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Deepening income inequality



The low-income neighborhood of Boca la Caja, near the business district in Panama City
© REUTERS/Carlos Jasso



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Inequality is one of the key challenges of our time. Income inequality specifically is one of the most visible aspects of a broader and more complex issue, one that entails inequality of opportunity and extends to gender, ethnicity, disability, and age, among others. Ranking second in last year's Outlook, it was identified as the most significant trend of 2015 by our Network's experts. This affects all countries around the world. In developed and developing countries alike, the poorest half of the population often controls less than 10% of its wealth. This is a universal challenge that the whole world must address.

While it is true that around the world economic growth is picking up pace, deep challenges remain, including poverty, environmental degradation,

persistent unemployment, political instability, violence and conflict. These problems, which are reflected in many parts of this report, are often closely related to inequality.

“ In developed and developing countries alike, the poorest half of the population often controls less than 10% of its wealth. ”

The inherent dangers of neglecting inequality are obvious. People, especially young people, excluded from the mainstream end up feeling disenfranchised and become easy fodder of conflict. This, in turn, reduces the sustainability

of economic growth, weakens social cohesion and security, encourages inequitable access to and use of global commons, undermines our democracies, and cripples our hopes for sustainable development and peaceful societies.

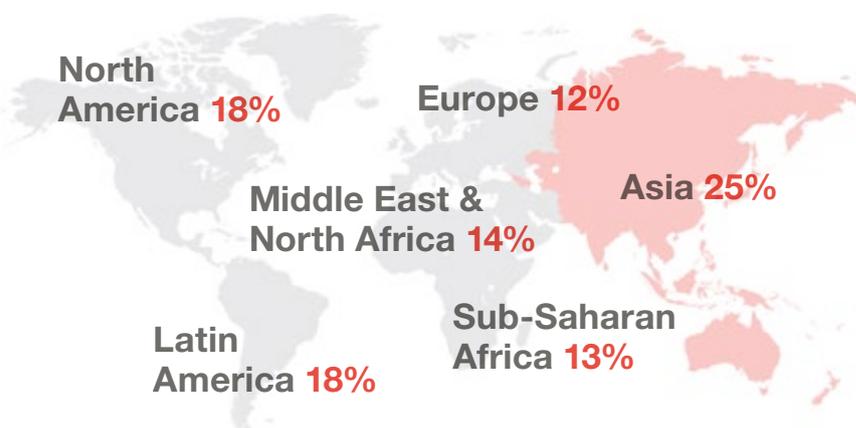
According to the 2014 Pew Global Attitudes Survey, in the seven Sub-Saharan African nations polled over 90% of respondents regard the gap between rich and poor as a big problem; in the United States, almost 80% do. Political leaders increasingly share these concerns. We are already seeing better policies in some countries, such as Rwanda, Brazil and Mexico, where access to resources are being shared more evenly, and where effective targeting for cash transfers have changed behaviours and bolstered progress in the lives of marginalized groups. But to do this on a larger scale will require stronger national institutions in many countries, adequate resources, more responsive leadership, and better policy making. Some countries have made progress in addressing the structural drivers of inequalities through a range of equity-focused and rights-based policy, legal and programme initiatives, which they have kept in place over time.

In order to effectively address inequality, countries need to embrace an integrated agenda that looks at the problem across the social, economic and environmental dimensions, including access to education, healthcare and resources. Central to these solutions is a basket of interventions that promotes equitable access to resources and services, as well as inclusive growth with decent jobs and livelihoods for all people within society. To enhance impact, disaggregated, high-quality and more transparent data is needed in order to target investments and channel resources where they are needed most.

The role of business cannot be overstated in the drive towards greater equality. Data from Pew shows people tend to believe governments are responsible for the wealth gap – but governments cannot solve the problem on their own. Addressing inequality is not only a responsibility but also an opportunity. Addressing inequality

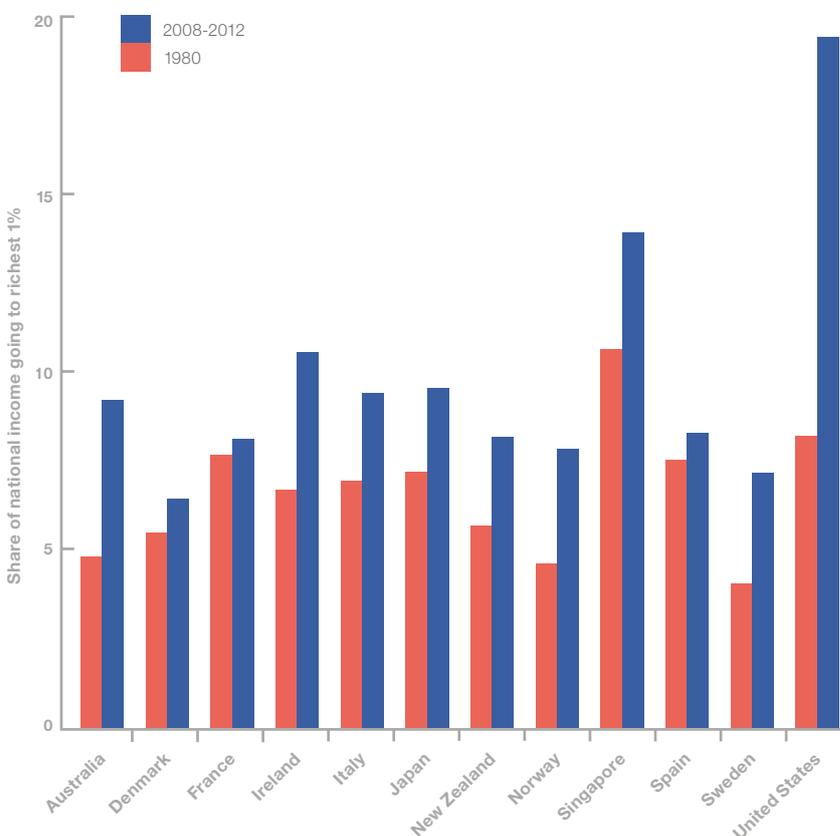
Deepening income inequality: Inside the data

Which region will be most affected by **deepening income inequality** in the next 12-18 months?



Source: Survey on the Global Agenda 2014

How has the percentage share of national income of the richest 1% changed over time?



Source: F. Alvaredo, A. B. Atkinson, T. Piketty and E. Saez, 2013. 'The World Top Incomes Database'

What are the top solutions to **income inequality**?

Asia



- #1 **Improved education**
- #2 **Tax policy**
- #3 **Redistribution**

Europe



- #1 **Tax policy**
- #2 **Improved education**
- #3 **Redistribution**

Latin America



- #1 **Improved education**
- #2 **Tax policy**
- #3 **Social welfare policy**

Middle East & North Africa



- #1 **Job creation**
- #2 **Tax policy**
- #3 **Social welfare policy**

North America



- #1 **Tax policy**
- #2 **Improved education**
- #3 **Redistribution**

Sub-Saharan Africa

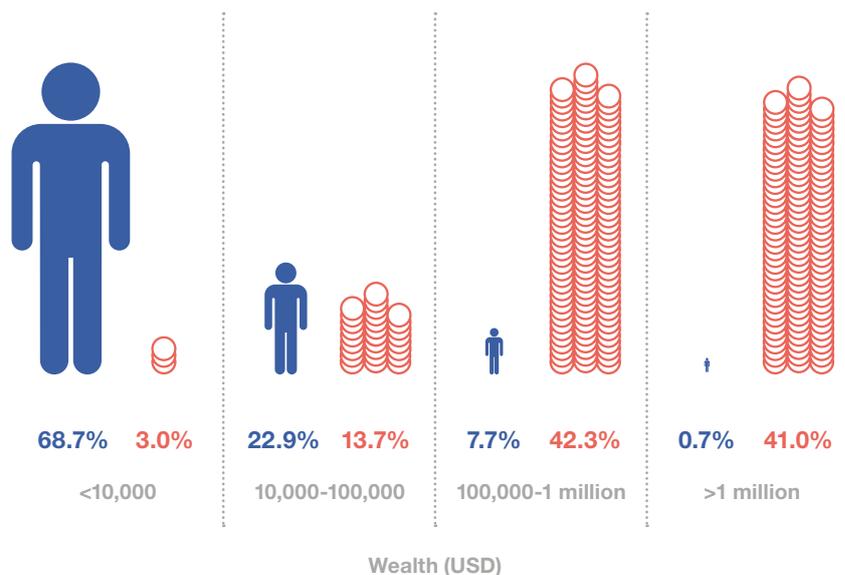


- #1 **Job creation**
- #2 **Workforce development**
- #3 **Improved education**

Source: Survey on the Global Agenda 2014

How is the world's wealth shared amongst its population?

% of the world's population % of the world's wealth



"Wealth" is defined as the marketable value of financial assets plus non-financial assets (principally housing and land) owned by an adult, less debts
 Source: Global Wealth Report 2013. Zurich: Crédit Suisse

is good for business as it creates a new demographic of consumers, thus widening the market for profits and services and increasing profit opportunities, especially for women. Efforts to reduce inequalities and achieve inclusion are a multistakeholder responsibility which will require concerted action at all levels, from local to national, and regional to global.

We are all aware of the vulnerabilities and perils that define daily life across the world. We know what we need: inclusive economies in which men and women have access to decent employment, legal identification, financial services, infrastructure and social protection, as well as societies where all people can contribute and participate in global, national and local governance. It is now time for action, in order to leave no one behind and bring everyone forward with a life of dignity ■