naming of the phrase “shared prosperity” sounds very much like the priority is to create the prosperity and then share it, rather than to introduce policy measures which tackle inequality head-on. This is particularly true if the focus is on whether the incomes of the bottom 40% have risen (rather than any comparison with average or wealthy), as in some recent World Bank headline messages.
3. even when a problem of excessive inequality is evident, those providing inputs to governments on which policies to change to reduce it, find it difficult to link up the impact of policies to the “shared prosperity” goal. This is both because there is virtually no analytical evidence to discuss such impact, and because many “universal” anti-inequality policies would have almost as much impact on average income as on the bottom 40%, making it hard to identify policies which would “share prosperity” better. More fundamentally, UN member state governments themselves use Gini (and sometimes Palma) to track their own progress on reducing inequality, and therefore want policy analysis and progress indicators to match their national methods, as well as also linking up more clearly with the Gini-based indicator 10.4.
4. by not tracking income and wealth trends among the richest in society, or indeed tracking wealth trends at all, it leaves out some of the most powerful drivers of inequality, and prevents governments from looking at options which would maximise redistribution such as income and wealth taxes, capping top-level earnings, reducing interest rates, or redistributing land or regulating land tenure and transfer.

What are the key policies most likely to reduce inequality? Multiple studies over the last few decades have built a consensus on these policies, and the likely scale of their impact. These are nearly all based on analysis using the Gini coefficient (and in a few cases the Palma ratio). The organisations conducting these studies have included the EU, IMF, OECD, World Bank, UN and multiple academic and thinktank research institutions in North and South.

The key findings of these studies have been that the following are the key policies to reduce inequality:

- **Fiscal policies.** The most powerful evidence on which policies reduce inequality is on budget-related or fiscal policies. These cover two sub-groups of policies:
 - spending on the social sectors, such as education, health, social protection and care, housing and water and sanitation. This especially reduces inequality if the spending primarily reaches the poor, and is used to progress towards universal, publicly-funded and free education and health services, and social protection benefits (see [Martinez-Vazquez 2014](#); [Lustig 2015](#), [Verbist 2012](#), [Seery 2014](#), [Ortiz 2014](#); and [Inchauste 2017](#)).
 - progressive taxation, notably personal and corporate income taxation. This includes policies which either make the structure of these taxes more progressive by changing tax rates and thresholds for different income groups; or ensure that more tax is collected from richer groups by ending tax deductions and exemptions or auditing tax collection better for large corporate and individual taxpayers. Where the issue is wealth inequality, there are also multiple studies showing that progressive wealth taxes and inheritance taxes on the richest have reduced wealth inequality (see [Martinez-Vazquez 2014](#); [OECD 2015](#), [Lustig 2015](#), [Inchauste 2017](#); [IMF 2015](#); and [de Mooij 2020](#)).

Multiple organisations across the world, including many research institutions in North (eg the [Commitment to Equity Institute](#) (CEQ) at Tulane University) and South (eg [ICEFI](#) in Central America), and many organisations such as the EU, [IMF](#), OECD, [World Bank](#) and [CEPAL](#) have all assessed the impact of fiscal policies on inequality using the Gini coefficient. Because this is one of the areas in which most work has been done, and as a result of an initiative similar to the current Call to Action, since 2018 there has also been an additional SDG indicator (10.4.1) looking at whether governments have fiscal policies which reduce inequality: this also uses the impact on the Gini coefficient as the means of measurement.

- **Labour policies.** The second main set of policies which have been shown to reduce inequality are those relating to the labour market. They include:
 - increasing trade union membership and social dialogue between governments, employers and unions; enhancing workers' rights to organise in unions and to strike; and increasing minimum wages.
 - enhancing women's rights in the labour force in order to promote gender equality. This includes passing and enforcing non-discrimination and equal pay laws, laws against sexual harassment and rape, and well-funded parental leave which is split equitably between both parents.
 - Policies to reduce unemployment and "vulnerable employment" (employment which does not provide contractual employment rights), and to formalise employment contracts for workers.

Once again, as with fiscal policies, the studies which have identified the clear positive impact of these policies on reducing inequality, by the ILO, IMF and OECD among others, have drawn their recommendations from the impact of the policies on the Gini coefficient of labour income ([Jaumotte 2015](#); [Lavoie and Stockhammer 2014](#); [OECD 2015](#)).

- **Other policies.** Other research has established strong links between reducing inequality and:
 - **Financial sector policies.** Policies for financial inclusion – to broaden the access to and use of financial services by low-income households and small or micro-enterprises – allow the poor to begin to build up financial wealth from which they can earn income, and therefore improve Ginis of both income and wealth. Financial inclusion has worked best when accompanied by financial literacy and management training programmes for individuals and (especially women-owned) micro-businesses; when provided by community-based collective savings and loan organisations which are closer to their clients, rather than via commercial banks; and when focused on encouraging sustainable savings rather than just linking the poor to loans and bank accounts (see [Cihak and Sahay 2020](#); [Aslan 2017](#); and [Demirguc-Kunt 2017](#)).
 - **Land tenure policies.** Inequality of land tenure has accelerated dramatically in the last 30 years, with more of the poorest being left landless and, in wealth terms "assetless". Policies used successfully to reverse this and improve Ginis and Palmas of land income and wealth, have included regulation of land tenure to protect collective and women's rights, land and property taxes, strengthening corporate and land accountability, and public provision of inputs, extension services and credit (see [Land Coalition 2020](#); [Suttie 2019](#)).

Our analysis has found that there has been very little progress on introducing and implementing these policies to reduce inequality during the SDG period, which explains why inequality has not been reduced more comprehensively. In 2016, Development Finance International and Oxfam International created the Commitment to Reducing Inequality Index (CRI), to monitor progress on these policies. Its creation was partly inspired by the knowledge that monitoring of trends in inequality was so patchy and infrequent (as already discussed in Section 2.1): so monitoring policies proven to reduce inequality would be a good early predictor of whether inequality was likely to be reduced in countries.

The CRI has in four successive reports monitored government fiscal and labour policies covering the period 2015-2021, for 157 countries (it has not been possible to monitor financial or land policies yet, due to lack of comprehensive global data to assess them). It has found some remarkable positive success stories of inequality reduction through these policies, in countries ranging from Argentina to New Zealand, and the Maldives to Sierra Leone. But overall, the picture is of very little progress:

- **Public Services.** The average proportion of government budgets being spent on the three key social sectors (education, health and social protection) rose during 2016-2019, but fell back during the COVID-19 pandemic, and is now only 0.2% higher than at the start of the SDG period. It has also fallen on average in all regions of the world except Europe and East Asia. Within these data, education spending has been particularly hard hit, being crowded out by health, social protection and other economic spending during the pandemic. As a result, social spending across the world is estimated to be reducing inequality (as measured by Gini) by around 21%, but only 13% among G77 countries, and 8% in lower-income countries (LICs/LMICS).
- **Taxation.** The picture on tax structures and rates is very mixed. Rates of VAT (a consumption tax which generally hits the poor harder) have risen slightly, though the impact has been somewhat offset by measures to exempt products the poor consume. Top personal income tax rates have risen by around 1%, with Europe bucking the trend; but corporate income tax rates have fallen by 1% and in all world regions. There is also little evidence yet that tax systems are collecting taxes more effectively, especially from large corporations and wealthy individuals. As a result, tax policies and collection are reducing inequality by only 2%, in rich and poor countries alike, though one recent positive trend has been the introduction of wealth taxes by some Latin American and European countries.
- **Labour Policies.** Labour and union rights have fallen during 2015-2021, according to the ILO and ITUC. Women's rights at work have improved on paper, with governments passing more anti-discrimination and anti-violence laws, but their enforcement remains patchy. Parental leave has also improved significantly, with its average length rising from 141 to 157 days across the world. More countries have introduced minimum wages since 2015, but their average value has fallen from 57% to 47% of per capita GDP, reducing the share of national income going to labour. This fall accelerated during the pandemic as many governments refused to increase minimum wages. Unemployment and vulnerable employment have also risen across the world, reducing the percentage of workers who enjoy any of these rights. As a result, inequality of labour earnings (as measured by the Gini of wages) has also risen across the world, especially during the pandemic period and in G77 and lower-income countries.

The picture emerging from this analysis is clear. Most countries across all regions and income levels in the world are not moving significantly to reinforce the policies which have been shown to reduce inequality. There is therefore no prospect, if we continue with current "business as usual" policies, that we will reduce inequality significantly within countries (or capture the associated benefits of accelerating growth and eliminating extreme poverty) by the time we reach the end of the SDG period in 2030.

In addition, as discussed in Section 1, the failure to act on inequality is undermining progress on virtually all of the other SDGs, including ending AIDS as a public health threat. One of the causes of this stagnation or backward movement in policy action is that the "shared prosperity" indicator is neither telling us the truth about the scale of the extreme inequality crisis, nor helping us to design and assess the impact of the policies which will bring its end. The indicator must change now, allowing us to redouble our efforts to end the crisis of extreme inequality and to progress on a much broader range of the SDGs between now and 2030.

Section 4: CONCLUSIONS AND RECOMMENDATIONS – A CALL TO ACTION TO REDUCE INEQUALITY

This policy briefing has examined the progress of inequality reduction as part of SDG10. It has found that progress in delivering “shared prosperity” within countries has been mixed and slow. However, the shared prosperity indicator is not a true indicator of inequality, because it fails to account adequately for income trends among the richest in society which, given growing concentration of income in this group, makes its assessment far too positive.

If we use the more traditional indicators (Gini coefficient and Palma ratio) which are most widely used by governments, international organisations and researchers to measure inequality, and which do take account of trends among the wealthiest citizens, **there has been virtually no progress in reducing inequality since 2015. Far more countries are stagnating or going backwards (ie seeing inequality increase), than are moving forward.**

The brief has also shown that **inequality of wealth is far more extreme than that of income, and that the high earnings of income coming from this highly unequal wealth are undermining prospects for reducing income inequality.** Finally, it has also shown that **during the COVID-19 pandemic, there was a sharp reversal of the declines in “global” and “between-country inequality seen over the last decade.**

Without dramatically accelerating efforts to reduce inequality, we cannot achieve universal healthcare, end AIDS as a public health threat, ensure universal primary and secondary education, end extreme poverty, or fight climate change. Thence this call to action to save SDG10 through strong global and national action, and by saving it, to save the other SDGs. The key measures we need to take are:

1. Reviewing the Indicators.

- 1.1. The SDG review process in 2023 should review fully the indicators used to monitor Goal 10, in order to ensure that they more comprehensively and accurately assess progress on reducing inequality, and better inform world leaders of the urgent priority need for action to reduce inequality.
- 1.2. The top priority in modifying the indicators is to replace the current “shared prosperity” indicator with indicators which are much more widely used, and which assess inequality more accurately and comprehensively (especially in relation to the richest citizens). This means that **the indicators used to monitor income inequality should be the Gini coefficient and Palma ratio of income.**
- 1.3. The current indicators also fail to track inequality of wealth, which is far more extreme than income inequality and is undermining efforts to reduce income inequality. **We therefore propose that indicators are added to track the Gini and Palma of wealth.**
- 1.4. The current indicators focus on within-country inequality. However, the COVID-19 period has shown how easily progress on global and between-country inequality can be reversed, and so **we propose that SDG10 should include indicators of global and between-country inequality.**

2. Implementing the New Monitoring Process

- 2.1. **Introducing these indicators** should not be technically difficult: as this report has shown, they are already being tracked across the world by the World Bank, the Solt database and the World Inequality Database, and their definitions are commonly accepted across the world. The precise formulation of indicators can be decided in a review process by the UN Statistical Committee after the September UNGA summit.

2.2. **Setting targets** for the indicators may require a little more work. The UN is already using a Gini of 0.25 to assess country progress, and therefore it should be technically simple to adopt this as the Gini of income target, especially as it almost matches the level above which the IMF has found inequality to be undermining growth, and has already been attained by several countries. As for the Palma, as proposed by [Doyle and Stiglitz \(2014\)](#), a post tax and transfer ratio of 1 would correspond to the Gini of 0.25. This would mean that the income of the top 10% is no more than that of the bottom 40%, and has again already been attained by 11 countries. Similar target levels could be identified for the other indicators proposed above, after the SDG Summit.

2.3. However, this report has also underlined the need for a **revolution in the collection and analysis of data on inequality**. It has reemphasised the deficiencies in terms of regular surveying of trends in inequality – with more than 90 countries having data which are so old they make it impossible to assess trends during the SDGs, and most countries apart from those in the OECD and Latin America conducting surveys only once every 3-5 years. As discussed at the start of Section 2, OECD and Latin American countries already report annually and accurately by using much smaller sample surveys, combined with modelling techniques to estimate national trends. We therefore also recommend a **major donor-funded effort to enhance monitoring of inequality trends, especially in low- and lower-income countries**, by generalising these methods with the aim of having all countries report annually on inequality (and poverty) trends once a year, including assessments of impact on inequality by gender, ethnicity, and location. To ensure adequate tracking of top incomes and wealth, investments must be also made in other sources of inequality data, especially analysis of tax records which can correct surveys.

2.4. It will then be vital to ensure that countries are introducing the policies which will reduce inequality. The UN should encourage and support all member states, to introduce **time-bound national action plans to reduce inequality as part of their national development plans**, which set clear targets expressed in terms of reducing the Gini coefficients and Palma ratios of income and wealth.

2.5. Finally, at global level, the international community needs to **invest much more in assisting countries to design such policies, and in analysing their progress, implementation and impact** (eg by achieving universal free education and health care, and universal social protection; by making tax systems and tax collection fairer; and by enhancing labour rights in practice rather than just on paper). The SDG10 policy indicators could go beyond the current summary indicator 10.4 of “labour share of GDP”, to identify which labour market policies are being implemented to reduce inequality; and beyond the overall “anti-inequality fiscal policy” indicator 10.4.1 on the impact of combined tax and spending policies, by disaggregating analysis to help countries identify which tax and spending policies would be most helpful.

If UN member states decide to take these steps by the time of the UNGA Summit, then the international community will be dramatically recommitting itself to reversing current trends, and reducing in-country and between-country inequality of income and wealth sharply by 2030. They will also be dramatically enhancing the world’s prospects of ending extreme poverty, accelerating growth and progressing faster on virtually every other SDG. We call on world leaders to act now to ensure we can together reduce inequality and end extreme poverty, revive the SDGs, end AIDS as a public health threat and create the world our citizens want by 2030.

Development Finance International, Oxfam International, and the Center for International Cooperation at New York University, have co-authored this report, with support from the United Nations Joint Program to end AIDS (UNAIDS). This briefing paper is also available in French and Spanish.

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