FIGHTING INEQUALITY IN THE TIME OF COVID-19

The Commitment to Reducing Inequality Index 2020

Summary

Development Finance International

OXFAM

COVID-19 hit a world woefully unprepared to fight it, because countries had failed to choose policies to fight inequality. Only one in six countries assessed for the CRI Index 2020 were spending enough on health, only a third of the global workforce had adequate social protection, and in more than 100 countries at least one in three workers had no labour protection such as sick pay. As a result, many have faced death and destitution, and inequality is increasing dramatically. Governments such as South Korea have shown the way forward in combining recovery from COVID-19 with fighting inequality.

This third edition of the CRI Index report recommends that all governments adopt strong anti-inequality policies on public services, tax and labour rights, to radically reduce the gap between rich and poor. The international community must support them with Special Drawing Rights, debt relief and global solidarity taxes.

See also the CRI Index website and methodology note at www.inequalityindex.org

SUMMARY

CRI 2020: FAILURE TO TACKLE INEQUALITY LEAVES COUNTRIES WOEFULLY UNPREPARED FOR THE CORONAVIRUS PANDEMIC

The 2020 Commitment to Reducing Inequality (CRI) Index shows clearly how the majority of the world's countries were woefully unprepared for the coronavirus pandemic. With very low levels of spending on public healthcare and weak social protection systems and rights for workers, their populations were left brutally and unnecessarily vulnerable. The failure of governments to tackle inequality is now forcing ordinary people to bear the brunt of the crisis and pay a much higher price than they should.

Just 26 of the 158 countries surveyed for this year's CRI Index by Oxfam and Development Finance International (DFI) were spending the recommended 15% of their budgets on health[1] going into the pandemic. India, for example, spent just 4%. In 103 countries, at least one in three of the workforce had no labour protection such as sick pay. Only 53 countries had social protection systems against unemployment and sickness, and they covered only 22% of the global workforce.[2]

Conversely, those governments already committed to reducing inequality were the ones best placed to face the economic and health challenges posed by coronavirus. They were best placed to ensure that ordinary people were protected as much as possible, and that the impact of the virus was not dictated by whether you were rich or whether you were poor.

THE COMMITMENT TO REDUCING INEQUALITY INDEX 2020

This is the third edition of the CRI Index, which ranks 158 governments across the world on their commitment to reducing inequality. It measures government policies and actions in three areas that are proven to be directly related to reducing inequality:[3]

1. Public services (health, education and social protection)
2. Taxation
3. Workers' rights.[4]

While these three thematic pillars remain unchanged, the 2020 CRI Index has seen significant changes in methodology from 2018 (see Figure 1).[5] Each pillar now contains three levels of indicator:

1. Policy commitment indicators: these measure the commitment of governments through their policies (which may not always be implemented in practice);
2. Coverage or implementation indicators: these look at who is covered (or not) as a result of policy actions, or how well a government puts policies on paper into practice;
3. Impact indicators: these measure the impact of policy actions on levels of inequality.

These changes to the index's methodology mean that a straight comparison between the scores of a country in the 2020 index and those for 2018 may not give an accurate picture of that country's performance. For this reason, our analysis of change focuses on concrete policy changes since the 2018 index.

Figure 1: The CRI Index 2020 – pillars and indicators

	PUBLIC SERVICES SPENDING	TAX PROGRESSIVITY	LABOUR RIGHTS AND WAGES
Policy indicators	• **PS1a** Education • **PS1b** Health • **PS1c** Social protection	• **T1a-**Personal income tax • **T1a-**Corporate income tax • **T1a-**Value added tax • **T1b-**Harmful tax practices	• **L1a** Labour rights • **L1b** Women's labour rights • **L1c** Minimum wage
	Spending as % of total budget	Progressive tax structures	Governments' efforts to protect workers in law and practice
Implementation or coverage indicators	• **PS2a** Secondary education completion by poorest quintile • **PS2b** Universal health coverage and out-of-pocket expenditure • **PS2c** Pension coverage	• **T2** Tax productivity across VAT, PIT & CIT	• **L2a** Unemployment • **L2b** Vulnerable employment
Impact indicators	• **PS3** Impact of spending on inequality (Gini)	• **T3** Impact of tax on inequality (Gini)	• **L3** Impact of labour income (wage) on inequality (Gini)
Total CRI score	Average of 3 pillar scores		

OVERALL RESULTS

The full CRI Index 2020 global and regional rankings can be found in Annex 1 of the full report.

Those at the top

Most of the countries near the top of the index are OECD countries. With higher gross domestic products (GDP), they have much more scope to raise progressive tax revenues because they have more citizens and corporations with higher incomes; likewise, they have greater scope to spend those revenues on public services and social protection.

Norway tops the 2020 CRI Index, notably scoring top on labour rights. It has the sixth lowest income inequality in the world but since 2000, has cut its top personal income tax and corporate tax rates sharply, so that taxes now play a lower role in reducing inequality. Overall inequality and poverty have risen during the last decade,[6] and 15 OECD countries perform better than Norway on wealth inequality. But even countries at the top of the listings could improve a lot – especially as many of them have been backtracking for decades on historical commitments to policies which reduce inequality.

For example, for the past two decades, successive governments in Denmark have promoted taxation policies that have increased inequality, challenging the historically low levels of inequality within the population.[7] Since 2010, income growth has stagnated for the 40% with the lowest incomes,[8] while the richest 10% now own nearly half of the country's total wealth.[9] Furthermore, the decrease in spending on education as a redistributive measure to address widening inequality is alarming.[10] The new Danish government elected in 2019 is, however, expected to reverse some of these negative trends, which is welcome news. Belgium, at number four in the CRI rankings, ranks only 37th on tax, partly due to recent cuts in corporate income taxes. While Germany ranks third in the overall index, its education spending is as low as that of South Sudan at 9.35% of government spending; one of the countries at the bottom of the public spending pillar. In other words, the top-performing countries could do much more.

Other low- and lower-middle-income countries may not score as highly on the overall index but are clearly taking steps to reduce inequality, despite their relatively low incomes. Sierra Leone has built on its commitment to make secondary education free by increasing education spending this year.[11] The government has clamped down on tax evasion by mining companies and has introduced a property tax in the capital, Freetown.[12] It has also increased its minimum wage, although this applies only to the small proportion of workers who are formally employed.[13]

Since the 2018 CRI Index, Vietnam has increased its health spending, which is welcome, although it must do even more to reduce health inequalities and the significant amount ordinary people need to pay for the cost of healthcare. Vietnam's tax collection is strong, especially compared with other countries in the region, but it could still do more to eliminate tax incentives for corporations. Its score on labour rights remains low, but if it implements the recent welcome agreement to allow workers to form their own independent labour unions, this score will improve in future CRI Indexes.[14] Vietnam's response to the coronavirus pandemic has been among the best in the world.[15] The government is also considering making reducing inequality a core part of its upcoming ten-year plan, which would be a very important and positive step.[16]

Table 1: CRI Index ranking of 158 countries – the top 10

COUNTRY	PUBLIC SERVICES RANKING	TAX RANKING	LABOUR RANKING	CRI RANKING
Norway	14	21	1	1
Denmark	8	28	2	2
Germany	5	17	11	3
Belgium	7	37	8	4
Finland	2	61	4	5
Canada	26	8	20	6
France	3	47	16	7
New Zealand	21	11	34	8
Austria	10	50	18	9
Sweden	11	78	7	10

Table 2: Top three low-income (LIC) and lower-middle-income (LMIC) countries

COUNTRY	INCOME	PUBLIC SERVICES RANKING	TAX RANKING	LABOUR RANKING	CRI RANKING
Ukraine	LMIC	24	58	39	28
Kyrgyz Republic	LMIC	46	14	61	37
Togo	LIC	133	2	112	82

Those at the bottom

At the bottom of the 2020 CRI Index is South Sudan, which is new to the index and comes close to last on all three pillars. This, at least in part, reflects the fact that just two years after independence in 2011, the country descended into a devastating civil war, which continues to have violent reverberations.[17] But this low ranking also reflects a failure of policy setting by the government for its citizens: for instance, South Sudan spends six times more on the military and on debt servicing than it does on vital public services, and it collects only around 15% of the tax that it should. This leads to failure to deliver on even the most basic of services: less than one-third of the country's people can access essential health services, and it is the only country in the index which does not have any pension scheme. South Sudan has three times as many generals as doctors.[18]

India is ranked at number 129 in the index. Its health budget is the fourth lowest in the world. Just half of its population have access to even the most essential health services, and more than 70% of health spending is being met by people themselves, one of the highest levels in the world. Most workers earn less than half of the minimum wage; 71% do not have any written job contract and 54% do not get paid leave.[19] Only about 10% of the workforce in India is formal, with safe working conditions and social security.[20] In 2016, the government abolished a wealth tax introduced way back in 1957.[21] So far India's response to COVID-19 has been woeful, with huge numbers of deaths and millions of people forced into destitution.

Nigeria is second to last in the index, just ahead of South Sudan. Nigeria continues to collect shockingly low levels of tax, and it therefore also ranks very low on public services; it is hardly surprising, then, that one in five out-of-school children in the world live in Nigeria.[22] During the coronavirus crisis, hit by a collapse in oil revenues, the government has halved its health and education budgets.[23]

Bahrain at third from the bottom of the index and Vanuatu at sixth from the bottom both also do very badly on tax, with neither having corporate or personal income tax. Bahrain and Oman also score poorly on labour rights, as four-fifths of their workforce are migrant workers governed by the Kafala system, which is often described as modern-day slavery.[24] Singapore remains one of the lowest-ranked high-income countries, largely because of its role as a tax haven.

Table 3: CRI ranking of 158 countries – the bottom 10

COUNTRY	PUBLIC SERVICES RANKING	TAX RANKING	LABOUR RANKING	CRI RANKING
South Sudan	158	155	154	158
Nigeria	156	127	158	157
Bahrain	102	158	131	156
Chad	157	113	145	155
Liberia	129	150	132	154
Vanuatu	115	156	115	153
Oman	108	148	138	152
Central African Republic	155	64	157	151
Guinea-Bissau	151	132	126	150
Haiti	145	105	149	149

Table 4: Bottom three high-income countries

COUNTRY	PUBLIC SERVICES RANKING	TAX RANKING	LABOUR RANKING	CRI RANKING
Bahrain	102	158	131	156
Panama	78	144	81	108
Singapore	87	145	67	107

FIGHTING INEQUALITY IN THE TIME OF COVID-19

The coronavirus pandemic has swept across a world that was already profoundly unequal. In country after country it has magnified and increased these inequalities. The poorest people are least able to isolate, to protect themselves. They are more likely to have pre-existing poor health, making them more likely to die. Economically, it is ordinary people who are losing their jobs in their tens of millions, facing huge levels of hunger and hardship. Women are among the hardest hit economically, as they are more likely to be in precarious work and are also 70% of the world's health workers.[25]

Economic and racial inequality are strongly linked across the world, so the crisis has also exacerbated racial inequality. Black people generally do more precarious jobs, have less access to healthcare and social protection and suffer from other health problems. Across the world, COVID-19 has killed people who were already suffering from racial discrimination.

The failure to tackle inequality has left the majority of countries far more vulnerable to both the health and economic impacts of the disease; it has meant that most were unprepared. The response to the coronavirus crisis is a true test of whether a government is committed to reducing inequality. Some countries, like South Korea, which was already a high scorer in the CRI Index, have tackled the crisis head on, notably introducing universal emergency relief payments for 22 million households.[26] Georgia has removed fees for any health expenses related to COVID-19.[27] At the other end of the spectrum, Kenya,[28] which had a relatively good CRI Index score on tax, has responded by cutting corporate tax and the top rate of personal income tax. Conversely, some countries like Myanmar, which to date have had a low CRI score, have found new impetus in response to the coronavirus crisis. Myanmar increased its social protection scheme to cover 21 million people, an increase of 8,684%, with a mix of one-off and ongoing supports.

Across the world, there have been significant expansions in health and social protection spending. However, there has been little progress on cutting user fees or out-of-pocket expenses, which prevent those living in poverty from accessing healthcare; and social protection spending and coverage in most low- and lower-middle-income countries remains extremely low. Some countries have reduced regressive VAT rates, and a few have introduced progressive 'solidarity' taxes to ensure the wealthiest pay their fair share. Many countries have expanded worker rights and protections, particularly through short-time working, sick leave and unemployment benefit. But there have also been sharp rises in unemployment and underemployment, and increased attacks on workers' rights.

What has been the role of the international financial institutions, charged by the G20 with leading the global financial response to the pandemic? The International Monetary Fund (IMF) has disbursed US$88bn in support to 80 countries and has saved 28 countries $251m in debt servicing payments. Its analysis is showing that the coronavirus pandemic will increase inequality and is suggesting anti-inequality policy measures such as solidarity taxes. However, in its advice to countries it is already warning of the need for austerity post-coronavirus to reduce debt burdens, which will increase inequality unless a different path is taken. The World Bank has pledged US$160bn in emergency funding, mobilized US$6bn for its COVID-19 Fast Track Facility, and is funding health projects in 73 countries as of June 2020. Yet Oxfam's analysis shows that only eight of these projects attempt to reduce the cost to households of health expenditures, which each year bankrupt millions of people and exclude them from treatment.

CRI INDEX 2020: RESULTS FROM THE THREE PILLARS

Public services pillar

This pillar looks at actions taken by governments in the areas of education, health and social protection, which are widely understood to have enormous power to reduce inequality. In previous versions of the CRI Index, we have looked at spending as a percentage of the government budget, and at the impact this spending is having on inequality. For the CRI Index 2020 we have added a new set of indicators to measure the coverage and equity of services.[29]

Overall public services results

The top 10 countries in the index rankings all use their public services to fight inequality. The best-performing country in the public services pillar, Poland, puts as much money into the pockets of the poorest people through public services as they earn in the market – so it comes top on impact. Other countries achieve a lot with less wealth. Ukraine comes top of the lower-middle-income group, at number 24. It invests in public services in a way that has been shown to double the disposable income of the poorest people, but it needs to do more on health.

The bottom 10 countries show how low levels of spending lead to weak coverage and minimal impact on inequality.

Spending levels and trends

Many low- and lower-middle-income countries allocate a high proportion of their budgets to education: they spend nearly 16% of their budgets on education compared with 14% for middle- and high-income countries, reflecting their young populations. In the 2020 CRI Index, allocations across all three sectors are stagnant for higher-income countries, but most low- and lower-middle-income countries have increased spending, even with high debt levels constraining budgets. Ethiopia stands out for spending the second highest proportion on education and for having significant budgets for health and social protection, with a significant impact on poverty reduction.

At the bottom of the public services pillar ranking, South Asian countries in particular are doing far too little to fight inequality. India, Nepal and Sri Lanka are all in the bottom 10, and Bangladesh is 16th from the bottom of the list.

Coverage levels

On education coverage, there is huge variation between countries in terms of secondary school completion by the poorest children. Nigeria has the biggest gap between rich and poor: 90% of the richest pupils complete secondary school, compared with only 15% from the poorest households.

Health coverage includes two components: the ratio of the population who have access to 'essential' health services and the number of people spending more than 10% of their income on health costs. Most high-income countries have reached universal health coverage (UHC), but so have some upper-middle-income countries, such as Costa Rica and Thailand. They also do it a lot more efficiently: Thailand achieves universal healthcare spending of $277 per capita, whereas the United States, where millions of people are still not insured, is spending $11,000 per capita.[30]

The final coverage indicator uses pensions as a proxy for overall social protection coverage – due to a lack of data for other programmes. In total, 40 countries have achieved 100% coverage on this indicator. All but 10 are high-income countries. A few lower-income countries have shown that near-universal coverage can be achieved with less: for example, Bolivia has scaled up using higher taxes on oil and gas. But in more than 50 countries fewer than half of elderly people are covered, and in 34 countries fewer than 10%.

Impact of spending on inequality

Evidence shows that public spending across the three sectors always reduces inequality. However, impact varies hugely across countries because the extent of redistribution depends on both size and progressivity: those which spend too little, or do not spend progressively, have less impact. For instance, in Latin America, Uruguay achieves more redistribution from spending less (but by spending progressively) than many other Latin America countries, which improves the country's position on this sub-pillar; but Guatemala has both very low spending and low levels of progressivity, leading to virtually no impact on inequality, so it comes at the bottom of the sub-pillar for Latin American countries.

Taxation pillar

Progressive taxation is widely agreed to be a critical action that governments can take to reduce the gap between rich and poor.

The tax pillar in the CRI Index measures a range of different ways in which taxes are or are not contributing to reducing inequality, looking at tax policies, tax implementation and the impact of tax on inequality. It also looks at so-called harmful tax practices i.e. the extent to which a country is behaving in ways characteristic of a tax haven.

Overall tax pillar results

South Africa comes top of the 2020 CRI Index tax pillar, reflecting a tax system that is relatively progressive on paper and a good record on tax collection, which combine to give it the tax system with the most impact on reducing inequality. However, there is much more that the country could do to make its system even more progressive, such as collect more tax and introduce a wealth tax. The best-performing low-income country is Togo, which has the world's second most progressive tax system on paper but is let down by poor tax collection.

At the bottom end of the tax pillar is Bahrain, which lacks income taxes, has introduced a regressive value added tax (VAT) and relies on oil royalties and customs duties to fund its budget. Among the other countries at the bottom of the tax pillar are Oman and Vanuatu, countries which lack income taxes, and three with very low or flat taxes: Moldova, North Macedonia and Serbia.

Progressivity of tax policy

Increasingly the countries that have the best tax policies are lower-income countries, as richer nations have systematically cut back on taxation of the richest individuals and corporates over the last few decades (see Box 4 in Section 3).

Personal income tax

The countries with the most progressive income taxes on paper are all low- or lower-middle-income countries, led by Togo, Central African Republic and Pakistan. At the other end of the scale, 14 countries continue to have regressive 'flat tax' systems, charging the same percentage to all taxpayers, regardless of how rich they are. These are mostly in Eastern Europe and Central Asia. Five countries still had no personal income tax (PIT) in 2019, but the Maldives introduced one in 2020.

Overall in 2018–19, the average top PIT rate rose slightly, with Latvia, Lithuania and North Macedonia making deliberate and dramatic decisions to switch away from flat tax systems to progressive ones, and Chile, Costa Rica and Malaysia are planning increases in 2020.

Corporate income tax

The countries with the highest corporate income tax (CIT) rates are nearly all low-income or lower-middle-income countries such as Guyana, Bangladesh, Chad, Guinea, Jordan and Zambia. On the other hand, the Bahamas, Bahrain and Vanuatu have no CIT.

In recent trends, the United States stands out for cutting its corporate tax rate by a massive 13%. Indonesia, which was a star performer in fighting inequality in the 2018 CRI Index, is slashing CIT rates by 8 percentage points; and Belgium by 9 percentage points.[31] However, almost as many countries have been increasing rates, with notable tax increasers being Trinidad and Tobago, Uzbekistan, Latvia, South Korea and Ecuador. So overall, the average CIT rate has fallen by only 0.2% to 23.9%.

Value added tax

VAT is usually a regressive tax, so higher rates exacerbate inequality. However, around 40 countries take measures to make it neutral or progressive, for example by exempting basic food items. On the other hand, Denmark, Brazil, Hungary and Lithuania all have rates above 20%.

Relatively few countries have changed their VAT rates since 2018, with only China making a significant cut of 4%, reflecting a wish to reduce its reliance on indirect taxes; and 10 countries have increased their rates, led by the Bahamas, in order to fill budget financing gaps. The average global VAT rate (including eight new countries with VAT) has risen by 0.2% to 15.7%.

Harmful tax practices

The CRI Index includes as a negative indicator the degree to which a country adopts and implements harmful tax practices (HTPs), attracting corporate profits from other countries and eroding their tax bases and their ability to fight inequality.

Singapore comes bottom on this indicator. It has one of the highest foreign direct investment (FDI) to gross domestic product (GDP) ratios in the world, but a high proportion of this is 'phantom' investment, due to the country's low tax rates and a broad range of tax incentives designed to attract investment or to base intellectual property, research or treasury activities there. Of the other countries at the bottom, six are EU members. At the top are 26 countries with no HTPs, of which 23 are lower-income and only Denmark and France are OECD members.

Tax collection

In the 2020 CRI Index we have changed the methodology slightly, so this indicator now looks only at 'productivity' – the percentage of tax which each country is collecting compared with what it should collect, based on the tax rates it has set. On this basis, the best performers are countries like the Seychelles, New Zealand, Luxembourg, Barbados, Denmark and Algeria, all of which collect more than two-thirds of the tax their rates should produce. At the other end of the spectrum, countries like Nigeria and Oman continue to collect less than 15% of the tax they should. Average tax productivity has increased slightly (by 0.3%) since the 2018 CRI Index.

Tax impact on the Gini coefficient

Globally, the tax system remains slightly regressive, reflecting the high dependence of many countries on VAT revenues and their very low collection of progressive taxes. On a more positive note, the tax system has become slightly less regressive since 2018, with tax systems in 86 countries estimated to have become more progressive because they are collecting higher shares of their taxes in income taxes, compared with 68 becoming less so.

The countries with the tax systems most geared towards reducing inequality are Ireland, Tanzania, South Africa, Argentina and Georgia, according to the latest analyses by the Commitment to Equity (CEQ) Institute and the OECD. Their progressive tax systems, combined with strong collection of taxes, mean that they reduce their Gini coefficients[32] by around four points using taxes alone. Those with the least progressive systems are mostly Eastern European countries like Bulgaria, which have flat PITs and low corporate tax rates, and are dependent on indirect taxes.

Wealth taxes

The 2020 CRI Index report examines different types of wealth taxes for their potential to mobilize much more revenue. Because wealth inequality has been rising much faster than income inequality, the potential for reducing inequality through taxation of wealth is very high. Based on existing country experience, the measures most likely to yield more revenue are introducing taxes on stocks of wealth and increasing efforts to collect capital gains taxes. There is smaller but still valuable potential from property and land taxes (especially in lower-income countries), inheritance taxes, financial income taxes and financial transaction taxes. Given the need for additional revenue to combat the COVID-19 crisis and to fund progress on public services under the Sustainable Development Goals (SDGs), taxes on property and wealth could raise trillions of dollars extra.

Labour pillar

The CRI labour pillar measures respect for trade unions, legal protection for women workers and minimum wages. It measures levels of unemployment, vulnerable and informal employment. Finally, in 2020 we have introduced a new impact indicator that looks at the impact of labour market inequalities.

Overall labour pillar results

The top 10 countries in the labour pillar are all high-income European countries, which reflects a long history of prioritizing labour rights and women's rights. Among the highest-scoring low- and lower-middle-income countries is Bolivia, which until 2019 was known for its progressive labour policies and a vibrant workers' movement, though this represented only salaried workers, about one-third of the working population. At the other end of the scale, eight of the 10 lowest scorers are low- or lower-middle-income countries in Africa, which mostly reflects very low scores on women's labour rights. India, which has weak labour rights and a high incidence of vulnerable employment, is eighth from the bottom.

Labour rights

In 2017 (the last year for which labour rights were assessed) there was a slight deterioration in the average respect for labour rights worldwide. Most of the top scorers were OECD countries, led by Finland, but Dominica and Palau also featured, as they respected virtually all International Labour Organization (ILO) conventions. Six countries (Belarus, China, Egypt Lao PDR, Uzbekistan and Vietnam) remain at the bottom of the index because they do not allow independent unions. On the other hand, Vietnam's very low score is mitigated by its recent agreement to ratify the ILO Convention on Freedom of Association by 2023, which would allow independent unions from 2021 as part of the recently negotiated EU–Vietnam Free Trade Agreement.[33] Furthermore, Egypt passed a law in 2017 allowing the establishment of independent trade unions; nevertheless, significant administrative hurdles and restrictions are embedded in the legislation.

Bolivia and the Gambia were the countries which most improved respect for labour rights in 2017, together with Botswana, Lesotho and Eswatini (formerly Swaziland). However, labour rights improvements benefit only salaried workers. On the other hand, the Maldives and Brazil slipped backwards dramatically, due to their governments' anti-union attitudes.

Women's rights in the workplace

Although the overall CRI score for respect for women's rights has improved slightly, this masks changes within the specific rights measured. Some countries, including most recently South Sudan, have improved their laws on equal pay and against gender discrimination in the workplace. However, 10 countries still have no legislation on either issue.

Nearly half of the countries in the CRI Index do not have adequate rape legislation, and one in five does not have any laws criminalizing sexual harassment. There has been a lot of progress on sexual harassment laws since 2017, with 15 new national laws, but only four improvements on rape laws – and most of the 'best' anti-rape laws still require the victim to prove violence rather than defining rape as lack of consent (which the CRI Index will define as the standard in the future).

On a brighter note, many countries have improved on parental leave. Countries like South Sudan, Ethiopia, Zambia, Fiji and Paraguay have all increased maternity leave; Nepal, Ethiopia, Jordan and Lebanon have increased paternity leave; and New Zealand has added 40 days to parental leave since 2018. Yet disappointingly five countries (Lesotho, Papua New Guinea, Suriname, Tonga and the United States) continue to deny parents paid leave.

Minimum wage

Most of the best performers on minimum wages are low-income countries, setting more generous policies on paper. The biggest real increases in 2019 were by the Solomon Islands and Kazakhstan, while five EU governments also increased real minimum wages, moving towards a target of 60% of average wages. Overall, 96 countries increased their minimum wage, but many rates did not rise as fast as GDP, producing a slight overall average fall in scores.

Two modifications to minimum wage calculations have been introduced to the index this year. Some countries, such as the UK, the Netherlands, Belgium and Greece, have a lower minimum wage for young people, so we have penalized them for this by between 2% and 10%, in line with ILO policy. In addition, we have been tougher on 12 countries which exclude some workers (in certain sectors, migrants, etc.), giving them all a zero score. Half of these countries are in the Middle East and North Africa, but since the 2018 CRI Index Djibouti has extended minimum wages to the private sector, and Egypt, Ethiopia and the Maldives intend to follow suit.

Most minimum wages fall well short of wages that would allow workers to cover essential needs, known as 'living wages'. Many initiatives have been launched around the world to bring minimum wages closer to living wages, but in most countries, progress has been slow: for example, Rwanda's minimum wage is only 2% of a living wage and has not been changed since 1974.

Vulnerable employment and unemployment

Many low-income countries perform well on the 2020 CRI Index labour pillar, especially on minimum wages. But it is vital to remember that the progressive labour policies of countries like Mozambique and Niger apply to only a small fraction of the population, because 80–95% of the workforce are in vulnerable employment and do not have these rights. Women, in particular, are far more likely to be in vulnerable employment. This shows a key need for stronger policies to encourage formal employment, reduce unemployment and extend some rights to vulnerable employees. In the 2020 CRI Index, we have also widened the definition of 'vulnerable' employees to cover workers who are legally deprived of rights by the formal dual labour system known as 'Kafala' in Bahrain and Oman. As a result, these countries rank 131st and 138th respectively in the labour pillar. While countries of the Middle East and North Africa (MENA) still adopt the Kafala system, Qatar has introduced a milestone labour reform in 2020 to allow migrant workers to change jobs without the employers' permission. This unprecedented move presents an effective end of the Kafala system as long as the law is implemented.[34] It is hoped that other countries in the Middle East and North Africa will make similar progress to effectively abolish this system of modern-day slavery.

Impact: wage inequality

Labour policies and coverage are not enough to assess countries' progress when it comes to inequality. Policies must have an impact on closing the wage gap between rich and poor. In this regard, wage inequality seems to be lowest in OECD countries such as Belgium, Denmark, Norway and others that have a low Gini coefficient for wages, ranging from 0.27 to 0.36. On the other hand, the countries faring worst are mostly in sub-Saharan Africa, with Niger, Liberia and Uganda exhibiting extreme wage inequality. This reflects two main factors: the poor enforcement of policies on women's rights and minimum wages and the high levels of vulnerable and informal employment in these countries.

CONCLUSIONS AND RECOMMENDATIONS

The coronavirus crisis has exposed the scale of inequality across the world and is likely to leave most countries even more unequal. The need for all governments to rapidly commit to reducing inequality has never been more urgent.

1. Urgent government action to radically reduce inequality

In response to the coronavirus pandemic, governments must dramatically improve their efforts on progressive spending, taxation and workers' pay and protection as part of National Inequality Reduction Plans under SDG 10.

These plans should include increases 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 its impact on coverage and inequality improved. The coronavirus pandemic has shown the particular urgency of reaching the SDG targets for universal healthcare and social protection. There also needs to be systematic tracking of public expenditures, involving citizens in budget oversight. Workers need to receive living wages and have their labour rights better protected. Women and girls especially need their rights to equal pay, non-discrimination, and protection against sexual harassment and rape to be enforced including for vulnerable workers, more generous parental leave, and a massive investment in paid care to reduce the burden of unpaid care on women.

2. Inequality policy impact and analysis

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. Governments and international institutions should then analyse the distributional impact of any proposed policies and base their choice of policy direction on the impact of those policies on reducing inequality. The top priorities emerging from this year's CRI are to improve the data and analysis on: the impact of spending on education, health and social protection service coverage and on inequality; the prevalence of wealth taxes, amount of taxes that could be collected, the impact of taxes on inequality, and practices which harm tax collection from individuals; and the coverage and enforcement of labour rights, gender equality and minimum wages in all countries.

3. Coming together to fight inequality

Governments and international institutions which are serious about the deeply harmful impacts of inequality and the need to rapidly reduce it should come together to make the case for urgent action, especially in light of the dramatic increases in inequality that are likely to occur as a result of the coronavirus pandemic. The most urgent policy measures include a global commitment and funding to ensure that COVID-19 vaccines will be free to all countries; and a much more dramatic expansion in social protection to protect workers in lower-income countries. However, for longer term recovery from the coronavirus pandemic, there is a strong possibility that the world will revert to austerity and spending cuts to bring down debt burdens, as it did after the global financial crisis. To prevent this, the international community must enhance its solidarity by approving a large new issue of IMF Special Drawing Rights, extending the current debt standstill through 2022 and providing comprehensive debt cancellation to stop debt service diverting funds from public services; and introducing solidarity taxes on wealth and income from which part of the proceeds go to lower-income countries.

NOTES

1 In 2001, African governments made a pledge to allocate at least 15% of their budgets to the health sector, in what is known as the Abuja Declaration. No global target has been set but this is something that has been adopted as a benchmark beyond Africa. https://africanarguments.org/2020/04/27/19-years-africa-15-health-abuja-declaration/

2 ILO. (2017). World Social Protection Report 2017-19. https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm

3 For a full discussion of the evidence that action in these three areas has a large bearing on inequality, see M. Martin and M. Lawson. (2018). The Commitment to Reducing Inequality Index 2018: A global ranking of governments based on what they are doing to tackle the gap between rich and poor. DFI and Oxfam. DOI: http://dx.doi.org/10.21201/2018.3415 and www.inequalityindex.org

4 The full rankings can be found in the annex to the report and interactively at: http://www.inequalityindex.org

5 For details of these methodology changes and the new methodology, see the methodology note at: www.inequalityindex.org

6 OECD Income Distribution Database and Wealth Databases at https://stats.oecd.org. https://www.tnp.no/norway/economy/poverty-income-inequality-increase-norway

7 Jonas Schytz Juul, Erik Bjørsted. (2017). 52 mia. kr. i skattelettelser er primært gået til de rigeste. https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_52-mia-kr-i-skattelettelser-er-primaert-gaaet-til-de-rigeste.pdf

8 Sune Caspersen. (2018). Siden 2010 er indkomsten stagneret for de 40 pct. Fattigste. https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_siden-2010-er-indkomsten-stagneret-for-de-40-pct-fattigste_0.pdf

9 Stor ulighed i danskernes nettoformuer https://fho.dk/wp-content/uploads/2019/02/stor-ulighed-i-danskernes-formuer.pdf

10 Mie Dalskov Pihl, Frederik Steiner. (2017). Danmark bruger færre penge på uddannelse. https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_danmark-bruger-faerre-penge-paa-uddannelse_0.pdf

11 Afro Barometer. (2020). Majority of Sierra Leoneans like universal free education but call for greater investment. http://afrobarometer.org/sites/default/files/publications/D%C3%A9p%C3%AAches/ab_r8_dispatchno378_sierraleoneans_like_free_universal_education_call_for_greater_investment.pdf

12 The Economist. (2020). A mayor is reforming Sierra Leone's rotten property tax. https://www.economist.com/middle-east-and-africa/2020/06/18/a-mayor-is-reforming-sierra-leones-rotten-property-tax

13 Politico SL. (2020). Parliament passes Sierra Leones 2020 budget. https://politicosl.com/articles/parliament-passes-sierra-leones-2020-budget

14 European Commission. (2020). EU-Vietnam trade agreement enters into force. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1412

15 The Vietnam government released a financial relief package worth close to US$2.7bn for 20 million vulnerable people directly affected by the coronavirus pandemic. Workers having labour contracts temporarily suspended and taking unpaid leave for over 14 days are entitled to a subsidy of VND1.8m (US$76.74) a month during three months, starting from April 2020. VOA. (2020). For Vietnam's Poor, Access To Relief Aid Key To Joining Re-Opening Economy. https://www.voanews.com/covid-19-pandemic/vietnams-poor-access-relief-aid-key-joining-re-opening-economy. See also Hanoi Times. (2020). Vietnam kicks off financial relief package for 20 million vulnerable people. http://hanoitimes.vn/us27-billion-financial-relief-package-for-vulnerable-people-becomes-effective-311695.html.

Oxfam and a CSO partner network for migrant workers (M-NET) has successfully influenced Ministry of Labor Invalid and Social Affairs to introduce a national feedback mechanism using a hotline for the migrant workers.

16 Oxfam in Vietnam staff: personal communication.

17 Al Jazeera. (2020). Timeline: South Sudan since independence. https://www.aljazeera.com/news/2020/02/timeline-south-sudan-independence-200222173029619.html

18 South Sudan has 700 military figures nationally with the rank of general, which is about three times as many generals as physicians. The country's child and maternal mortality rate remains one of the worst in the world, with 99 children per 1,000 live births dying before the age of five and 1,150 maternal deaths per 100,000 deliveries.

19 S. Varma. (2019). Govt. Report Reveals Shocking Conditions of Workers in India. NewsClick. https://www.newsclick.in/govt-report-reveals-shocking-condition-workers-india#:~:text=A%20recently%20released%20government%20report,areas%20working%20much%20beyond%20the

20 M. Kugler and S. Sinha. (2020). The impact of COVID-19 and the policy response in India. Brookings. https://www.brookings.edu/blog/future-development/2020/07/13/the-impact-of-covid-19-and-the-policy-response-in-india/

21 K. Singh. (2020). It's Time for a Solidarity Tax. The Wire. https://thewire.in/government/coronavirus-solidarity-tax-wealthy

22 See UNICEF in Nigeria. (n.d.). Education. https://www.unicef.org/nigeria/education

23 E. Akinwotu. (2020). Nigeria to cut healthcare spending by 40% despite coronavirus cases climbing. The Guardian. https://www.theguardian.com/global-development/2020/jun/10/nigeria-to-cut-healthcare-spending-by-40-despite-

coronavirus-cases-climbing; Civil Society Action Coalition on Education For All (CSACEFA). (2020). Education Financing: Withdrawn Your Request to Reduce Education Funds by 54% Immediately: CSACEFA to Buhari. https://www.csacefa.org/index.php/education-financing-withdrawn-your-request-to-reduce-education-by-54-immediately/

24 See, for example, ITUC (2016). Gulf Countries and Forced Labour. https://www.ituc-csi.org/gulf-countries-and-forced-labour and Human Rights Watch. (2020). Lebanon: Abolish Kafala (Sponsorship) System. https://www.hrw.org/news/2020/07/27/lebanon-abolish-kafala-sponsorship-system

25 ILO. (2018). Care Work and Care Jobs: The future of decent work. ILO. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_633135.pdf

26 H.N. Park. (2020). Distribution of COVID-19 relief funds begins. The Korea Herald. http://www.koreaherald.com/view.php?ud=20200504000558; and U. Gentilini, M. Almenfi, I. Orton and P. Dale. (2020). Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures. World Bank Group, Washington DC. https://openknowledge.worldbank.org/handle/10986/33635

27 COVID-19 Health System Response Monitor. (2020). Policy responses for Georgia. https://www.covid19healthsystem.org/countries/georgia/livinghit.aspx?Section=4.2%20Entitlement%20and%20coverage&Type=Section

28 In addition to cutting the top rate of tax, the Kenyan government like many other governments also reduced the headline rate of VAT by 2% which was a more progressive move which will have disproportionately benefited low-income households. International Monetary Fund (IMF). (2020). Policy Responses to COVID-19. https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K

29 These include completion of secondary school by the poorest children, the extent of essential health coverage, the number of citizens spending more than 10% of their household budget on healthcare and the number of people of pensionable age receiving a pension.

30 Peter G. Peterson Foundation. (2020). Why Are Americans Paying More For Healthcare? https://www.pgpf.org/blog/2020/04/why-are-americans-paying-more-for-healthcare#:~:text=In%202018%2C%20the%20United%20States,to%2018%20percent%20in%202018

31 These changes by Indonesia and Belgium cover cuts already introduced and planned over the next few years.

32 The Gini coefficient is the standard measure of a country's inequality level, with perfect equality being zero and perfect inequality being 1. The most equal countries have Gini coefficients of around 0.2, and the most unequal around 0.6

33 European Commission. (2020). EU-Vietnam trade agreement enters into force. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1412

34 The Guardian. (2020). New employment law effectively ends Qatar's exploitative kafala system. https://www.theguardian.com/global-development/2020/sep/01/new-employment-law-effectively-ends-qatars-exploitative-kafala-system

ACKNOWLEDGEMENTS

This report has been produced by a small joint team from Development Finance International and Oxfam International. In DFI, Matthew Martin was a main author of the report and led the labour data compilation team. Jo Walker was the CRI Index Project Manager and author of the public services chapter. David Waddock designed and implemented the overall database and led the tax data compilation team. Maria Holloway led the public services data compilation team.

In Oxfam, Max Lawson was a main author of the report. Anthony Kamande coordinated Oxfam work and gave research support. Nabil Abdo wrote the labour chapter. Didier Jacobs and Anthony Kamande were involved in checking the database. Anna Coryndon, Ellen Ehmke, Nick Galasso, Sarah Hall, Emma Marie Holten, Katie Malouf, Anna Marriott, Nguyen Quang Thai, Anjela Taneja, Annie Thériault, Rachel Wilshaw, and Alvic Padilla, formerly with Christian Aid in the Philippines, provided excellent contributions. Patricia Espinoza Revollo, Charlotte Friar, Maria Holloway, Didier Jacobs, Anthony Kamande, Max Lawson, Chiara Mariotti, Mikhail Maslennikov, Matthew Martin, Ivan Nikolic, Kwesi Obeng, Alex Prats, Mustafa Talpur, Annie Thériault, Jo Walker and David Waddock played a major role in overseeing the project and improving the CRI Index methodology. Vital contributions were made by many Oxfam affiliates and country offices, as well as sectoral lead experts within Oxfam, improving data quality with more recent data sources, as well as clarifying national policy trends.

Isabel Ortiz of Columbia University, and staff from the ILO, International Trade Union Confederation (ITUC), IMF, UNESCO and WHO provided excellent inputs into methodology, data and analysis. Giulio Caperna, Eleni Papadimitriou and Matija Kovacic at the Competence Centre on Composite Indicators and Scoreboards (COIN), part of the European Commission Joint Research Centre provided excellent overall support and advice on the index and the robustness assessment which is available as a separate appendix.

Finally, Development Finance International and Oxfam are extremely grateful to the Open Society Foundation, the Gates Foundation and Norwegian Church Aid for financing the work which has produced the Commitment to Reducing Inequality Index.

Cover photo: India May 2020: Stranded migrant labourers during the coronavirus pandemic making their way home interstate. A distribution of hot cooked meals and drinking water is supported by Oxfam India. Photo: Neha Rani Varma/Oxfam India

For more information on the Commitment to Reducing Inequality Index and actions you can take to fight inequality across the world, and to see the underlying data and methodology for the report, please see www.inequalityindex.org

For further information on the issues raised in this paper, or to send us comments on the report, please email matthew.martin@dri.org.uk and max.lawson@oxfam.org

Published by Oxfam GB for DFI and Oxfam International under ISBN 978-1-78748-651-5 in October 2020. DOI: 10.21201/2020.6515 Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

DEVELOPMENT FINANCE INTERNATIONAL

Development Finance International is a non-profit capacity-building, advocacy, advisory and research group which works with more than 50 governments, international institutions and civil society organisations worldwide to help development financing fight poverty and inequality. For more details see www.development-finance.org and www.governmentspendingwatch.org

OXFAM

Oxfam is an international confederation of 20 organizations networked together in more than 67 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit www.oxfam.org