The financial district of Dhaka, Bangladesh. Despite economic growth, almost 40 million people in Bangladesh still live below the national poverty line. Photo: GMB Akrash/Oxfam

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

In 2015, the leaders of 193 governments promised to reduce inequality under Goal 10 of the Sustainable Development Goals (SDGs). Without reducing inequality, meeting SDG 1 to eliminate poverty will be impossible. In 2017, Development Finance International (DFI) and Oxfam produced the first index to measure the commitment of governments to reduce the gap between the rich and the poor. The index is based on a new database of indicators, now covering 157 countries, which measures government action on social spending, tax and labour rights – three areas found to be critical to reducing the gap.

This second edition of the Commitment to Reducing Inequality (CRI) Index finds that countries such as South Korea, Namibia and Uruguay are taking strong steps to reduce inequality. Sadly, countries such as India and Nigeria do very badly overall, as does the USA among rich countries, showing a lack of commitment to closing the inequality gap.

Development Finance International

www.oxfam.org

The report recommends that all countries should develop national inequality action plans to achieve SDG 10 on reducing inequality. These plans should include delivery of universal, public and free health and education and universal social protection floors. They should be funded by increasing progressive taxation and clamping down on exemptions and tax dodging. Countries must also respect union rights and make women's rights at work comprehensive, and they should raise minimum wages to living wages.

See also the **CRI Index website: www.inequalityindex.org** and the methodology details at http://policy-practice.oxfam.org.uk/publications/the-commitment-to-reducing-inequality-index-2018-a-global-ranking-of-government-620553

CONTENTS

SUMMARY

THE INEQUALITY CRISIS, THE FIGHT AGAINST POVERTY AND THE ROLE OF GOVERNMENTS

Many countries across the world, rich and poor, have experienced rapid growth in the gap between the richest people in society and everyone else over the past 30 years.[1] Failure to tackle this growing crisis is undermining social and economic progress and the fight against poverty. Oxfam's research has shown that, since the turn of the century, the poorest half of the world's population have received just 1% of the total increase in global wealth, while the top 1% have received 50% of the increase.[2]

Inequality is bad for us all. It reduces economic growth, and worsens health and other outcomes.[3] The consequences for the world's poorest people are particularly severe. The evidence is clear: there will be no end to extreme poverty unless governments tackle inequality and reverse recent trends. Unless they do so, the World Bank predicts that by 2030 almost half a billion people will still be living in extreme poverty.[4]

The rise of extreme economic inequality also undermines the fight against gender inequality and threatens women's rights. Women's economic empowerment has the potential to transform many women's lives for the better and support economic growth. However, unless the causes of extreme economic inequality are urgently addressed, most of the benefits of women-driven growth will accrue to those already at the top end of the economy. Economic inequality also compounds other inequalities such as those based on race, caste or ethnicity.

Development Finance International (DFI) and Oxfam believe that the inequality crisis is not inevitable and that governments are not powerless against it. Inequality is a policy choice, and our findings this year show this clearly. All over the world, governments are taking strong policy steps to fight inequality. President Moon of South Korea tops the class, having increased tax on the richest earners, boosted spending for the poor and dramatically increased the minimum wage. But others are doing well too. Ethiopia has the sixth highest level of education spending in the world. Chile has increased its rate of corporation tax. Indonesia has increased its minimum wage and its spending on health.

These positive actions shame those governments that are failing their people. Nigeria remains at the bottom of the CRI Index, failing the poorest people, despite its president claiming to care about inequality. Hungary has halved its corporation tax rate, and violations of labour rights have increased. In Brazil social spending has been frozen for the next 20 years. And Donald Trump has slashed corporation tax in the USA, in one of the biggest giveaways to the 1% in history.[5]

THE COMMITMENT TO REDUCING INEQUALITY INDEX

This is the second edition of the Commitment to Reducing Inequality (CRI) Index, which ranks 157 governments across the world. The full rankings, along with regional rankings, can be found in Annex 1. The Index is based on our comprehensive database, including countries where DFI has strong data and research contacts or Oxfam has country programmes or affiliates, to build up a unique perspective on the extent to which governments are tackling the growing gap between rich and poor in three key policy areas. This year's Index has seen significant changes in methodology from 2017, including new indicators on tax avoidance and on gender-based violence.

The CRI Index was reviewed by the Joint Research Centre of the European Commission in both 2017 and 2018. Following the 2017 review, several adjustments were made to match best practice in constructing composite indicators. A number of refinements along the 2018 review are in the pipeline for next year's version. Thereafter, both indexes were statistically audited. In 2018, the JRC concluded that the CRI is robust statistically and is 'paving the way towards a monitoring framework that can help identify weaknesses and best practices in governments' efforts to reduce the gap between rich and poor'. The 2017 audit is available at https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620316/tb-cri-index-statistical-audit-170717-en.pdf;

The 2018 audit is available at: http://policy-practice.oxfam.org.uk/publications/the-commitment-to-reducing-inequality-index-2018-a-global-ranking-of-government-620553

The CRI Index measures government efforts in three policy areas or 'pillars': social spending, taxation and labour. These were selected because of widespread evidence[6] that government actions in these three areas have in the past played a key part in reducing the gap between rich and poor.

1. **Social spending** on public services such as education, health and social protection has been shown to have a strong impact on reducing inequality, particularly for the poorest women and girls who are the most dependent on them. For example, a study of 13 developing countries that had reduced their overall inequality levels found that 69% of this reduction was because of public services.[7] Social spending is almost always progressive because it helps reduce existing levels of inequality. Despite this, in many countries, social spending could be far more progressive and pro-poor. Social spending can play a key role in reducing the amount of unpaid care work that many women often do – a major cause of gender inequality – by redistributing child and elder care, healthcare and other domestic labour.[8]
2. **Progressive taxation**, where corporations and the richest individuals are taxed more in order to redistribute resources in society and ensure the funding of public services, is a key tool for governments that are committed to reducing inequality. Its potential role in reducing inequality has been clearly documented in both OECD countries[9] and developing countries,[10] and highlighted recently by the International Monetary Fund (IMF) in its October 2017 Fiscal Monitor.[11] However, taxation can be progressive or regressive, depending on the policy choices made by government. Equally, a belief that taxation is gender-neutral has led to a lack of attention to how taxes levied have increased the gender gap. The ability of countries to collect progressive taxes is also undermined by harmful tax practices which facilitate tax dodging.
3. There is strong evidence that **higher wages** for ordinary workers and **stronger labour rights, especially for women,** are key to reducing inequality.[12] Governments can have a direct impact here by setting minimum wages and raising the floor of wages; they can also have an indirect impact by supporting and protecting the right of trade unions to form and organize. Evidence from the IMF and others shows that the recent decline in trade union organization has been linked to the rise in inequality, as workers lose bargaining power and more of the value of production goes to profits and the owners of capital.[13] Women are disproportionately represented in the lowest-paid jobs, with poor protection and precarious conditions of employment.[14] Governments can help correct this by passing and enforcing laws against discrimination and violence against women, and laws that promote equal pay and parental leave.

Actions across all three areas are mutually reinforcing. While progressive taxation is a good thing in itself, its impact is greatly increased when used for progressive spending, and the CRI Index reflects this in the scoring of countries' efforts.

Clearly, tackling inequality requires other policy interventions: but, like the UN's Human Development Index (HDI), the three critical variables – action on social spending, taxation and labour – can arguably be used as a proxy for a government's general commitment to tackling inequality.

Why monitor government policy? Why not just monitor levels of inequality?

There are three reasons why DFI and Oxfam have chosen to measure the commitment of governments to reducing inequality.

First, in 2015 governments across the world made a commitment to reduce inequality and eradicate poverty through the Sustainable Development Goals (SDGs) and specifically Goal 10 on reducing inequality. Goal 10 will be reviewed in 2019, and the CRI Index will contribute to this in enabling citizens to hold governments to account for their progress or lack of it.

Second, DFI and Oxfam strongly believe that the different levels of inequality that exist from one national context to another show that inequality is far from inevitable; rather, it is the product of policy choices made by governments. There are, of course, contextual challenges to consider in every situation, as well as contextual advantages in some cases. All countries are also subject to global forces that they cannot fully control (e.g. pressure to reduce wages and tax rates), and this is particularly true of developing countries. The worldwide system of tax havens, which undermines scope for government action, is a clear example.

Nevertheless, despite these global issues, DFI and Oxfam believe that governments have considerable powers to reduce the gap between rich and poor women and men in their countries. If this were not the case, there would not be so much variation in the policy actions of different countries. Therefore, it is vital to be able to measure and monitor government policy commitments to reducing inequality.

The final reason for developing the CRI Index is that existing systems to measure incomes and wealth (e.g. national household surveys) collect data infrequently and contain major data errors – notably under-reporting of the incomes and wealth of the richest people.[15] This means that the data are very weak and rarely updated, especially for the poorest countries, so they are a poor measure by which to hold governments to account. There is a need for urgent and significant improvements in both the coverage and frequency of national data on levels of inequality.

The relationship between the CRI findings and the level of inequality in a given country was discussed at some length in last year's report.[16] In short, there was no automatic relationship, but a more complex one. Some countries, like Namibia, have very high levels of inequality but are strongly committed to reducing them. Others, like Nigeria, have high levels of inequality and are failing to do anything about it. Other countries, like Denmark, have relatively low inequality levels because of policies they have followed in the past but which they have increasingly stepped away from, which is now leading to an increase in inequality. This is true for most high-income, low-inequality countries. However, others, like Finland, remain committed to keeping inequality levels low.

METHODOLOGY IMPROVEMENTS TO THIS YEAR'S INDEX

Figure 1: The CRI 2018 pillars and indicators

SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION

1. SOCIAL SPENDING AS % OF TOTAL SPENDING
- Education spending
- Health spending
- Social protection spending

2. INCIDENCE OF SPENDING ON INEQUALITY (GINI COEFFICIENT)
- Education spend % GDP*incidence coefficient
- Health spend % GDP*incidence coefficient
- Social protection % GDP incidence coefficient

PROGRESSIVITY OF TAX POLICY

1. PROGRESSIVITY OF TAX STRUCTURE
- Personal income tax minimum and maximum rates + thresholds
- Corporate income tax rate
- VAT rate, exemptions + thresholds

2. INCIDENCE OF TAX ON INEQUALITY (GINI COEFFICIENT)
- VAT Revenue % GDP
- CIT Revenue % GDP
- PIT Revenue % GDP
- Excise Revenue % GDP
- Customs Revenue %GDP

3. TAX COLLECTION
- Tax productivity: VAT, PIT and CIT revenue compared to rates and GDP or consumption
- Tax effort compared with potential

4. HARMFUL TAX PRACTICES
- Harmful tax practices
- Anti-tax avoidance rules
- Evidence of negative impact

LABOUR RIGHTS AND MINIMUM WAGES

1.WORKERS AND LABOUR UNION RIGHTS
- Government efforts to protect workers in law and in practice

2.WOMEN'S LEGAL RIGHTS AT WORK
- Laws on equal pay for equal work
- Laws against gender discrimination
- Laws against rape
- Laws against sexual harassment
- Parental leave

3.MINIMUM WAGE
- Minimum wage in local currency
- Per capita GDP

The first edition of the CRI was launched in July 2017, covering 152 countries (CRI 2017). It was published deliberately as a 'beta' version, and comments were sought from experts across the world. These invaluable inputs have led to some significant refinements to the Index this year (CRI 2018). The core methodology remains unchanged, focusing on the three pillars of spending, tax and labour. Nevertheless, at a more detailed level there have been some important additions and changes.[17]

The most significant change is the inclusion of three new sub-indicators, one in the tax pillar and two in the labour pillar. One of the concerns voiced by many who commented on the Index last year was that we had not considered the extent to which a country was enabling companies to dodge tax. This meant that countries like Luxembourg or the Netherlands were getting higher scores than they should. The negative role played by the Netherlands as a corporate tax haven has become a hot topic in the country and Oxfam and allies are putting pressure on the government to take clear steps to stop this.[18] This year we have added a new indicator on harmful tax practices (HTPs) to address this.

In the labour pillar, many suggested that women's labour rights are fundamentally undermined by violence and harassment against women at work.[19] Working women can sometimes experience greater levels of domestic violence in response to greater economic autonomy.[20] In India for example, 6% of women (15–49 age group) have experienced spousal sexual violence in their lifetime, with 5% experiencing this type of violence in the past 12 months.[21] This has led to new indicators on the quality of laws against sexual harassment and rape.[22]

In addition to these new indicators, there has been a lot of detailed work on improving data sources, ensuring that we are using the most up-to-date sources. Across all pillars, major progress has been made on including more recent data. In CRI 2018, virtually all tax and labour data are for 2017, compared with 2015 in CRI 2017. The average years for education and health spending data have improved from 2014 to 2016, and for social protection from 2012 to 2015. The cut-off for data for this year's Index is the end of 2017, so any policy changes from 2018 are not included, although we do refer to some of the more notable ones in the text. We have also managed to add five new countries this year, bringing the total to 157.[23]

These changes to the methodology and improvements in the quality of data mean that a straight comparison between the scores of a country this year and last year may not give an accurate picture of its performance. Countries' movements up and down in terms of their scores are the result of a combination of changes in their policies and changes to the methodology of the Index.

For this reason, our analysis does not focus on simple comparisons of the scores for countries between CRI 2017 and CRI 2018. However, it is possible to compare concrete policy changes between the two editions of the CRI Index; for example, increases in health spending, or cuts to the top rate of personal income tax, or increases in maternity leave; so we have highlighted these. We also look at some of the key overall trends emerging since the first CRI Index.

WHAT ARE THE MAIN FINDINGS OF THE CRI INDEX?

All countries could do more, even those near the top

The first and most important point is that no country is doing particularly well, and even those at the top of the listings have room for improvement. Even the top performer, Denmark, does not get a perfect score and could be doing more. Furthermore, 112 of the 157 countries included in the Index are doing less than half of what the best performers are managing to do.

WHICH COUNTRIES ARE DOING BEST?

The full CRI rankings, along with regional rankings, can be found in Annex 1 of the full report. The top 10 performers in this year's Index are highlighted in Table 1.

Table 1: CRI Index ranking out of 157 countries – the top 10[24]

	OVERALL CRI RANK	SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION	PROGRESSIVITY OF TAX POLICY	LABOUR RIGHTS AND MINIMUM WAGES
Denmark	1	5	2	2
Germany	2	8	6	4
Finland	3	2	8	11
Austria	4	6	9	7
Norway	5	14	10	1
Belgium	6	7	5	21
Sweden	7	19	12	5
France	8	3	22	16
Iceland	9	24	26	3
Luxembourg	10	20	34	8

Box 1: The best and the worst

Denmark tops this year's CRI Index with the highest score. The northern European country has some of the most progressive taxation policies in the world. It also has some of the best labour market policies, and its protection of women in the workplace is the best in the world.

Nigeria has the unenviable distinction of being at the bottom of the Index for the second year running. Its social spending (on health, education and social protection) is shamefully low, which is reflected in very poor social outcomes for its citizens. One in 10 children in Nigeria does not reach their fifth birthday,[25] and more than 10 million children do not go to school.[26] Sixty percent of these are girls.[27] The CRI Index shows that in the past year Nigeria has seen an increase in the number of labour rights violations. The minimum wage has not increased since 2011. Social spending has stagnated. The CRI Index shows that there is still significant potential for Nigeria to raise and collect more tax,[28] so it scores very badly on this aspect too. There have however been very recent improvements in this area in 2018, which will show up in next year's CRI. The IMF has given clear advice on the importance of tackling inequality, referring to Nigeria's score in the CRI Index.[29] The president of the country has also said that tackling inequality is important, as inequality leads to political instability.[30] Yet little has been done.

Most of the countries near the top of the index are OECD countries, headed this year by **Denmark**. In this way, the rankings are similar to those of the HDI. With more national wealth, these countries have much more scope to raise progressive tax revenues because there are more citizens and corporations with higher incomes that can pay more tax; likewise, they have greater scope to spend those revenues on public services and social protection. The leading countries are also trying to tackle wage inequality by increasing the minimum wage and supporting labour rights and women's rights. Finally, they have a smaller informal sector than is typical in developing countries, although precarious forms of employment are on the increase.

For most rich countries, the main body of policies measured by the Index was introduced in a different period of history, when significant action in these areas was broadly accepted as the right thing to do and paid dividends in terms of social and economic progress. Today, however, in many rich countries, political support for these measures has eroded, with governments across the industrialized world chipping away at progressive spending, taxation and labour rights (see Box 4).

Most of the highest-ranked non-OECD countries in the CRI are in Latin America, the most unequal region in the world (see Box 3). They are headed by **Argentina**, followed by **Costa Rica** and **Brazil**. In the last decade, in all of these countries, governments have made strong efforts to reduce inequality and poverty through redistributive expenditure and (in some) by increasing minimum wages. In Argentina, for example, the Gini coefficient fell from 0.51 in 2003 to 0.41 in 2013[31] and the poverty rate fell from 23% to 5.5%, with 40% of the reduction in inequality and 90% of the reduction in poverty due to redistributive policies.[32] Unfortunately, however, the new governments in Brazil and Argentina have already moved to reverse many of these policies. In Brazil social spending has been frozen for the next 20 years.[33] In Argentina, government austerity[34] has led to sweeping cuts in the social protection budget (see Box 3).[35]

Lower-middle-income countries (LMICs) can also show strong commitment to reducing inequality. The CRI 2018 shows that **Lesotho**, for example, spends 14% of its national budget on education and 12% on health, and has a progressive tax structure as well as progressive policies on trade unions and women's labour rights; **Georgia** has strong and progressive social spending and progressive tax collection and has implemented big increases in education spending. Low-income countries can also demonstrate strong commitment to tackling inequality. For example, since the 2017 CRI, **Ethiopia** has increased its budget for education to 23% from 22%, the sixth highest proportion in the world. This continued high investment has seen the numbers of children going to school increase dramatically.[36]

Namibia remains one of the highest-ranked African countries in the Index and is fifth among the middle-income countries. It is a good example of the difference between a country's CRI ranking and traditional measures of inequality. Despite being one of the most unequal countries in the world, its high CRI score reflects the commitment of the Namibian government to reducing inequality, particularly through its high levels of social spending (with secondary education free for all students) and some of the most progressive taxation policies. Its commitment has been recognized by economist Joseph Stiglitz and others and, although inequality remains very high, it has been continually reducing inequality since 1993 and is no longer the world's most unequal country.[37] Since CRI 2017, the government has increased spending on social protection and has also increased the minimum wage substantially, and a new study has shown that its taxation and spending policies are reducing inequality significantly.[38]

WHICH COUNTRIES HAVE IMPROVED THEIR PERFORMANCE SINCE LAST YEAR?

While we cannot make a general comparison of last year's rankings with this year's, due to improvements in methodology, we have been able to carry out a detailed analysis of countries that have made significant positive or negative policy moves. The most positive story this year across all three pillars is from **South Korea.**

Box 2: Showing real commitment to reduce inequality – South Korea

President Moon Jae-in took office in early 2017, promising to tackle inequality in South Korea. The country's inequality levels have been increasing rapidly. Over the past two decades the income growth of those at the bottom has stagnated while the top 10% have seen their incomes grow by 6% each year, so that they now lay claim to 45% of national income.[39] South Korea comes second to bottom of the OECD countries in the CRI Index.

To pursue a reduction in inequality and an increase in inclusive growth, President Moon has acted in all three areas measured by the Index. He has committed to dramatically increasing the minimum wage and in his first year in office has delivered, increasing it by 16.4%.[40]

He has also increased taxation on the most profitable and largest corporations in South Korea, raising their corporate income tax (CIT) rate from 22% to 25%, which is expected to raise revenues of US$2.3bn annually.[41] He has also raised income tax for the highest earners, a move that had the support of 86% of Koreans.[42]

Finally, he has embarked on a programme of expanded welfare spending. South Korea has some of the lowest welfare spending in the OECD.[43] President Moon has increased spending, including provision for a universal child support grant.[44]

In an address to the UN General Assembly on 21 September 2017, President Moon stated: 'As of now, my Administration is pursuing bold measures to change the economic paradigm in order to deal with economic inequalities that stand in the way of growth and social cohesion…. This is what we call a "people-centered economy".'[45]

The CRI 2018 also shows that there are quite a number of other governments which have taken clear steps in one or more of the CRI Index policy areas since the CRI 2017, demonstrating that progress is possible. **Indonesia** stands out for its moves to increase the minimum wage substantially and to equalize it across the country, and in its move to increase spending on health, to help finance the move towards universal health coverage (UHC), although at 7% of the government budget, Indonesia still needs to increase this substantially in the coming years to deliver health for all. **Mongolia** and **Guyana** have substantially increased income tax for high earners, and **Mali** and **Colombia** have increased taxes on corporates significantly. **Colombia** has also increased health spending, although the privatization of the health system and corruption scandals undermine the value of this increase.[46] Colombia has also extended maternity leave. **Mozambique** has increased maternity leave by 50%.

Iceland has given social protection a big increase and has passed a law requiring companies to obtain official certification that they are paying women and men the same.[47] **Guinea** and **Liberia** have both increased education spending significantly, although in the case of Liberia this is likely to be linked to its controversial moves to privatize primary education.[48]

The new president of **Sierra Leone,** Julius Maada has made some promising steps to tackle inequality. The minimum wage has been increased, as has personal income tax, and new steps taken to improve tax collection, including cracking down on unnecessary tax incentives. His recent move to make primary education free is particularly encouraging.[49]

WHICH COUNTRIES ARE DOING WORST?

Table 2: CRI Index ranking out of 157 countries – the 10 countries at the bottom of the Index

	OVERALL CRI RANK	SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION	PROGRESSIVITY OF TAX POLICY	LABOUR RIGHTS AND MINIMUM WAGES
Bangladesh	148	146	103	148
Singapore	149	91	157	71
Lao PDR	150	153	44	146
Madagascar	151	135	142	143
Bhutan	152	81	153	147
Sierra Leone	153	143	132	150
Chad	154	145	138	154
Haiti	155	133	145	156
Uzbekistan	156	42	156	132
Nigeria	157	157	104	133

The degree to which rich OECD countries are using government policy to tackle inequality varies dramatically. The USA and Spain among the major economies, for example, are much further down the list of rich countries in the CRI Index

As this report highlights, many middle-income countries (MICs) have the scope to do far more to tackle inequality than they are doing currently. For example, Indonesia today is richer in terms of per capita income than the USA was when it passed the Social Security Act in 1935.[50] Yet Indonesia has some of the lowest tax collection rates in the world, at just 11% of gross domestic product (GDP); the new finance minister has made increasing this her priority.[51] Recently, a paper from the Center for Global Development demonstrated that most developing countries could if they chose raise enough resources of their own through tax to eliminate extreme poverty.[52] This also echoes Oxfam’s previous research into inequality in the BRIC countries, Turkey and South Africa.[53]

India also fares very badly, ranking 147th out of 157 countries on its commitment to reducing inequality – a very worrying situation given that the country is home to 1.3 billion people, many of whom live in extreme poverty. Oxfam has calculated that if India were to reduce inequality by a third, more than 170 million people would no longer be poor.[54] Government spending on health, education and social protection is woefully low and often subsidizes the private sector.[55] Civil society has consistently campaigned for increased spending.[56] The tax structure looks reasonably progressive on paper, but in practice much of the progressive taxation, like that on the incomes of the richest, is not collected. On labour rights and respect for women in the workplace India also fares poorly, reflecting the fact that the majority of the labour force is employed in the agricultural and informal sectors, which lack union organization and enforcement of gender rights.

Box 3: Latin America – making a wrong turn[57]

In the past 15 years, Latin America as a region has bucked the trend in terms of reducing inequality. Although there are, of course, some exceptions, governments in Brazil, Uruguay, Bolivia, Ecuador and other countries had put in place strong policies to tackle inequality, mostly by increasing public revenues and social spending and, in some countries, raising minimum wages. This is reflected in the CRI Index, with a number of Latin American countries ranking relatively highly.

However, the global economic slowdown since 2010 and the fall in commodity prices (on which many countries in the region depend) has led to an increase in poverty rates since 2015. In some countries this has combined with a shift of government towards the centre-right, with less interest in reducing inequality. As a result, inequality reduction is already slowing.

The impact of these policy changes is yet to show up in the data. Our data for this year for the Latin America region is 2015, so before these cuts had taken effect. They will show up in subsequent iterations. Countries taking regressive actions are likely to begin to slip down the Index unless they make further policy changes, and will start to show contrasts with those countries in Latin America which remain on a progressive path.

These are just some of the many stories behind the numbers in the CRI Index. There is, of course, a story for every country, and we encourage readers to share them with us.[58]

Which countries have got worse since last year?

Singapore is now in the bottom 10 countries in the world in terms of reducing inequality. This is partly because of the introduction of the new indicator on harmful tax practices, because Singapore has a number of these.[59] It has increased its personal income tax (PIT) by 2%, but the maximum rate remains a very low at 22% for the highest earners. Apart from tax, its low score is also due to a relatively low level of public social spending – only 39% of the budget goes to education, health and social protection combined (way behind South Korea and Thailand at 50%). On labour, it has no equal pay or non-discrimination laws for women; its laws on both rape and sexual harassment are inadequate; and there is no minimum wage, except for cleaners and security guards.

Hungary this year more than halved its corporate tax rate to just 9%, the lowest in the European Union. Violations of labour rights have increased, and social protection spending has fallen. **Croatia** and **Egypt** both cut their maximum rates of personal and corporate income tax.[60]

Mongolia had the highest cut in social protection spending. It has recently been forced by the IMF to end its universal child benefit, so further cuts could well be on the way.[61] The **Democratic Republic of Congo (DRC)** has also cut both education and health spending.

WHAT ARE SOME OF THE OVERALL TRENDS EMERGING FROM THE NEW CRI INDEX?

Overall, the average proportions of **government spending** going to the three key anti-inequality social sectors have risen marginally since CRI 2017, from 43.15% to 43.22% of total spending. The countries increasing their spending the most were Guinea, Georgia, Mauritania, Saint Lucia, São Tomé and Príncipe, Angola, Ukraine, Kazakhstan, Liberia, Indonesia and South Korea. In the OECD, key upward movers were Iceland, Portugal and Slovenia.

- Spending on **education** has risen from an average 14.7% to 14.8% of government budgets. Significant increases were registered by Georgia, Saint Lucia, Guinea, Saint Vincent and the Grenadines, the Dominican Republic, Liberia, Uruguay, São Tomé and Príncipe, Bhutan and Cameroon. DRC, Vanuatu and Singapore saw some of the biggest decreases.

- Spending on **health** has risen from 10.36% to 10.6% of budgets, with significant increases by Kazakhstan, Colombia, Lithuania, Georgia, São Tomé and Príncipe, Thailand, Niger, Jamaica, Lao PDR and Indonesia. Australia and DRC were among the biggest cutters of health spending.

- Spending on **social protection** appears to have stayed broadly the same at 18.5% on average. Within the OECD, Iceland, Australia, Cyprus, Latvia and Portugal have increased their spending. Since the installation of their new governments, South Korea and Indonesia have also considerably increased their social protection spending. China, Mongolia and Serbia saw some of the biggest decreases in spending.

The top 10 spenders and cutters in each area of education, health and social protection can be found in section 1 on social spending.

The impact of spending on inequality has also increased somewhat, potentially reducing the average national Gini score by 18%, compared with 17.7% in CRI 2017.[62]

There has also been mixed progress on making taxation more progressive:

- On **value added tax (VAT),** a few countries reduced rates last year (Brazil, Romania and Trinidad), but just as many increased them (notably Colombia and Sri Lanka). In addition, a few countries, such as Burkina Faso and Senegal, made VAT exemptions more pro-poor, and Cambodia increased its minimum threshold for paying VAT, leaving out small traders. Overall, average rates fell slightly to 15.5%.

- On **corporate income tax**, global average rates fell very slightly, from 24.65% to 24.48%. Although 15 countries cut their CIT rates in 2017 compared with only 10 raising them, some of these cuts were limited to smaller companies (e.g. in Australia) which can be positive,[63] and most cuts were relatively small at under 2.5%. Those cutting rates tended to be more frequent in economically significant countries.[64] Hungary stands out as the worst performer for having cut CIT to 9% from 19%, but several other countries have gradually been introducing cuts over the last 4–8 years, resulting in major reductions over time in Israel, Norway, Pakistan, Spain and the UK. On the other hand, Colombia, Mali, Jordan, Greece and Peru were among those increasing. However, these changes are dwarfed by the USA's 2018 federal rate cut from 35% to 21%. This change will appear in next year's CRI, and the key question will be whether many countries will follow suit (so far, based on 2018 tax codes, the opposite seems to be the case, with only Argentina and Belgium cutting CIT, and Burkina Faso, Ecuador, South Korea, Latvia and Taiwan increasing their rates).

- On **personal income tax**, average top rates rose very slightly from 30.5% to 30.8% in 2017. Governments increasing top rates in 2016–17 included Mongolia, Guyana, Uruguay, Austria, South Africa, Jamaica and Zambia. On the other hand, Chile, Croatia and Egypt all cut their top rates. Countries increasing rates in 2018 (not represented in this year's Index, but will be in next year's) include Barbados, Colombia, Ghana, South Korea, Latvia (which has moved from a flat to a progressive tax structure), the Philippines and Sri Lanka. There are still two countries with no CIT or PIT (Bahrain and Vanuatu) and two others with no PIT (Maldives and Oman), all of which therefore have highly regressive tax systems.

However, at the same time as tax rates have been rising, effectiveness in collecting the more progressive income taxes has been falling. Tax collection effectiveness as measured by productivity has fallen by around 3%. On the other hand, countries such as Luxembourg, Togo, Fiji, Japan, Bolivia and Ukraine managed to increase their tax collection considerably in 2017.

Because of this weaker collection, the impact on inequality, or incidence of taxes has also fallen, so that taxes are likely to be reducing inequality by only 2.7%, down from 3.5% last year. Clearly a lot more could be done to improve the inequality-reducing impact of taxation. More positively, though, countries like Morocco, China and Ukraine have also managed to make their tax collection less regressive, by collecting more of the progressive taxes and less of the regressive ones.

On **labour**, much remains unchanged, but there have been positive changes on minimum wages since last year:

- On **labour rights**, the Global Labour University reports that there has been a small improvement in country scores from 4.107 to 4.165 on its scale of 1 to 10.[65] This is due almost entirely to countries that have reduced the number of legal violations of trade union and worker rights. On the other hand, virtually no countries have improved their laws and none of the countries which ban independent trade unions has changed its laws (Belarus, China, Equatorial Guinea, Eritrea, Iran, Iraq, Lao PDR, Libya, Qatar, Saudi Arabia, Sudan, Syria, Turkmenistan, UAE, Uzbekistan, Vietnam).

- As for **women's rights at work**, relatively few countries – only Barbados, Liberia and Lithuania – have introduced stronger anti-discrimination and equal pay laws since 2015. This still leaves 27 and 23 countries respectively without such laws. Unlike general labour rights, there is no global system for measuring whether such laws (and the laws measured in the new CRI 2018 indicator on violence against women) are actually being implemented and are improving women's lives.[66]

- There has been much more progress on **parental leave**, with improvements in at least 13 countries. Notable among them are Bhutan and India, which doubled both maternity and paternity leave in 2016 and 2017 respectively; Mozambique, which increased maternity leave by 50%; and Paraguay, which will increase the proportion of prior salary paid from 75% to 100% from November 2018. Colombia, the Dominican Republic and Israel have increased maternity leave by small periods (although for the Dominican Republic this has taken 15 years since ratifying the relevant ILO convention), Cyprus has introduced 14 days' paternity leave and compared with 2016, Spain more than doubled paternity leave to 35 days in 2017, adding one more week in 2018. New Zealand is gradually increasing maternity leave from 18 to 26 weeks by 2022, and there are ongoing parliamentary efforts in Guyana and the Philippines to reach the same levels. There are still five countries (Lesotho, Papua New Guinea, Suriname, Tonga and the USA) that have no statutory paid parental leave for all employees.

- More than half of countries have increased their **minimum wages** more rapidly than per capita GDP. The most dramatic increases include those in Korea and Indonesia (which have increased the minimum wage by 16% and 9% respectively) and in Burkina Faso, Madagascar, Mali, the Gambia, Kiribati, Sierra Leone, Timor-Leste, Ecuador, El Salvador and Costa Rica. A few OECD countries have also increased minimum wages considerably: Portugal, Malta and Japan. Other countries are taking dramatic steps to change their systems: Indonesia is trying to equalize wages by increasing them more rapidly in poorer regions, Austria supplemented its industry-specific bargaining with a nationwide minimum wage last year, and India introduced a nationwide floor to try to limit regional divergences. Other countries are in the process of introducing national minimum wages (e.g. South Africa, planned for 2019 and its content remains hotly debated) or least for some sectors (e.g. Cambodia for the textiles sector). This puts pressure on countries which do not yet have minimum wages (like Djibouti, South Sudan) or which limit them to specific sectors (Cambodia, Saint Lucia, Singapore, Tonga, Jordan).

In addition to these trends since last year, the following general conclusions made in 2017 still stand:

- Many countries are doing relatively well on the scale of social spending. The overall average for all 157 countries is that they are spending more on social protection (18% of budgets overall) than on education (14.8%) or health (10.6%). The average spending levels for education and health are still well below the political commitments to which many countries have signed up, as part of the Abuja and Incheon Declarations (20% and 15% respectively).[67] In most low- and lower-middle-income countries, social protection spending also remains well below the levels needed for basic social protection floors, as estimated by the Bachelet Commission (3–5% of GDP).[68] Most countries across the world still need to increase their spending on all three sectors dramatically.
- Many countries are doing rather poorly in ensuring that their social spending benefits their poorest citizens more than the wealthy and thereby reduces inequality. In 85 of the countries analysed, social spending is reducing the Gini coefficient by less than one-tenth. Countries need to do much more to ensure that their social spending reaches the poorest citizens through universal, free public provision, which is the best way to reduce inequality
- On tax, corporate taxes have fallen slightly from last year's CRI to this year's, and a number of economically significant countries have already made – or are planning to make – cuts to their corporate tax rates, as the broad pattern of the race to the bottom on corporate tax rates continues. Personal income taxes have risen a little, but the long-term trends are unclear. Reversing the race to the bottom means making both PIT and CIT more progressive and ensuring higher rates of collection from richer individuals and companies. Rates of the much less progressive VAT have stopped rising, having reached high levels in many countries. It remains to be seen whether the huge income tax cuts announced in the USA's 2018 budget will provoke a round of copycat measures elsewhere. It remains essential in many countries to ensure that rates of progressive taxes are higher, and to make VAT less regressive by exempting basic foodstuffs and small traders.
- Most countries are also doing very poorly on collecting personal and corporate income taxes, with collection levels averaging well below 15%, compared with 40% for VAT. To improve the impact on inequality, countries need to collect a much higher proportion of their potential corporate and personal income taxes, by clamping down on exemptions for large corporations and deductions for rich individuals, renegotiating tax treaties and ending the era of tax havens.
- On labour, the average minimum wage is only just over half of national GDP per capita. Over 80% of the 157 countries have laws mandating equal pay and non-discrimination in hiring by gender (a much higher figure than last year due to new primary research); but only 45% and 40% respectively have adequate laws on sexual harassment and rape, and these gender equality laws are poorly enforced in almost all countries. Countries are only scoring 6.4 out of 10 (on average) on the CRI labour rights indicator, with a much lower score on enforcement than on the existence of laws. In addition, across the world, 8% of the workforce have no labour rights because they are unemployed, while 38% often have minimal labour rights because they work in the informal sector. A further 35% have reduced rights due to non-standard employment contracts. Countries need to increase their minimum wages, reinforce gender equality laws, implement labour rights laws much more rigorously and extend labour rights and minimum wages to employees on non-standard contracts.

The patterns vary dramatically for countries with different levels of income.

- Developing countries are spending 16% of their budgets on education, compared with only 12% among OECD countries. However, the lower a country's income, the less it spends on health (8% for low-income countries compared with 15% for OECD countries) and on social protection (7% for low-income countries compared with 37% for OECD countries).
- Developing countries (especially low-income countries (LICs)) often have a more progressive tax system on paper than OECD countries because of VAT exemptions for basic goods and small traders, and higher corporate tax rates. Nevertheless, OECD countries reduce inequality more effectively because they are better at collecting income taxes. There are different priorities here for different countries, according to their level of income: developing countries (especially MICs) should collect more personal and corporate income taxes; OECD countries need to improve their tax structures (enhance pro-poor exemptions from VAT and reverse the race to the bottom on corporate tax rates); and OECD countries and upper-middle-income countries (UMICs) must end harmful tax practices that affect the ability of other countries to collect corporate taxes.
- OECD countries generally score much higher than developing countries on labour and gender rights – especially on the existence of relevant laws and paid parental leave. On the other hand, low-income countries perform best on statutory minimum wages, due to far-sighted minimum wage increases by a small number of governments (albeit potentially undermined by poor enforcement). A large number of developing countries still need to adopt and enforce laws guaranteeing labour and gender rights, while many OECD and middle-income countries need to focus on increasing minimum wages.

LIMITATIONS OF THE CRI INDEX

The CRI Index can only ever be a simple tool that gives one measure of how countries are fighting inequality. The subsequent sections discuss the specific limitations of each of the three pillars, but there are also some overall limitations that are worth mentioning here.

What is clear is that the Index can never substitute for context-specific knowledge and the story of each country's path to reducing inequality, or for detailed analysis of each government's proposals or positions. Wherever possible, DFI and Oxfam have worked with colleagues in each country to ensure the most accurate representation of their government's efforts, and in many countries Oxfam continues to work on detailed country reports on inequality that are far more comprehensive. In the online tool accompanying the Index, many countries have added additional narrative sections with links to the work they are doing to combat inequality at country levels.

Nevertheless, in a broad index such as this, some individual countries may be unfairly praised (see Box 4), while others may be unfairly penalized. But on balance, DFI and Oxfam consider that the Index provides a strong foundation from which to gauge the commitment of a government to tackle the inequality crisis.

Box 5: Trading on past glories – when is commitment not commitment?

DFI and Oxfam have called this index the Commitment to Reducing Inequality (CRI) Index because we want to highlight the purposeful and proactive role that *committed* governments can play in tackling inequality. Nevertheless, this is not without its problems. Although we use the most up to date data we can, it can mean that some governments may be receiving credit for commitments based on policies or approaches developed by previous administrations. In some cases, current governments actively oppose these policies and are seeking to undo them.

In a significant number of rich countries, many of the policies that have seen them perform well were actually put in place in a previous era and are now under serious threat. In the UK, for example, while the key hallmarks of the welfare state such as the National Health Service remain in place and contribute to a relatively good ranking, recent governments of all parties have been nervous about reducing inequality as a specific aim of government.[69] Some analysts have highlighted how current tax policies and the recently introduced cuts to welfare benefits will significantly contribute to a forecast increase in inequality.[70]

Denmark comes top of our Index, based on its high and progressive taxation, high social spending and good protection of workers. However, recent Danish governments have focused on reversing all three of these to some extent, with a view to liberalizing the economy, and recent research reveals that the reforms of the past 15 years have led to a rapid increase in inequality of nearly 20% between 2005 and 2015.[71] Germany's longstanding welfare institutions significantly reduce inequality. However, since the early 1990s, income gains have predominantly gone to those earning more, leading to increases in the level of income inequality before redistribution by the state. Regressive tax reforms over the last 20 years have in turn diminished the redistributive impact of government policy.[72] Together, these factors have led to growing inequality. The French government is progressively tumbling down in the tax ranking following its tax reform in 2017, taking the corporate tax down from 33% to 28%. Further cuts should occur soon, with the corporate tax rate progressively being taken down to 25% by 2022. Together with the removal of the wealth tax and the increase of regressive taxes, this tax reform in France illustrates the global trend towards more regressive tax systems. This will be reflected further in the next iteration of the Index as the impact on revenues is felt.

Equally, across Latin America, new governments have been elected that are not as committed as their predecessors to reducing inequality and are even (in some cases) taking steps to reverse progressive policies.

Nevertheless, the majority of the data that have been collected for the Index are recent and are based on budgets, which means that the Index can be updated each year, with countries moving up or down the rankings depending on changes in their policies. If a country substantially increases the minimum wage or boosts education spending in the next budget, then it will be rewarded with an increased CRI Index score. Over time, this will enable a more accurate assessment of the commitment of governments.

The CRI Index focuses mainly on redistributive actions that governments can take, rather than those that would prevent rising inequality in the first place. While it looks at how a government can intervene to make the labour market fairer, it does not, for example, look at corporate governance (to reduce excessive shareholder control of the economy), land redistribution or industrial policy as ways to ensure greater equality. The situation in countries such as South Africa, which has rising levels of inequality despite a relatively good score on the Index, can only be explained by looking at these structural issues. Oxfam's recent papers, *An Economy for the 99%*,[73] and *Reward Work, Not Wealth*[74] also address these issues directly.[75]

Data constraints have prevented the inclusion of these structural policies and many other suitable indicators, because the Index has aimed to cover the largest group of countries possible. Many potential indicators have not been used because they do not extend beyond a small range of countries, usually those with higher incomes. A massive, concerted effort to improve data on inequality and its contributing factors is urgently needed, especially within poorer countries. Gender-disaggregated data are also essential. Later in this report is a discussion of some other areas that the Index might explore in subsequent versions.

Finally, the CRI Index does not aim to cover all actors in the fight against inequality. Other key players – notably the private sector and international institutions such as the World Bank and the IMF – have an important role to play, as do rich individuals. However, while Oxfam's campaigns and those of its allies target all of these actors, governments remain the key players. Democratic, accountable government is the greatest tool for making society more equal, and unless governments across the world do much more in these three policy areas, there will be no end to the inequality crisis.

AREAS FOR IMPROVEMENT AND FURTHER DEVELOPMENT

Economic inequality and gender

Within each of the three areas – spending, tax and labour rights – action to combat economic inequality overlaps significantly with action to combat gender inequality. Gender inequality is exacerbating the growing gap between rich and poor, while growing inequality is in turn making the fight for gender equality harder in countries across the world. Oxfam has shown in its recent papers[76] that the fight against economic inequality is inextricably linked with the fight against gender inequality. Women are hardest hit by regressive taxation and by low or regressive public spending, and they are consistently among the worst paid in the most precarious jobs, while both laws and social conventions limit their ability to organize for their rights. They also provide the majority of unpaid care work and so are most affected when public services are inadequately funded, further entrenching inequality.

Each section of this report has specific sections on gender. Sadly, the availability of data allows for specific indicators only in the labour pillar. This year we have added two more indicators to this pillar, so it now has indicators on parental leave and legal protections for equal pay, gender discrimination, sexual harassment and rape. While there are datasets with gender-related statistics available (such as the World Bank's Women, Business and the Law database and the OECD's Social Institutions and Gender Index), unfortunately we were not able to use some or all of the data due to issues with their reliability and age, nor could we carry out an exhaustive corroboration of the gender indicators with our country programmes for this version of the Index due to time constraints. There are also not currently enough reliable data for enough countries to look at either spending or taxation from a gender perspective for the purposes of this Index. Only relatively few countries have engaged in sustained gender budgeting, so no overall comparative assessment is possible of the degree to which tax and spending policies fight gender inequality, although the benefits of gender budgeting are well documented.

However, there are upcoming initiatives to close the gender data gap, whose data may be used to bolster future iterations of the CRI Index. For example, UN Women is helping to collect data related to gender-responsive budgeting, specifically on the SDG indicator that tracks public allocations for gender equality and women's empowerment. They are also working with the United Nations Statistics Division on the Evidence and Data for Gender Equality (EDGE) initiative to improve the integration of gender issues in statistics. Oxfam strongly supports efforts to increase both gender-responsive budgeting and the collection of gender-disaggregated data, as the gender data gap can prevent countries from understanding the effects of inequality on women and girls, leading to the creation of programmes and policies that are gender-blind and ultimately further reinforcing gender inequality.

Economic inequality and youth

Inequalities between young men and women and older generations are growing across the world. The major accumulation of wealth to those at the top of the income spectrum has created a difficult present and an uncertain future for the majority of today's youth. Extreme economic inequality has been shown to inhibit social mobility,[77] which means that the children of poor parents will stay poor themselves. Unless they come from privileged backgrounds, in many countries young people have fewer opportunities to make the most of their skills and talents, because of the huge and growing gap between rich people and everyone else.

Young women and men both face significant, though often very different, hurdles. Race, age, gender and other inequalities intersect to reinforce the barriers that confront young people. For example, where education is not freely and widely available, young women are more likely to lose out, and the public services that young women particularly need, including family planning services, are chronically underfunded, making it harder for them to escape poverty. Young men and women – as in the USA, for example – can have their ability to ascend or hold their place on the economic ladder affected by factors beyond their control, like racial discrimination. Young men are much more likely to die violently,[78] often at the hands of the police. In a study by the Equality of Opportunity Project, researchers found that American Indian and black youth have a much higher rate of *downward* mobility compared with other races, even those who had initially started at a higher socio-economic level.[79]

Progressive social spending and taxation can counter the growing inequality between young and older women and men by reducing the wealth handed down between generations directly, and by using revenues to spend more on education, health and a full range of the public services that young women and men need. Equally strong labour rights are key to helping young people secure a fair wage. Many minimum wages do not apply to young people, so eligibility criteria need to be extended.

Economic inequality, elite capture and political participation

Many decades ago, US Supreme Court Justice Louis Brandeis famously said: 'We may have democracy, or we may have wealth concentrated in the hands of a few, but we can't have both'. Across the world, faced with growing gaps between elites and the rest of society, politicians are clamping down on democratic rights and closing the space for civil society.[80] Inclusive policy making processes which respect the rights and voice of all people are important as an end in themselves – but also to secure the best policies. Conversely, policy making processes dominated by elites undermine democracy and have been shown to result in policies that predominantly benefit those elites.[81] Poor and marginalized women, who have struggled to maintain a foothold in political processes, are often the hardest hit by political capture and shrinking civil society space.[82]

Currently, the CRI Index has no explicit measure of political openness or corruption. Many of the poorest-performing countries also experience high levels of corruption and low levels of political participation. They also have high levels of elite control of government, media and businesses, with extensive networks of patronage and clientelism. While the Index does not measure this directly, there is a link between poor government performance and levels of corruption and poor governance. This connection is something that DFI and Oxfam intend to investigate in greater depth in future years, perhaps including indicators on corruption or governance and participation, as well as women's participation.

Other policies of relevance to inequality

Social spending, tax and labour rights are not the only areas in which governments can take action to reduce inequality. Other policies – for example, on small and medium-sized enterprises (SMEs), rural development and financial inclusion – can and do have an impact.

However, concerted action on spending, taxation and labour rights is a common feature of success stories in reducing inequality, and any government seeking to tackle inequality should therefore prioritize action in these three areas.

RECOMMENDATIONS

1. **Policy action**

   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.

   Ahead of the review of SDG 10 in July 2019, countries must produce national plans to show how they will reduce inequality. 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 improved. There needs to be systematic tracking of public expenditures, involving citizens in budget oversight. Workers need to be better paid and better protected. The situation of women and girls, who are concentrated in the lowest-paid and most precarious forms of employment, needs to be understood and addressed, as well as the role of the unpaid care economy.

2. **Better data**

   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.

   Throughout this report, we highlight the many areas where data constraints prevent a robust assessment of the progress being made on reducing inequality; yet it is imperative that people can understand and hold governments to account for the policies that are in place and the outcomes they affect. Data on inequality remain extremely poor and irregular; official data on spending, tax and labour policies should be collected regularly as part of the SDG monitoring process. Gender-disaggregated data are essential. There is also a wide range of additional data priorities (notably on the impact of policies on gender issues and youth, but also on social protection spending, capital gains and property/wealth taxes, minimum wages and non-standard employment).

3. **Policy impact**

   Governments and international institutions should analyse the distributional impact of any proposed policies, and base their choice of policy direction on the impact of those policies on reducing inequality.

   Data are of little use without an analysis of the impact of policies on reducing inequality. There must be greater investment in analysis (across more countries, more regularly, and in a wider range of policy areas) of the impact of government policies on inequality. The top priorities are to analyse the composition and impact of spending on inequality, the impact of taxes on inequality and the amount of tax that could be collected, tax haven behaviour, trends in and coverage/enforcement of labour rights, gender equality and minimum wage rights in all countries.

1 REDUCING INEQUALITY THROUGH SOCIAL SPENDING

CRI 2018

The average proportion of spending going to the three sectors of health, education and social protection rose marginally in 2017, with several countries increasing spending significantly, including Indonesia, South Korea, Georgia and Guinea. Others made considerable cuts, notably DRC, Mongolia and Serbia.

Global evidence on the impact of social spending on reducing inequality

Social spending is the fundamental tool for any redistributive fiscal policy. The level of inequality in a society before taxation and spending is known as market income inequality. Evidence shows that social spending can have a big impact on this inequality of market incomes both through in-kind transfers (such as health and education spending), as well as through monetary transfers (social protection).

When a government provides public services, especially health[83] and education, and when these services are heavily subsidized or free, the poorest women and men do not have to use their very low earnings to pay for them. This has been shown to boost incomes for lower-income households by as much as their regular earnings.[84] [85]

In addition to the positive impact of these 'in-kind' services, redistribution and inequality reduction can be further increased if a government provides direct cash support, including through social welfare programmes such as cash transfer schemes that provide protection for citizens against unforeseen circumstances, or to top up the incomes of the poorest households.[86] This social protection spending can act to redistribute cash from the wealthy in society to the poorest households – helping to tackle inequality and build a better society for all.[87]

Poor and disadvantaged women and girls stand to gain most from quality and comprehensive, universal and equitable healthcare and education. The way this works is described in the section on gender later in this chapter.

Evidence of the positive distributional impact of social spending is substantial, across time and across countries. Almost no advanced economy has successfully reduced poverty and inequality with a low level of social spending.[88] Evidence from more than 150 countries, rich and poor alike, spanning a period of more than 30 years,[89] shows that, overall, investment in health, education and social protection reduces inequality. Public services were found to reduce income inequality by an average of 20% across OECD countries,[90] and one review of 13 developing countries found that spending on education and health accounted for 69% of total reduction of inequality.[91] Evidence looking at the impact of fiscal policy in 25 low- and middle-income countries found that direct transfers and education and health spending are always equalizing factors.[92]

A number of national governments have made commitments to increase spending on health and education. In 2001, all African governments made a commitment to increase health spending to 15% under the Abuja Declaration. In 2015, 160 governments made the commitment to spend up to 20% of their budgets on education as part of the Incheon Declaration.[93] Since 2012, 185 countries have adopted the International Labour Organization's (ILO) Recommendation 202 (R202) on Social Protection Floors, which establishes that every country should offer access to healthcare and basic income security for the unemployed, children, the elderly and persons with disabilities or those who are otherwise unable to earn a decent living.

In 2016, the UN launched the Global Partnership for Universal Social Protection,[94] with the aim of supporting developing countries to roll out R202 and achieve SDG 1.3 on social protection.[95]

Quality of spending matters

Beyond overall spending levels, evidence from across the world shows that how governments spend their budget within and across different social sectors matters a great deal. There is huge variation within and between countries for different sectors, and across different types of social sector spending. Some countries have high spending but the money is not spent progressively, so that it fails to make much of an impact on inequality; while others spend less but spend it more effectively,

Education

Despite significant progress achieved in education outcomes across the world, many countries underperform when it comes to the quality and equity of education. Six out of 10 children and adolescents – 617 million globally – are failing to achieve even the most basic competencies in reading and mathematics. Two-thirds of these children are in school.[96] If the world remains on its current trajectory, 75% of countries will not achieve universal secondary education until after 2030; in the lowest-income countries, fewer than 10% of young people will have learned basic secondary-level skills.[97]

In 2015, 180 governments subscribed to the Education 2030 Framework for Action and committed to provide 12 years of free and compulsory education for all children; however, fewer than half of these countries report offering 12 years of free education, and only just over half report at least 10 years. More than a quarter of countries do not report providing any free secondary education at all; only four in 10 African countries do so.[98] In recent years, many low- and middle-income countries have been experimenting with a new model of provision based on fee-paying private schools for the poorest students – so-called 'low-fee private schools (LFPS)'.[99] Significant evidence exists worldwide that reliance on tuition fees in education – both informal and formal, private and public – excludes the poorest children (particularly girls) from attending school.[100]

Spending in pre-primary and primary school is usually pro-poor in middle and low-income countries; secondary school is overall neutral, while spending in tertiary education is more often regressive.[101] And yet, spending is skewed towards tertiary education in most cases. Too often, the answer is to privatize tertiary education or hugely increase fees, even though these tend to exclude the poorest students even further, exacerbating in particular the vulnerability of girls. A balance has to be found where tertiary education is available without diverting too much public money away from basic education.

Health

Health spending can make a significant contribution to reducing inequality, but this is determined to a significant extent by how the money is spent. For example, it will have a limited impact on inequality if spending is skewed towards richer areas or hospital care, away from clinics in poor areas. Each year, 100 million people are driven below the poverty line by having to pay for healthcare out-of-pocket, and millions more delay or avoid seeking healthcare because they cannot afford to do so.[102] Health spending also has significant implications for gender inequality, and this is discussed further in the section on gender below.

Again, the solution that is often suggested – contributory health insurance – can exacerbate inequality by directing public spending for health to those who are most able to make regular insurance contributions, leaving many of the poorest and most vulnerable out. Contributory health insurance is especially likely to exacerbate inequality in countries with large=scale informal economies. In Ghana, for example, the government health insurance scheme has been in operation for 15 years. It is predominantly accessed by better-off households,[103] and has a national coverage rate of just 37%.[104] Women, additionally, are less likely to be covered by health insurance, and in some countries those who are covered face higher health insurance premiums or are disqualified for pre-existing conditions like pregnancy or having experienced gender-based violence.[105] Conversely, even some of the poorest countries with large informal economies have demonstrated that equitable universal free health coverage is possible, funded entirely from general taxation.

Social protection

The role played by social protection spending in reducing inequality and poverty varies greatly across countries. In OECD countries, income transfers have historically played a critical role in reducing inequality. Currently, on average, cash transfers, personal income taxes and social security contributions together reduce market income inequality for the working age population in OECD countries by slightly more than 25%. In all countries, the bulk of redistribution (around 72%) is achieved through cash transfers.[106] Social insurance benefits (pensions) in OECD countries are related to former incomes and are therefore less redistributive,[107] although they still play an equalizing role.[108] Since the mid-1990s, the redistributive effect of taxes and transfers has declined, with the reduction of benefits in many countries.[109]

Social protection schemes have also been shown to reduce inequality in some developing countries, but investment in such schemes remains low for most.[110] [111] Over the past 20–30 years there have been laudable efforts in some middle- and low-income countries to extend social protection. More than 20 countries, both MICs and LICs, have achieved near universal coverage in pensions through a combination of contributory and tax-based systems. Yet in other countries, the bulk of social protection is provided in the form of tax- or donor-funded non-contributory social assistance and targets the poorest people. Such schemes are often small, short-term, geographically limited and/or without a stable legal or financial foundation, and therefore fail to make any substantive inroads into reducing inequality and poverty. Their impact is also limited by the fact that, while targeting the poorest and most vulnerable people, the extreme difficulty in successful targeting often means they end up excluding a significant share of the intended beneficiaries. The dual focus on contributory schemes for formal workers and social assistance for the poorest, moreover, leads to a lack of coverage for those in the middle, and often renders them vulnerable and unprotected.[112]

Social protection can have important impacts on gender inequality and particularly on unpaid care. These impacts are discussed further in the section below on gender.

Contributory schemes (namely social insurance, especially pensions) tend to favour better-off households, especially in developing countries, because they are typically available only to employees in the formal sector with stable employment relationships. Informal and precarious workers are often excluded. The Asian Development Bank's (ADB) Social Protection Index found in 2013 that 83% of recipients of social protection in the region were not poor, and that this was due to the predominance of social insurance schemes such as contributory pensions.[113]

Evidence suggests that universal welfare systems are better at redistribution than systems designed to narrowly target the poorest;[114] for example, more universal allocation mechanisms based on category rather than poverty level (such as support grants for all mothers and children) often prove more effective. In an illustrative example, Kyrgyzstan's Monthly Benefit for Poor Families (MBPF), a means-tested scheme which offers $13 per month to families with children living in poverty, was reaching less than 20% of the poorest decile of the population. For this reason, the government decided to replace it with universal child benefits, as a step towards building an inclusive social protection system over people's lifecycle. However, during a mission to the country to review its loan programme, the IMF pressured the government to amend the law on universal child allowances to reintroduce targeting as a cost saving measure.[115]

Most MICs could have much larger social protection programmes. In fact, evidence from the ILO, reviewing options to increase fiscal space in low- and middle-income countries, shows that universal social protection floors are feasible in the majority of them.[116]

Spending decisions are often subject to influence by special interests

Too often, in many countries, decisions around resource allocation are dominated by special interests and bad policy choices that increase inequality. Elites and powerful interests can ‘capture’ policies and spending and sway spending priorities.[117] For instance, in Chile, studies show that when vouchers were introduced for the education system, the upper and middle classes tended to capture the main benefits, which led to deep stratification within education.[118] Often, allocations go disproportionately to areas with the largest populations, to urban or wealthy areas or to areas that are politically favoured by governing parties. For example, in Senegal, more than half of public resources are concentrated in the capital, Dakar, where only about a quarter of the population live.[119] To address these geographical inequalities, public spending needs to be allocated according to more equitable spending formulas. A number of countries, such as Brazil and Peru,[120] [121] have developed systems of allocating spending to redress disadvantage, and these have been shown to have an equalizing impact on those countries’ social spending.

Equity formulas are especially important in countries that have marginalized ethnic groups or strong geographical disparities, and which may need special provisions to redress inequality.[122]

This variation shows up in studies that demonstrate the impact of spending on inequality using benefit incidence analysis. The Commitment to Equity project has shown significant variation in Latin American countries: Uruguay has higher redistribution levels from its spending, while Bolivia’s redistributive achievements are low (compared with a higher social spend).[123] This incidence analysis is used in the CRI Index.

To establish the indicators in this pillar, DFI has collated the most up-to-date spending data from the most recent budget documents. This has been augmented by other sources, notably the ILO, which kindly made its data available to DFI and Oxfam.

Gender, youth, social spending and social protection

Impact on women

There are significant overlap and positive synergies between the impact of social spending on gender inequality and on economic inequality. Poor and disadvantaged women and girls stand to gain most from quality, universal and equitable healthcare and education. Having access to education can increase women’s economic opportunities, narrowing the pay gap between women and men, and can increase women’s decision making power within the household.[124] If all girls completed primary education, maternal deaths would fall by two-thirds, saving the lives of 189,000 women each year.[125] Universal access to quality healthcare can transform women’s lives, giving them more choices and reducing their risks of contracting preventable illnesses, or even the risk of maternal death.[126]

In many countries, public services are increasingly subject to fees that put them out of reach for most young people, wasting their talents and creating huge loss for society. Lack of universal and free education often leads to girls losing out on educational opportunities as families prioritize educating boys.[127] Young people, particularly women, suffer when spending on this sector is cut or when education is accessible only to those who can afford to pay. Free universal primary education is vital, particularly for empowering girls and young women to take control of their lives; it helps prevent child marriage and it enables women to have fewer children and to secure a stronger economic position in society.[128] There is also widespread evidence that investment in the human capital of children and young people is one of the most powerful ways to break the relationship between economic inequality and lack of intergenerational mobility.[129] Investment in early years of education can therefore have a particularly strong impact on reducing inequality, giving poorer children more of a chance at the very start of their lives.[130]

Health spending has significant implications for women and girls. Universal access to quality healthcare can transform women's lives, giving them more choices and reducing their risks of contracting preventable illnesses or even the risk of maternal death. Additionally, women often provide unpaid healthcare services, taking time off work to care for their families. Women often use their own income to pay for healthcare and, for poor women in particular, this leaves them with fewer funds to take care of their own needs.[131]

When designed to be gender-responsive, social spending can make a great difference in the lives of women. In India, the Midday Meal Scheme helped lighten the schedule of working mothers by providing their children with a meal at school.[132]

Conversely, when services are not provided, there is an uneven burden on women as care givers: in 66 countries, women spend an extra 10 weeks or more each year on unpaid work, limiting the time and opportunity available to them to earn a living wage.[133] The level of unpaid care work done by women is huge and largely unrecognized, and public services can make a key difference in supporting women and families.[134] Children also suffer the consequences of a lack of adequate public care services. At least 35.5 million children under the age of five are regularly left alone or are looked after by other young children. The poorest children in the poorest countries are most likely to be left alone.[135]

Gender-responsive budgeting

Given the huge gender disparities in access to services and in development outcomes, more and better spending must be a touchstone for budget setting. One way that governments can better target spending to women's needs is through gender-responsive budgeting. This can help to analyse the budget's current impact and target more spending directly to women, such as on education, maternal healthcare, reproductive rights and tackling female genital mutilation (FGM), sexual abuse and violence against women. It can also help to ensure that spending is having the desired impact on equity and access by looking at spending through a gender lens.

There have been major efforts across the world to promote gender-responsive budgeting and to analyse the degree to which spending is directly or indirectly targeted to women. A recent IMF report[136] highlights numerous positive examples, and finds that gender budgeting can promote gender equality. While specific policies vary, the evidence is beginning to become clearer on how this vital tool can help to ensure that national budgeting processes address women's needs and support their rights.[137]

What are the overall results for the CRI Index spending pillar?

Table 3: CRI Index ranking on spending – the top and bottom ten countries

AT THE TOP OF THE INDEX: SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION		AT THE BOTTOM OF THE INDEX: SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION	
Poland	1	Republic of Congo	148
Finland	2	Nepal	149
France	3	Vanuatu	150
Ireland	4	India	151
Denmark	5	Afghanistan	152
Austria	6	Lao PDR	153
Belgium	7	Pakistan	154
Germany	8	Democratic Republic of Congo	155
Czech Republic	9	Myanmar	156
Japan	10	Nigeria	157

Some countries are using social spending as a means of redistributing wealth and income, and this is having a significant impact on inequality. Near the top of the rankings for the spending pillar are two broad clusters of countries. First, there is a cluster of high-performing OECD countries: renowned for their well-established, long-term commitments to publicly funded social investments, this group includes Finland, Germany and Denmark.[138] Second, there is a group of high-spending (and high-income[139]) countries in Latin America.

Costa Rica, at number five in the rankings on social spending for the Latin America region, performs well on progressive public spending.[140] Its investments have helped to build a high-quality universal healthcare service, with outcomes that rival (or even surpass) some of the richest countries in the world.[141] In addition, large and very progressive social protection measures both redistribute income[142] and play a role in social cohesion.[143] Uruguay,[144] at number three, spends large amounts on health and education, with well-developed social protection schemes with broad coverage.[145] Argentina, the best performer on spending in Latin America in CRI 2018, has been renowned for its progressive social spending. With the austerity of the current government this is now being challenged, with cuts to spending.[146] The data for the CRI 2018 is for 2015, so these cuts have yet to show in their rankings, but will do in subsequent years.[147] Taken together, the social spending of these three countries has been shown to have a very strong impact on reducing inequality.[148] They have been part of an emerging pattern in Latin America, with government spending responsible for as much as 20% of all reductions in inequality since 2000.[149] With the shift towards more centre-right administrations in many of these countries, however, it remains to be seen whether social spending will remain at such high levels. Spending data for the Latin America region for this edition of the CRI Index are not recent enough to establish whether this is the case, but any changes will show up in subsequent iterations.

Overall, large differences in the levels and types of social spending persist across all income levels. The wide variation in GDP per capita of the countries which do well in the CRI spending pillar illustrates that there is no direct link between the level of GDP and level of social spending.

Those low-income countries that invest massively deserve particular recognition for using their more limited resources to work harder on reducing inequality. Ethiopia is a notable example, ranking sixth globally on the education sub-indicator. What is notable about Ethiopia, along with a number of other well-performing low-income countries, is that it is devoting significantly more to redistributive and pro-poor spending than developed countries did at a similar stage in their history.[150] Meanwhile, Cambodia's otherwise strong performance on reducing inequality is let down by its very low social spending.

Conversely, some middle-income countries are spending significantly less than today's rich nations did at a similar point in their economic development. For example, Indonesia is richer today (in terms of per capita income) than the USA was in 1935, when it passed the Social Security Act.[151] President Jokowi has publicly committed to reducing inequality. His government has increased health spending and the minimum wage since CRI 2017 – which is a positive step.[152] Much more needs to be done to raise tax revenues further, however, from their low level of 11% of GDP.

This is also true for Nigeria, Pakistan and India – all MICs that could be spending far more on health, education and social protection than they are doing; which means that they get very low scores on the CRI Index. These three countries account for 1.6 billion people, so they could make an enormous impact on reducing global poverty and inequality if they chose to. Interestingly, in all three countries there has been a rapid rise in private education in the absence of good state provision, which in turn further entrenches both economic and gender inequality.[153]

Nigeria ranks at the bottom of the Index for social spending, which is reflected in very poor social outcomes for its citizens. More than 10 million children in Nigeria do not go to school, and 60% of these children are girls.[154] Less than 1% of the poorest girls complete secondary education, compared with 27% of the richest boys.[155] Nigeria has a similar per capita income to Bolivia, yet in Nigeria one in 10 children dies before they reach their fifth birthday, compared with one in 27 children in Bolivia.[156]

There are also outliers in this picture – that is, governments that are spending a significant amount on social services but where that spending is not reducing inequality (or at least, is not pro-poor). Nowhere is this clearer than in the case of the USA, which has very high levels of spending on health (even when measured against the standards of the richest OECD countries) and does well on total spending on health indicators; yet evidence suggests that this spending is having much less of an impact on reducing inequality than health spending in other OECD countries.[157] This is largely due to the USA's complex privatized system and the high cost of healthcare.[158] This can have a devastating impact: in 2013, two million Americans went bankrupt as a result of medical bills, with the largest amount of personal bankruptcy attributed to medical debt.[159]

Which countries had the biggest increases and the biggest cuts in spending?

This section gives the top 10 countries to increase spending, and the bottom 10 in terms of cutting spending, in each of the three areas: education, health and social protection. For the full rankings for all 157 countries, see Annex 1.

Table 4: Spending on education – biggest increases and biggest cuts, CRI2017-2018

TOP 10 – INCREASED SPENDING (%)		BOTTOM 10 – REDUCED SPENDING (%)	
Georgia	+5.96	Democratic Republic of Congo	-8.76
Saint Lucia	+5.85	Singapore	-5.61
Guinea	+5.46	Vanuatu	-5.52
Saint Vincent and the Grenadines	+4.66	Sierra Leone	-5.12
Dominican Republic	+4.40	Namibia	-3.95
Liberia	+4.06	Kyrgyz Republic	-3.71
Uruguay	+3.62	Zambia	-3.70
São Tomé and Príncipe	+3.07	Zimbabwe	-3.61
Bhutan	+3.03	Samoa	-3.29
Cameroon	+3.01	Mali	-3.26

Table 5: Spending on health – biggest increases and biggest cuts, 2017

TOP 10 – INCREASED SPENDING (%)		BOTTOM 10 – REDUCED SPENDING (%)	
Kazakhstan	+4.14	Samoa	-9.76
Colombia	+4.11	Democratic Republic of Congo	-4.82
Lithuania	+3.71	Saint Vincent and the Grenadines	-3.64
Georgia	+3.45	Barbados	-2.94
Lebanon	+3.29	Australia	-2.81
São Tomé and Príncipe	+3.25	Benin	-2.63
Indonesia	+3.22	Vanuatu	-2.45
Thailand	+3.20	Djibouti	-2.37
Niger	+2.99	The Gambia	-2.15
Jamaica	+2.86	Singapore	-2.06

Table 6: Spending on social protection – biggest increases and biggest cuts, 2017

TOP 10 – INCREASED SPENDING (%)		BOTTOM 10 – REDUCED SPENDING (%)	
Ukraine	+15.10	Mongolia	-5.45
Vietnam	+8.52	Serbia	-4.83
Iceland	+7.32	Azerbaijan	-4.28
Trinidad and Tobago	+7.11	Tajikistan	-3.67
Australia	+7.05	Malta	-3.40
Cyprus	+5.90	China	-3.32
Angola	+4.95	Ghana	-3.26
Barbados	+4.82	Afghanistan	-3.00
Belarus	+4.39	Republic of Congo	-2.95
Bhutan	+4.39	Bulgaria	-2.56

What do the CRI indicators on social spending actually measure?

The CRI social spending pillar is broken down into two measures: the overall level of spending, and the impact that spending has on reducing inequality.

Indicator 1: How much has a government committed to spend on education, health and social protection?

This indicator measures total spending for each of the three sectors – health, education and social protection – as a percentage of a government's total annual budget. This was chosen because it is better suited to judging a government's *commitment* to spending in these sectors than alternatives such as percentage of GDP or per capita allocations, which would tend to penalize low-income countries and reward high-income countries that are able to raise more tax revenue and so to spend more.

The Index looked at the percentage of total government spending on education and health in each of the 157 countries, with figures from the most recent 2017 budget wherever possible. More than 90% of education and health data are from 2015–17, but only 70% of social protection data. This reflects the need for more investment to help the ILO track social protection spending.

Indicator 2: How progressive is spending on education, health and social protection?

Within sectors, spending can be progressive and even, in some instances, regressive. Across the three sectors in this study generally, spending on health and education is slightly more progressive than on social protection, because more is spent in both relative and absolute terms on those services that are more frequently used by poor women and men. This is especially the case for basic education and primary healthcare.

The second indicator in the spending pillar attempts to take account of the different impacts that spending can have. It measures the actual or likely impact of spending on income inequality in each country for the three sectors. Wherever possible, this is achieved using country-level studies.[160] Where such studies were not available, the Index used the best possible global estimates.[161]

Limitations of the CRI Index social spending indicators

The CRI Index measures budget commitments in two-thirds of countries and actual spending in the remaining one-third. It is not possible to obtain accurate, up-to-date data on how much governments actually spend, especially in the poorest countries. There is often a discrepancy between the stated commitments and what is actually spent. The actual amount may never be disclosed or, if it is, there is often a significant time lag before it is disclosed. DFI and Oxfam work with partners across the world to track budget spending and hold governments to account when promised spending does not materialize,[162] but this is something that it is not possible to directly reflect in the Index.

The development of the Index did not include direct measures of the quality of services. We did consider, for example, looking at levels of out-of-pocket expenditures in health or the amount spent on tertiary education, but concluded that it was either unwise or not technically possible to include these at this stage.[163] Instead, it was decided to look at the overall incidence of services: that is, the extent to which spending in each area has managed to reduce inequality. This is a good proxy for quality of services, because if a country has very high health spending but this has a very limited impact on inequality, then it is fair to conclude that the spending is doing a relatively poor job of benefiting the poorest people more than the richest.

It is important to note that incidence studies are not available for all countries included in the Index; where they are available they have been used, but where such studies were not available, the Index instead used an extensive global study which looked at 150 countries over 30 years, to establish average incidence levels for education, health and social protection.[164]

The CRI Index does not yet have an indicator on gender for the spending pillar. This is because sufficient data are not available at this stage. Some promising work by the IMF, UN Women and others suggests that sufficient data could be available soon, in which case subsequent iterations of the Index could include a gender indicator for the spending pillar.

Box 5: Increasing spending on housing – a very powerful way to reduce inequality

Housing costs are the largest item in the budgets of many poor families across the world. In addition, and especially for the 900 million people living in slums, poor housing is a major cause of poor health, further draining their incomes. So government spending on subsidized housing can dramatically increase their disposable income; as a result, this spending (especially on construction and maintenance of social housing) has reduced income inequality even more than spending on education, health or social protection.[165]

Government spending on housing investment (i.e. construction and maintenance) is only partly included in the CRI – housing benefit payments are included, but spending on housing construction and maintenance is not.[166] Nevertheless, this year DFI has compiled data on *actual* housing spending for 79 countries, drawing on data produced by the ADB, the UN Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL), Eurostat, the IMF and the OECD. Fifty-nine of these data points are for 2016, 19 for 2015 and one for 2014.

Panama has the highest allocation of spending to housing among these 79 countries, and Honduras the lowest. However, there are also some interesting broader patterns.

Almost all of the countries that allocate the highest proportion of their spending to housing are developing countries, including countries in Asia (China, Tajikistan, Singapore, Belarus, Kazakhstan, Kyrgyzstan, Georgia, Bhutan, Thailand and Myanmar); Latin America (Panama, Mexico, Argentina, Trinidad, Costa Rica, Bolivia and Chile); and Africa (South Africa, Seychelles, Egypt and Mauritius). Half of these are UMICs and a quarter each HICs and LMICs. Only three OECD members (Chile, Cyprus and Mexico) are in the top third.

On the other hand, 80% of the countries that allocate the lowest proportion of their budgets to housing are OECD countries (with the lowest levels being in Greece, Denmark, Switzerland, Israel and Belgium). Only five middle-income countries out of 35 are in the bottom third. The three low-income countries included in this group are evenly split across high-, middle- and low-performing groups.

Across OECD countries, our calculations show that spending on housing has fallen substantially in the past few decades, from around 5% of GDP in the 1970s to only 0.7% in 2016. This reflects a broader move in many countries away from providing social housing (built by public or social organizations) towards subsidizing privately built ‘affordable’ housing via guarantees or by paying benefits to poorer citizens to cover housing costs. This market-based, ‘privatized’ model is a much less effective means of reducing inequality and poverty. Our calculations also show that spending on housing has also fallen in Asia, from around 4% of GDP in 2000 to 3% in 2015, but on the other hand in Latin America it has risen by almost 1% of GDP to 3.7%.

Other areas of spending relevant to reducing inequality are also not included in the CRI Index, such as spending on agriculture and housing (see Box 5.) We intend to look at these in future reports, even if we are unable to fully include them in the Index.

Finally, the CRI Index does not attempt to measure other ‘negative’ government expenditures such as military spending or debt servicing, which are often substantial. Debt servicing is once again becoming a major drain on the resources of developing countries,[167] with Kenya, for example, spending almost 50% of its revenues on debt repayments.[168]

2 REDUCING INEQUALITY THROUGH TAX POLICIES

CRI 2018

CRI 2018 has introduced a new indicator measuring harmful tax practices (HTPs) under this pillar, to capture the extent to which countries are behaving in ways that are enabling tax dodging. On VAT, there has been very little change in the past year, with some countries increasing rates but just as many reducing them. In the area of corporate tax, rates remained stable compared to CRI 2017. Hungary stood out as the worst performer, cutting CIT from 19% to 9%. As for PIT, the average top rate continued to rise, with governments from all income groups increasing rates. At the same time, however, the collection of these more progressive taxes has continued to fall, so their full potential in reducing inequality is not being realised.

Global evidence on the role of progressive tax in reducing inequality

Collecting a sufficient amount of tax in a progressive way, so that those earning the most shoulder the highest tax burden, has a key impact on inequality. Therefore, campaigning for more progressive taxation is a key part of Oxfam's work to reduce inequality. Taxation in society plays a three-fold role in combating inequality. First, by taking more from the rich than from the less wealthy, tax contributes directly to reducing the gap between rich and poor. Second, the resources raised by progressive taxation, if used to benefit poor women and men, can further reduce inequality levels. Finally, tax can play a major role in helping to structure the economy in such a way as to reduce primary market inequalities, by reducing the incentives for excessively high profits, shareholder returns or runaway executive pay. Taxation can be used to encourage investment in new technologies and different kinds of business that enable workers to secure more of the profits, have more of a say and help build a more sustainable, more human economy.

Countries first have to have a tax system that is progressive on paper. That means higher tax rates for higher earners and progressive thresholds and exemptions. However, many countries fall at this first hurdle, with very low rates of tax on corporates or on high earners. Bulgaria, for example, has a flat PIT rate of 10% on all incomes, and a 10% corporate tax rate. The trend is also negative, as many countries have been engaged in a deeply harmful race to the bottom on tax rates as well as other tax exemptions and incentives. In 1990 the G20 average statutory corporate tax rate was 40%; in 2015, it was 28.7%.[169] In the Dominican Republic, the volume of exemptions received annually by companies in the tourism sector, industry, companies in the industrial free zone and those located in border areas would be sufficient to increase the country's health budget by 70.3% or to multiply by five the budget on drinking water supply in fiscal year 2017.[170]

However, a progressive tax system on paper is only the first step. Clearly, this is irrelevant if the actual taxes collected by governments are regressive. Figures on tax productivity show that for every increase in national income, countries collect (on average) around 40% of the VAT and sales taxes they should, but only around 14% of corporate and personal income taxes. This is a particular problem in low-income countries, where only around 10% of each extra dollar of GDP is collected. As VAT is a regressive tax in most cases, collecting a higher proportion of VAT makes the whole tax system more regressive in practice.

This failure to collect tax is often due to multiple exemptions and deals which ensure that the richest individuals and companies are simply not paying what they owe. It is also due to the impact of international factors like the global network of secrecy and tax havens, which enables tax avoidance and evasion. Because of these, the actual impact of taxes on inequality may be very different from how the tax system of a given country appears on paper.

Finally, countries have to be collecting as much tax progressively as they can. Many countries are collecting very little tax overall. India collects just 17.7% of GDP; Indonesia collects 11%, whereas South Africa manages to collect 24.7%. If Indonesia increased the amount of tax it collected by just 2% of GDP it could more than double spending on health.[171] Many countries are choosing to increase their tax take with regressive taxation like VAT, which can increase inequality.

This evidence underlies the choice of indicators in the CRI tax pillar, which measures:

- the degree to which each country is designing its tax system with an intent to be progressive;
- the degree to which it is collecting taxes progressively;
- the amount of taxes it is collecting compared with its tax base and its potential level;
- whether or not a country is engaging in harmful tax practices.

To examine whether tax policy is progressive in different countries, as part of the CRI, DFI and Oxfam have constructed a major new global tax database on 157 countries. This is the first ever public database containing comprehensive tax rates and thresholds; it has the widest country coverage on the collection of different types of taxes and the most up-to-date data on actual tax collection performance compared with potential collection.

Box 6: The Fair Tax Monitor

Oxfam has partnered with the Tax Justice Network Africa to develop the Fair Tax Monitor (FTM).[172] The FTM utilizes a detailed methodology to deliver a more comprehensive and thorough assessment of national tax systems and public expenditure figures, complementing the CRI Index by providing a more detailed scoring of one specific area of inequality: fair taxation. The national reports[173] from different developing countries highlight a number of trends.

Tax compliance is a significant issue, as the number of income tax payers in countries like Bangladesh, Pakistan and others is very low. Instead of broadening their tax bases by enforcing taxation on companies and individuals, countries tend to rely upon VAT and other indirect taxes. Pakistan has raised its reliance on indirect taxation by 48% over the past three years. While indirect taxation is easier to impose and collect, it is highly regressive and imposes a disproportionate burden on the poorest elements of society.

All countries face high losses of tax revenues due to numerous tax exemptions, especially those directed at major corporations, that do not benefit poor people but contribute to raising the revenues and profits of the wealthy. For instance, Uganda lost 15.7% of its revenue between 2010 and 2017 to tax incentives and exemptions.[174] Countries must undertake proper studies before implementing exemptions.

While offering real opportunities for more revenue, there is barely any taxation of wealth and property. This is due to poorly structured and sparsely funded tax administrations, tax avoidance by rich people and generally low levels of compliance. A properly functioning tax administration is of paramount importance to increase the collection of revenue necessary for providing essential public services.

Gender-sensitive taxation is not sufficiently addressed, resulting in women and girls being unfairly taxed and in need of better-funded essential public services. An interesting policy undertaken by Bangladesh is the establishment of a lower threshold for exemption on income taxation for women, taking into account the wage gap and the high rate of informal labour in the country.[175] Government administrations must take further steps to introduce a gender perspective into public policies, while also overcoming cultural and religious biases to promote women's participation in society and the labour market.

Finally, unless tax collection processes become less opaque and tax data are made available to the public, a tax system cannot be considered fair. Citizens' right to information should also cover fiscal policies. Governments must collect and publish data and information on tax systems in a way that is useful to further analysis (i.e. in a disaggregated manner) and also understandable by the general public.

The FTM approach has been developed through a participatory process, building on the experiences of local and international organizations. The use of a common research framework allows for comparison of tax policies and practices over time as well as between countries. In 2016, Oxfam published the *Fair Tax Monitor Composite Report*[176] with the overall findings and country reports for Bangladesh, Pakistan, Senegal and Uganda.

Currently, the FTM is expanding to include developing countries with distinct socio-economic backgrounds, therefore widening the comparative pool of tax systems and the significance of this project. The next series of country reports, which is expected to be published soon, will include Cambodia, Nigeria, Vietnam, Tunisia and the Occupied Palestinian Territory (OPT).

Tax policies also exacerbate gender and youth inequality

The design of tax policies in almost all countries exacerbates gender inequality.[177] This can occur when women are treated as appendages to their spouses when setting tax thresholds, or where spouses are obliged to file joint tax returns. But it is also closely linked to the tax structure: due to exemptions and avoidance by multinationals, many countries effectively tax more heavily the types or size of businesses (typically small) run by women, while larger enterprises (generally run by men) are effectively taxed less heavily, as is the income generally earned by men from assets such as land or property rentals. Most countries also collect more income from sales taxes and VAT. This runs the risk of taxing women more heavily because they spend a higher proportion of their income on consumer goods for their families – although it can be mitigated with exemptions for basic goods and foodstuffs.[178]

Tax policies can be used to benefit young women and men, or they can unfairly discriminate against them. Young people are more likely to run small businesses and to consume a higher share of their income, so indirect taxes like VAT potentially hit them harder. Young women are particularly affected, often facing direct and indirect discrimination on the basis of both age and gender.

It is scandalous that very few governments conduct regular analysis of the impact on gender or youth of their tax (as opposed to their spending) policies[179] – and that as a result there are no multi-country datasets that can be used to assess the impact of tax policies on gender inequality. There are a few positive exceptions to this picture: for example, the Swedish government produces its own gender analysis of the impact of each budget, and in countries such as South Africa and the UK, civil society organizations (CSOs) produce their own regular analysis of the potential impact of tax policy changes on women, with suggestions for alternative gender-responsive budgets.[180] Overall, designing the tax system to be more progressive, and ensuring that the most progressive taxes are those that are actually collected will also help to combat gender inequality. However, all governments should be applying a specific gender and youth lens to their tax policies on an annual basis to ensure that they are reducing gender inequality.

What are the overall results for the CRI Index tax pillar?

Table 7: CRI Index ranking on tax policies: the top and bottom ten countries

PROGRESSIVITY OF TAX POLICY: THE TOP TEN		PROGRESSIVITY OF TAX POLICY: THE BOTTOM TEN	
Australia	1	Latvia	148
Denmark	2	Bahrain	149
South Africa	3	Guinea	150
Georgia	4	Guinea-Bissau	151
Belgium	5	Oman	152
Germany	6	Bhutan	153
Malawi	7	Belize	154
Finland	8	Kosovo	155
Austria	9	Uzbekistan	156
Norway	10	Singapore	157

The first thing to say is that none of the 157 countries is performing well in terms of reducing inequality through its tax policy. Overall, the average score is only 0.6 out of 1, indicating that countries could do a great deal more. Performance is particularly poor in terms of the impact of tax on inequality, where most countries still have what are likely to be regressive tax systems, with a high dependence on indirect taxes. Nevertheless, some countries have managed to reduce their Gini coefficients using tax policy, even though they are not collecting all the taxes they should (most are collecting only two-thirds on average of what they should be collecting). This shows that countries which do have progressive tax structures and make maximum efforts to collect tax can have a big impact on reducing inequality through their tax policies.

Overall, in terms of tax, the data reveal that most of the countries that are performing better are high-income OECD countries. This largely reflects the more progressive impact of their tax systems on reducing inequality: they collect a higher share of tax revenue from progressive income taxes, reflecting their larger tax base of individuals and corporations with sufficient income to fall into the tax net. In general, they also perform well in collecting tax – though with notable exceptions such as the USA. The top low-income country is Malawi, which has a relatively progressive personal income tax structure and is collecting a relatively high share of its potential tax take.

Near the bottom of the tax index are Bahrain and Vanuatu, which have no corporate or personal income tax. The other countries at the bottom have very low tax rates or flat tax structures (mainly Eastern European and former Commonwealth of Independent States countries) and collect relatively little income tax, making their tax much less progressive. Many of them also perform relatively poorly on the actual collection of tax compared with the potential levels that could be collected.

What are the main trends?

On **VAT**, a few countries have reduced their rates since CRI 2017 (Brazil, Romania and Trinidad) but just as many have increased them (notably Colombia and Sri Lanka). In addition, a few countries such as Burkina Faso and Senegal have made VAT exemptions more pro-poor, and Cambodia has increased its minimum threshold for VAT payment, leaving out small traders. Overall average rates have fallen slightly to 15.5%.

On **corporate income tax**, global average rates remained more or less the same, rising marginally by 0.07% from 24.65% to 24.48%. Although 15 countries cut their CIT rates in 2017 compared with only 10 raising them, some of these cuts were limited to smaller companies (e.g. in Australia) which can be positive,[181] and most cuts were relatively small at under 2.5%. Those cutting their rates tended to be more economically significant countries.[182] Hungary stands out as the worst performer for having cut CIT to 9% from 19%, but several other countries have gradually been introducing cuts over the last 4–8 years, resulting in major reductions over time in Israel, Norway, Pakistan, Spain and the UK. On the other hand, Colombia, Mali, Jordan, Greece and Peru were among those increasing. However, these changes are dwarfed by the USA's 2018 federal rate cut from 35% to 21%. This change will appear in next year's CRI, and the key question will be whether many countries will follow suit (so far, based on 2018 tax codes, the opposite seems to be the case, with only Argentina and Belgium cutting CIT, and Burkina Faso, Ecuador, Korea, Latvia and Taiwan increasing their rates).

Table 8: Increases and reductions in CIT, 2017

BIGGEST INCREASES IN CORPORATE TAX RATE		BIGGEST DECREASES IN CORPORATE TAX RATE	
Colombia	+9%	Hungary	-10%
Jordan	+5%	France	-5.3%*
Mali	+5%	Chad	-3%
South Sudan	+5%	Norway	-3%
Greece	+3%	Spain	-2.5%
Slovenia	+2%	Egypt	-2.5%
Peru	+1.5%	Israel	-2.5%
Japan	+1%	Australia	-2.1%*
Chile	+1%	Luxembourg	-2%
Morocco	+1%	Croatia	-2%
		Tajikistan	-2%
		Vietnam	-2%
		United Kingdom	-1%

*small companies

On **personal income tax**, the predominant trend of recent years (rising top rates) continued into 2017, with average top rates rising from 30.5% to 30.8%. A broad spread of governments across all national income levels increased their top rates in 2016–17, led by Mongolia and Guyana. Far fewer governments (only Chile, Republic of Congo, Croatia and Egypt) cut their top rates. Looking at 2018, which will be included in next year's CRI, virtually no countries have to date cut their PIT rates – with the notable exception of the USA. Countries increasing their rates in 2018 include Colombia, Ghana, Korea, Latvia (which has moved from flat to progressive taxation), the Philippines and Sri Lanka.

Table 9: Increases and reductions in personal income tax, 2017

BIGGEST INCREASES IN TOP RATE OF PERSONAL INCOME TAX	
Mongolia	+15%
Guyana	+10%
Uruguay	+6%
Austria	+5%
Central African Republic	+5%
Bangladesh	+5%
Jamaica	+5%
Sierra Leone	+5%
South Africa	+5%
Tonga	+5%
Trinidad and Tobago	+5%
Greece	+3%
Malaysia	+3%
Zambia	+2.5%
Singapore	+2%

BIGGEST DECREASES IN TOP RATE OF PERSONAL INCOME TAX	
Chile	-5%
Republic of Congo	-5%
Croatia	-3%
Egypt	-2%

There remain two countries with neither CIT nor PIT (Bahrain and Vanuatu) and two others with no PIT (Maldives and Oman), all of which therefore have highly regressive tax systems.

However, at the same time as tax rates have been rising, effectiveness in collecting the more progressive income taxes has been falling. This can be seen from the trend in CRI indicator T3, where tax collection effectiveness as measured by productivity has fallen by around 2%. VAT and CIT productivity both fell by more than 3%, while PIT productivity stayed broadly the same in spite of tax rises. On the whole, CIT productivity changes reflected declines in mining revenues in countries like Kazakhstan and Niger, due to falls in global minerals prices. On the other hand, countries such as Togo, Fiji, Japan, Bolivia and Ukraine managed to increase their tax collection considerably in 2017. The continuing low levels of productivity on CIT and PIT underline the need to step up the fight against harmful tax practices, tax havens and tax dodging.

As a result of the fall in tax productivity, CRI indicator T2 on the impact of taxes on inequality has also fallen, with the result that taxes are likely to be reducing inequality by only 2.7%, down from 3.5% last year. But countries such as Morocco, China and Ukraine have also managed to make their tax collection less regressive.

What do the CRI Index tax indicators actually measure?

Indicator 1: Is the tax structure progressive?

To assess whether countries are designing their tax systems to be progressive, the Index looks at the progressivity of the three main sources of tax in most countries: personal income tax, corporate income tax[183] and VAT/general sales tax.

Reports from the OECD and IMF show a sharp trend, from 1990 to 2005, of governments cutting income tax rates and increasing VAT rates – making taxes less progressive. Many countries are also cutting corporate tax rates; for example, the UK government has said that it wants to cut the corporate tax rate to 17% by 2020 from 19% in 2017.[184] This is despite evidence that low corporate tax rates are not a major reason why businesses make investment decisions.[185] There are many countries that could take progressive steps on tax. For example, they could dramatically raise their low or zero corporate and personal income taxes, reduce their high VAT rates, reduce top tax thresholds to make sure that the top 10% are adequately taxed, and exclude basic foodstuffs and exempt small traders from paying VAT.

Indicator 2: Is actual tax collection progressive?

To assess whether the tax collected is actually progressive, the Index looks at the share of different taxes in total tax collection, and their likely/actual impact or incidence on inequality, based on multiple global and national studies conducted in recent years. The incidence is assessed based on the composition of tax collected in each country, split between VAT, excise duties, customs duties, social security contributions, PIT and CIT. For VAT we have also factored in whether or not there are mitigation steps in place to minimize harm to the poorest citizens, namely higher thresholds before an individual is liable to pay tax and exemptions in place for food and other essential goods.[186]

Overall, the results are disappointing, with the majority of countries performing poorly. The bottom of the Index is dominated by Eastern European and Central Asian countries (e.g. Serbia, Ukraine, Hungary and Belarus), which collect very little income tax and depend almost entirely on indirect taxes and, in some cases, large and regressive social security contributions.

Box 7: Why the actual rate of tax is often far lower for corporations and rich individuals

The actual rate of tax charged in a country depends on many factors, which means that the effective rate of tax is often significantly lower than that which is stated on paper. In India it is 34.6% on paper, yet the effective corporate tax rate in India is around 23%.[187] A recent study by Oxfam and ECLAC found that the effective PIT rate for the top 10% in 16 Latin American countries was just 5%.[188]

The CRI Index does not measure effective tax rates directly, as the data are not available to do so for enough countries. However, by looking at how much tax a country actually collects from personal and corporate income tax as opposed to VAT, this is reflected in the Index to some extent.

There are three main ways in which rich individuals and corporations end up paying much lower rates of tax.

Tax exemptions and incentives for corporations: These are a powerful reason why countries do not collect progressive corporate taxes. National tax exemption reports across 35 countries have estimated the scale of tax exemption at between 2% and 10% of GDP a year (15% to 33% of the revenue that governments are collecting).[189] The World Bank has estimated that Kenya is spending $330m on tax breaks for corporates; almost double its spending on free primary education (FPE).[190] In a recent World Bank survey of investors in East Africa, 93% said that they would have invested anyway, even if tax incentives had not been on offer.[191] There are also widespread exemptions for individuals – for example, tax relief on mortgages, pensions, private healthcare and other areas, which predominantly benefit wealthy people, dramatically reducing the actual tax rates that corporations and individuals pay.

Tax dodging: Avoidance (often legal) and evasion (by definition illegal) of taxes by corporates and individuals are costing developing and developed countries alike hundreds of billions of dollars a year**.** Virtually all of this tax avoidance and evasion is undertaken by the wealthiest in society, making the tax system much less progressive.[192] It is also the biggest reason why countries collect far less corporate and personal income tax than they should, sharply reducing the revenues available to spend on tackling inequality.

These practices are encouraged by the actions of some countries – from the Cayman Islands to Singapore – in having very low tax rates, providing tax havens for avoidance and evasion. They are also encouraged by others – such as Switzerland – which agree widespread tax exemptions and 'sweetheart' deals, setting themselves up as tax havens.[193]

Tax treaties: Tax treaties are depriving the poorest countries (and many richer countries) of vital revenue – as much as 3% of GDP a year, compared with tax collection rates of 15–20% of GDP in most low-income countries.[194] This is also important for tackling inequality, because virtually all the tax revenue lost through treaties is progressive corporate income and capital gains tax. A few developing countries, such as Rwanda, have cancelled or renegotiated treaties to increase their tax rights, and a few middle-income countries, such as India, have insisted on negotiating treaties that protect their tax bases better.[195] It is essential that all developed countries and tax havens redesign their treaties so that they stop denying poor countries the tax revenues they are entitled to.

Indicator 3: Are countries implementing harmful tax practices?

This year we have added a new indicator which builds on other work being done by Oxfam and others to find out whether countries have put in place what are known as harmful tax practices (HTPs). These different practices are used to enable corporates to pay less tax.

Examples include granting tax exemptions for corporate patents and other 'intangibles' such as brands, enabling corporates to dramatically reduce their tax bills. This is done in Luxembourg, for example. Other methods include giving corporates tax breaks on interest, meaning that one part of a corporate entity lends money to another part, at a high rate of interest, and then tax relief is claimed on this. These are just two examples of the ways in which countries can reduce the effective tax rate paid by corporates significantly.

Our measure of HTPs is not a direct marker of whether a country is a tax haven or not, but tax havens do tend to exhibit significant HTPs in one or more areas. We use recognized definitions of HTPs, most notably those of the OECD's Forum on Harmful Tax Practices, and related assessments plus the European Commission's analysis, which informed its tax haven blacklist.[196] We made sure that we included specific practices which may or may not be captured by such measures as patent boxes, excess profit and similar rulings and notional interest deductions. We also assessed the prevention of HTPs through measures including controlled foreign company (CFC) rules, general anti-avoidance rules, interest limitations and exit taxes. Economic indicators covering 'passive income flows' like royalties, the amount of trade in goods and services and foreign direct investment (FDI) were also used to determine the likely extent of disproportionate economic flows compared with real economic activities. We brought all of this analysis together to give each country a score on this indicator.

As a result, as Table 8 shows, countries with HTPs such as Malta, Luxembourg and the Netherlands disappear from the top 10 performers, being replaced by countries such as Malawi, Finland and Austria. The negative role played by the Netherlands as a corporate tax haven has become a hot topic in the country, and Oxfam and allies are putting pressure on the government to take clear steps to stop this.[197]

Table 10: Best performers on tax, adjusted for HTPs

TOP COUNTRIES IN TAX RANKING BEFORE HTP INDICATOR	TOP COUNTRIES IN TAX RANKING AFTER HTP INDICATOR
Malta	Australia
South Africa	Denmark
Luxembourg	South Africa
Australia	Georgia
Belgium	Belgium
Georgia	Germany
Netherlands	Malawi
Denmark	Finland
Germany	Austria
Canada	Norway

Australia comes top in tax in CRI 2018, but this is mostly because other countries are relatively worse in terms of harmful tax practices.[198] Australia[199] scores 40th on tax collection efforts and 35th on the fairness of its tax structure, well behind its OECD peers. Changes to personal income tax to make it more regressive are also being proposed. Australia is yet to commit to the public country-by-country reporting of the tax affairs of large multinationals. So there is a lot more that Australia could do to improve its tax system to combat inequality.

Indicator 4: Are countries collecting enough tax revenue?

This indicator shows whether countries are collecting as much tax as they should. This is vital to countries being able to spend sufficient funds to reduce inequality, and it also helps to explain differences between indicator 1 and indicator 2 – in that countries which collect tax less effectively are generally failing to collect progressive income taxes, and so are actually less progressive than their tax structure on paper would suggest.

To judge whether countries are collecting enough taxes, it is vital to go beyond simply setting targets related to national income, because these take no account of the widely differing economic structures and revenue-raising efforts of countries with similar incomes. There are two ways to do this.

1. In terms of revenue-raising efforts, experts use a 'tax productivity' calculation, which compares the amount actually collected for each tax with the amount a country should be collecting according to its tax rates and the maximum tax base. This shows the shortfalls in tax collection due to exemptions, avoidance, evasion and inefficient tax collection.

2. To adjust for tax collected compared with economic structures, the Centre d'Etudes et de Recherches sur le Développement International (CERDI and the IMF have produced an additional calculation of 'tax effort compared with potential'[200] which looks at the relative performance of 148 countries, and shows in particular the scope for improving tax policies.

Tax revenues from extractive industries are a large source of revenue in many developing countries. However, because of their volatility, the CRI analysis currently excludes extractives revenues from the calculation of 'revenue effort' (see Box 8).

We have combined these two calculations in order to obtain the most comprehensive picture we can of whether countries are collecting as much tax as they could. Two-thirds of the countries in the Index are collecting less than 25% of the tax collected by the best performers. This indicates that across the world – in rich as well as poor countries – much more tax could be collected and used to invest in measures that are proven to reduce inequality.

Box 8: Taxing extractives

Tax revenues from non-renewable natural resource or 'extractive' industries (such as oil, gas and mining) account for the largest source of revenue in many developing countries.

However, taxing extractive industries is very complex. In most countries, it consists of a mixture of tax and non-tax revenues. Tax revenue is usually dominated by corporate income tax, while non-tax revenue includes royalties, bonuses, fees and profits or dividends from state-owned enterprises. Countries collect very different shares of their extractive revenues from these sources.

These different shares reflect governments' different approaches to getting a fair share of revenues from extractive industries. Because of the different revenue streams, and due to substantial commodity price fluctuations and significant upfront investments and long payback periods in extractive industries, extractives revenues can be highly volatile. The extractives sector is also particularly prone to tax exemptions and non-transparent contracts, and among the most adept at avoiding taxes. All these characteristics make assessing tax progressivity for the sector very complicated.

The CRI Index is therefore very careful in how it treats extractive industry revenues. In line with all global analysis and because of their volatility, the CRI analysis excludes extractives revenues from the calculation of 'revenue effort'. The different composition of extractives revenue sources does not impact on the 'tax incidence' indicator because corporate income tax (the only extractives revenue included in the calculation) has a virtually neutral impact on inequality, due in part to tax dodging. As a result, the CRI as currently constructed does not penalize countries that collect minerals revenues in non-tax ways. However, DFI and Oxfam are aware that a more detailed analysis is desirable, preferably based on the share of extractives earnings each government is 'capturing' from tax and non-tax revenue combined. Such calculations have not been conducted for all countries, but DFI and Oxfam would like to use such calculations in future editions of the CRI.

Sources: The data source for this box is the ICTD Revenue Database 2016, available at http://www.ictd.ac/datasets/the-ictd-government-revenue-dataset

Oxfam et al. (2017). *La Transparence à l'état brut : décryptage de la transparence des entreprises extractives*. https://www.oxfamfrance.org/sites/default/files/file_attachments/la_transaprence_a_letat_brut_one_oxfam_sherpa.pdf

Limitations of the CRI Index tax indicators

The CRI tax pillar includes country data on VAT, CIT, PIT and to some extent excises, customs and social security contributions. As yet, it does not include data on other taxes such as capital gains, wealth and property taxes. This means that countries like New Zealand, which do not have taxes on capital gains, are higher up the Index than they would be if these were included. It is planned to include these types of taxes in future iterations of the Index.

The CRI tax pillar does not have concrete numbers on effective tax rates (see Box 7), as these are simply not available. However, the second indicator does reflect this aspect indirectly, as it looks at the amount that governments collect for each type of tax. If a government has a high corporate tax rate on paper but a very low effective rate, this is captured by the fact that its revenue from corporate taxation is much lower than would be expected. This year's new indicator measuring HTPs allowed by governments that benefit corporations helps to mitigate the use of nominal tax rates in our analysis, recognizing that one government's tax preferential regime and related policies can impact on the tax base of other countries.

For several countries, social security contributions are a major source of government revenue, and are levied at a flat rate, meaning that they are very regressive. We have not included data on social security taxes of this nature in the first tax sub-indicator because we do not have enough data at this stage for all countries where this is an issue. They are included in the second indicator that looks at the incidence of tax on inequality We will be working to try and include these taxes in the next version of the Index.

Box 9: The urgent need to do more to tax wealth

Wealth inequality is extreme, and it is growing.[201] An increasing number of global experts are advocating taxing wealth as one of the best potential ways to reduce inequality.[202] In future years we would like to include an analysis of wealth taxes in the CRI Index. This year we were able to conduct a first scoping study of wealth taxes in 32 countries. These were chosen to represent a cross-section of countries of key interest to Oxfam regions and income levels.[203] Oxfam has also looked at wealth taxes in a range of countries where it is working.[204] To this we have added other secondary sources. Key conclusions are:

- **Capital gains taxes (CGT)** exist in 90% of the countries surveyed. However, in many countries they are much lower than income tax, so taxpayers still reclassify income as capital gains in order to reduce their tax liability.
- **Taxes on financial income** vary for different types of income (dividends or share income, interest on deposits or bonds, gains on pension or investment fund investments). In general, many countries do not have progressive taxes on financial income – but they should.
- **Taxes on financial transactions** are levied by many countries, on shares, stocks or other assets. These have been shown by the IMF to be very progressive.[205]
- **Property taxes** exist in almost all the countries surveyed and are the most common forms of wealth tax. Rates of tax on property wealth vary from 0.1% in the Netherlands to 5% in Senegal.
- Three-quarters of countries surveyed have **inheritance taxes**. If properly designed and implemented (including to prevent avoidance by the richest), these can be critical to addressing inequality between generations. In practice, they vary dramatically. South Korea has the highest and most progressive rates, while Italy has very low and flat rates. In general, developing countries have much lower rates than OECD countries, though a few OECD countries have abolished inheritance taxes (such as Australia).
- Only nine countries still have taxation of **non-property wealth**. This represents a sharp decrease from 14 countries in 1990[206] – though since the 2007–08 financial crisis Argentina, Iceland, Portugal and Spain have reinstated 'temporary' wealth taxes. Many countries previously also had corporate wealth taxes on company assets – which often produced far more revenue than individual wealth taxes (Luxembourg used to collect 3% of GDP in this way).

Reliable numbers on the **proportion of total revenue** from wealth taxes are limited. Our analysis shows that revenues vary dramatically, from 0.5% to 5% of GDP. It is clear that for most countries there is considerable potential for greater taxation of wealth and also an urgent need for it in order to fight inequality.

3 THE ROLE OF WORK AND WAGES IN REDUCING INEQUALITY

CRI 2018

CRI 2018 has added two new sub-indicators for this pillar, looking at laws against rape and sexual harassment. Respect for labour rights has improved very slightly in the past year. Very few countries have introduced stronger anti-discrimination laws, but there has been an increase in parental leave in a number of countries. More than half of countries have increased their minimum wages more rapidly than per capita GDP between CRI 2017 and CRI 2018, with some big increases in South Korea and Indonesia.

Global evidence on the impact of work and wages for reducing inequality

In the past 30 years, one trend stands out as having made income inequality worse: the decline in the share of income going to labour (in the form of wages, salaries and benefits) while the share going to capital (dividends, interest and the retained profits of companies) has risen.[207] Rich and poor countries alike have been experiencing this trend: the labour share has declined in nearly all OECD countries over the past three decades[208] and in two-thirds of low- and middle-income countries between 1995 and 2007.[209]

An increase in the capital share is the result of capital owners enjoying significant and increasing returns to capital – i.e. income derived from shares or savings rather than wages. For example, in the UK in the 1970s, 10% of company profits were returned to shareholders; today, they receive 70%, leaving little to increase wages for workers or invest in the future.[210]

Meanwhile, workers' wages are failing to keep pace with economic growth. A particular concern is that wages have not kept up with productivity,[211] thereby removing the link between productivity and prosperity. In the USA, net productivity grew by 72.2% between 1973 and 2014, yet hourly pay for the median worker (adjusted for inflation) rose by just 8.7%.[212] While wages in many developing countries have risen in recent decades, delivering a significant reduction in poverty, they have often failed to keep pace with the increase in the incomes of top earners.[213] Oxfam has long campaigned to help low-paid workers and producers protect their rights and claim their entitlements, in an attempt to reverse this worrying trend.

Governments have a critical role to play in the protection of workers. They can set and enforce minimum wages that reduce inequality and ensure a decent standard of living. They can pass and enforce legislation on gender equality in the workplace. They can also protect workers' right to organize and ensure that trade unions are supported and not suppressed. The CRI Index aims to measure the extent to which governments are fulfilling this responsibility.

Oxfam's research has highlighted that, across the world, women get by on wages that leave them trapped in a cycle of poverty, even though they may be receiving the minimum wage and working many overtime hours.[214] The issue here is that in many countries, minimum wages do not equate to a living wage, taking into account the average number of dependants that a worker's wage needs to support.[215] In some sectors, wages have actually declined in real terms, as a growing number of low- or semi-skilled workers compete for poor-quality jobs, due to an absence of alternatives and increased migration flows. One study from 2013 shows that wages in the garment-producing countries of Bangladesh, Mexico, Honduras, Cambodia and El Salvador declined in real value by an average of 14.6% between 2001 and 2011.[216] Around 80% of garment sector workers are women.[217]

There has been a marked decline in the percentage of workers belonging to trade unions in developed countries, as well as an absence of significant growth in union membership in developing countries.[218] There is strong evidence[219] that the extent of unionization of the workforce is an important determinant in helping workers to demand higher wages and better rights. Collective bargaining by unions typically raises members' wages by 20% and drives up market wages for everyone.[220] However, many developing countries have never had strong unions and, in some countries, workers are facing a crackdown on their right to organize. Therefore, this route to tackling inequality – of negotiation over the relative shares of income that go to labour and to capital – is increasingly strewn with obstacles.

At the other end of the wage spectrum, CEOs do not depend on union representation, but rather on their individual power and influence to determine their own wages in negotiation with company boards, which are often made up of corporate peers. Executive pay has also become increasingly complex, with bonus and share options topping up standard salary packages.[221] Evidence suggests that inequality between CEOs' earnings and workers' average earnings keeps increasing. For example, in 2017 remuneration of British chief executives at the biggest listed companies rose more than six times faster than average wages, which failed even to keep pace with inflation.[222]

Governments also need to ensure that workers are being rewarded fairly, and that executive pay and returns to the owners of capital are not excessive. Businesses and investors must demonstrate their contribution to national development and the upholding of state obligations to human rights. Some governments have recently recognized this duty, as outlined in the UN Guiding Principles on Business and Human Rights, through new legislation on compulsory due diligence on human rights.[223] Levels of executive pay and returns to the owners of capital should be included in the remit of human rights due diligence throughout the entire length of global supply chains.

An appropriate minimum wage is a vital element of national strategies to tackle poverty and inequality. For example, KPMG has predicted that raising the minimum wage in the UK to the Living Wage would lift six million people out of poverty.[224] Others predicted that a million jobs would be lost when the UK's Minimum Wage Act was introduced in 1998, but evidence suggests no negative impacts on employment and positive impact on reducing pay inequality and improving the standards of living for low-paid workers.[225] In Ecuador, between 2007 and 2015 the government increased the minimum wage faster than the cost of living, so the average household of 1.6 earners could, for the first time, purchase a basket of goods and services – a proxy for a living wage.[226]

Governments can feel pressured by large corporations to compete with one another, but a concerted effort to work together on wages can be powerful. In Asia, Indonesia has proposed a regional minimum wage to help prevent the competition between nations that all too often results in poverty wages for workers.[227] This could be even more effective if done in collaboration with workers' representatives.

Gender, youth, and work and wages

Women make up the majority of the world's low-paid workers and are disproportionately concentrated in the most insecure roles in the informal sector.[228] In Asia, for instance, 75% of working women are working informally, and lack access to basic benefits such as sick pay, maternity leave or pensions.[229] Women are often paid less than men for doing the same job, despite working longer hours; for instance, in India, the wage gap is 32.6%.[230] Even in societies that are considered to have achieved high levels of gender equality overall, there remain significant gender gaps in income and influence.[231]

Women also carry out the vast majority of unpaid care work (around 3.2 times more than men)[232] and are less likely to be represented in the workplace and thus be able to negotiate decent terms and conditions. This unpaid care work is of major economic benefit to society but it is not factored into economic calculations of GDP.[233] It is essential that women are not discriminated against in the workplace and that their responsibilities for unpaid care work are recognized, reduced and redistributed. The gender gap in unpaid care work is closing, but extremely slowly. If the rate of change continues at the same pace, the ILO estimates that it will take about 210 years for the gender gap to be closed completely.[234]

The situation for many young people remains precarious. Almost 70 million young people are working but still living in extreme poverty, surviving on less than $2 a day. Around 77% of young people work in the informal economy, compared with 58% of working adults. More than three out of four young people who are not in employment, education or training are women.[235]

What are the overall results and trends for the CRI Index work and wages pillar?

Table 11: Labour rights and minimum wages – the ten best and worst countries

LABOUR RIGHTS: COUNTRIES AT THE TOP OF THE CRI INDEX		LABOUR RIGHTS: COUNTRIES AT THE BOTTOM OF THE CRI INDEX	
Norway	1	Bangladesh	148
Denmark	2	Benin	149
Iceland	3	Sierra Leone	150
Germany	4	Niger	151
Sweden	5	Ethiopia	152
Estonia	6	Burkina Faso	153
Austria	7	Chad	154
Luxembourg	8	Tonga	155
Switzerland	9	Haiti	156
Israel	10	Burundi	157

The top 10 countries in this pillar are all OECD countries. Among the highest-scoring developing countries are Tunisia and Lesotho. Some of the lowest-scoring countries, such as Swaziland and Egypt, are well known for their weak labour laws and violations of workers' rights, while others (such as Bangladesh) are known for poor labour practices.[236]

Work and wages was the only area of the CRI where sufficient data were available for enough countries to have three indicators on gender: parental leave, the existence of laws on rape and the existence of laws on sexual harassment. Looking at our indicator on gender and work, there is a wide variation in the amount of parental leave granted to women and men across the 157 countries in the CRI Index: from 480 days in Sweden, for example, to none at all in the USA.

On **labour rights**, the Global Labour University (GLU) reports that there has been a small improvement in country scores, from 4.107 to 4.165, between 2015 and 2016 (on its scale of 1 to 10). This is almost entirely due to countries which have reduced the number of legal violations of trade union and worker rights. On the other hand, virtually no countries have improved their laws and none of the countries that ban independent trade unions have changed their laws (Belarus, China, Equatorial Guinea, Eritrea, Iran, Iraq, Lao PDR, Libya, Qatar, Saudi Arabia, Sudan, Syria, Turkmenistan, UAE, Uzbekistan, Vietnam).

As for **women's rights at work**, there are relatively few countries – only Barbados, Liberia and Lithuania – which have introduced stronger anti-discrimination and equal pay laws since 2015. This still leaves 27 and 23 countries respectively without such laws. In addition, based on the new indicators we have included for laws against rape and sexual harassment, the picture is even worse, with only 40% having adequate anti-rape laws and just 45% having laws on sexual harassment. Alarmingly, unlike general labour rights, there is no global system for measuring whether such laws (and the laws measured in the new indicator on violence against women) are actually being implemented and are improving women's lives.[237] It is clear that they are not – and this calls for stronger measures across the board, such as the equal pay certification system introduced by Iceland in 2018.[238]

There has been much more progress on **parental leave**, with improvements in at least 13 countries. Notably, Bhutan and India have doubled both maternity and paternity leave (in 2016 and 2017 respectively), Mozambique has increased maternity leave by 50%, and Paraguay will increase the proportion of prior salary paid from 75% to 100% from November. Colombia, the Dominican Republic and Israel have increased maternity leave by small periods (although for the Dominican Republic this has taken 15 years since ratifying the relevant ILO convention), Cyprus has introduced 14 days' paternity leave and and compared to 2016 Spain more than doubled paternity leave to 35 days in 2018. New Zealand is gradually increasing maternity leave from 18 to 26 weeks by 2022, and there are ongoing parliamentary efforts in Guyana and the Philippines to reach the same levels. However, there are still five countries (Lesotho, Papua New Guinea, Suriname, Tonga and the USA) that have no statutory paid parental leave for all employees.

As for **minimum wages**, more than half of countries have increased these more rapidly than per capita GDP since CRI 2017. Among the most dramatic increases have been those in South Korea and Indonesia, which have increased their minimum wages by 16% and 9% respectively, and increases of more than 20% of per capita GDP in the Central African Republic, Ukraine, Guinea-Bissau, El Salvador, São Tomé and Príncipe, Côte d'Ivoire, Namibia, Malaysia and the Seychelles. A few OECD countries have also increased minimum wages considerably – Portugal, Malta and Japan. Other countries are taking dramatic steps to change their systems: Indonesia is trying to equalize wages by increasing them more quickly in poorer regions, Austria supplemented its industry-specific bargaining with a nationwide minimum wage last year, and India has introduced a nationwide floor in an attempt to limit regional divergences. Other countries are in the process of introducing national minimum wages (South Africa for 2019) or at least for some sectors (e.g. Cambodia for textiles sector). In this context, countries that do not increase their minimum wages every year (32 in 2017) should be doing so. Even more important, countries which do not yet have minimum wages (like Djibouti, South Sudan) or which limit them to specific sectors (Cambodia, Saint Lucia, Singapore, Tonga, Jordan) should be feeling increasingly isolated and should be introducing them now.

Box 10: Non-standard employment and inequality[239]

'Non-standard' employment refers to temporary, part-time and zero hours contracts, as well as to self-employment. This type of employment represents around 35% of all employment on average in OECD countries, and more than half of employment in many non-OECD countries. It is being actively promoted by the government of Honduras, for example. The share of the population engaged in non-standard employment has been rising in many OECD and emerging market economies since 2008, though some countries have introduced labour market regulations that have restricted the scope for this type of work.

Non-standard employment can, to some extent, be positive for employment levels, by providing flexibility (for employers and workers alike) to employ more workers on conditions suited to their needs. However, in most countries, these types of employment do not receive all of the labour and unionization rights (including paid parental leave or other gender equality rights, or a minimum wage) to which full-time permanent employees are legally entitled, and which are used as the criteria for assessing scores in the CRI Index.

Women and young people predominate in this kind of employment category, meaning that they are hit hardest by the lack of earnings and protection it affords. In some countries, other categories of workers, such as youth and refugees, are also not entitled to these rights. In others, workers in specific industries or special economic zones are deprived of their rights through the use of non-standard employment contracts.

Non-standard workers therefore tend to earn much less for the same work – 30% less on average in OECD countries, and 60% less in developing countries – and to have much more precarious or vulnerable employment situations with considerable periods of under-employment compared with their desired working hours. As a result, organizations such as the ILO and OECD have concluded that 'non-standard employment' is a major factor exacerbating inequality in all countries, and polarizing jobs between high and low earnings. This has a particularly negative impact on gender- and age-based inequality – for example, it explains about 20% of inequality in OECD countries.

DFI and Oxfam would therefore have liked to discount the labour scores in the CRI Index further to take account of the level of non-standard employment in each country (adding to the discounts for the levels of unemployment and informal employment), in order to reflect more accurately the narrow coverage of labour rights in many countries, and to push governments to think about how they can extend more rights to employees on these types of contract. However, unfortunately, in spite of recent efforts by the ILO to expand country coverage, there are no data on the scale of non-standard employment for around half of the countries covered in the CRI Index. To support the implementation of SDG Goal 8 on decent work, it should be an urgent priority to fund the ILO and other organizations to collect data that enable a more accurate assessment of the degree to which workers benefit from the legal rights that reduce inequality.

What do the CRI Index indicators on work and wages actually measure?

The CRI Index measures three areas of policy on work and wages through which a government can tackle inequality. These have been chosen as globally relevant indicators for which quantitative data exist, with the rationale for this given in each case.

Unlike the spending and taxation indicators, the work and wages indicators focus mainly on provisions made by governments 'in law'. Whether they are meaningful in terms of their actual impact on inequality largely depends on how effectively the policies are implemented, which requires a well-resourced and professional inspectorate and the capacity and political will to investigate and punish non-compliance by employers. Violations of work and wage legislation should be measured and reported, disaggregating data by sex whenever possible.

Indicator 1: How well are the rights of workers protected?

This indicator scores what governments are doing to support stronger labour and union rights through legislation, as well as how effectively this is being implemented, given that there is often a wide gap between law and practice. The data for this indicator are based on the Labour Rights Indicators designed by the GLU and the Center for Global Workers' Rights at Penn State University. These look at comprehensive evidence on country-level compliance with freedom of association and collective bargaining rights, although they do not check for compliance with the ILO Protocol of 2014 to the Forced Labour Convention.[240]

Indicator 2: How are women protected in law?

This indicator scores countries according to whether they have legislation in place on equal pay for equal work and against discrimination in the workplace, as well as the length of paid parental leave and whether governments support childcare. This year we have also added two new sub-indicators – assessing whether governments have legislation in place against rape and sexual harassment. These are the basic building blocks to measure commitment to greater economic equality for women in the workplace. While most countries do have this legislation in place, a significant number do not, or the legislation falls short of what is needed. Of course, having legislation in place does not mean that this legislation is enforced. In many countries women simply do not actually have recourse to the law to enforce these commitments. Unlike other indicators in the CRI Index, we do not yet have a way of tracking enforcement of gender legislation for enough countries. Nevertheless, we felt that it was still best to include these data rather than leave them out, with the caveat that having a policy in place, while better than not having one at all, is not the same as these policies becoming a reality for women in society.

Indicator 3: How good is the minimum wage?

This indicator seeks to measure the minimum wage set by each government, as committed to in legislation, as a proportion of GDP – i.e. the value of the minimum wage by comparison to a proxy of average income. A minimum wage is the legal starting point for wage negotiations, protecting the most vulnerable employees from exploitation and poverty wages. However, for this indicator to reduce inequality, we need to analyse not just whether the minimum wage is above the poverty line (which is clearly necessary to reduce poverty) but the extent to which it closes the gap between the lowest and highest earners. Given the limited data on earnings at the top, this indicator therefore compares minimum wages with GDP per capita for each country.

Limitations of the CRI Index work and wages indicators

It would have been preferable to compare the minimum wage to the average wage in a country, as a better indicator of inequality, but there are not sufficient data available on average wages for enough countries.

There is often great variation in entitlement to minimum wages. In Bangladesh, for example, garment workers are entitled to 5,300 taka ($68) a month, the lowest minimum wage of all garment workers globally and well below the international poverty line;[241] however, workers in other sectors in the country are entitled to only 1,500 taka ($19) a month. Bangladesh's minimum wage is revised only every five years, although in 2013 international pressure following the collapse of the Rana Plaza factory led to an increase after just three years.[242]

There are high levels of non-compliance with minimum wages, which is endemic in many countries. For instance, a study on garment sector wages in 10 Asian countries found that of 100 companies studied, more than half were involved in under-payment of minimum wages (mostly relating to overtime) and almost half did not pay social security contributions[243] – and this is in the sector that is most scrutinized through audits commissioned by international brands.

There are other problems with using the minimum wage as an indicator. In many countries, there is a minimum age for eligibility, which means that young people are often not covered or are only eligible for the wage at an even lower rate. In addition, the minimum wage is rarely applied to the informal sector – which accounts for the vast majority of the workforce in most developing countries and certainly the majority of women in work. The data have therefore been adjusted to take account of levels of informality in the economy, meaning that for workers in the informal sector legal minimum wages are not being applied. It also takes into account whether the minimum wage applies only to a certain section of the formal sector workforce – for example, public sector workers. (This filter for informality has been applied to the other two indicators in this section, described below.) Many of the poorest countries have high percentages of people working in the informal sector, so this helps give a more accurate picture. However, despite this adjustment, because the minimum wage is given as a proportion of GDP, some of the poorest countries receive 'high' scores because their GDP is relatively low, and not necessarily because the minimum wage is relatively high.

The data for the gender indicators on laws on rape and sexual harassment are taken from the OECD dataset, the Social Institutions and Gender Index (SIGI), within the restricted physical integrity sub-index.[244] The indicators on laws on rape and sexual harassment in the workplace are included as women's safety and bodily integrity are integral aspects of gender inequality. The SIGI data cover most of the countries included in the CRI Index, and are valid as of 2014. For the countries not covered by the SIGI, we used data from the US State Department's 2017 annual country reports on human rights practices to fill in the gaps.[245] Additionally, in light of the #MeToo movement, which has instigated much-needed debates and conversations around the world to bring an end to sexual violence, we also looked at current news sources to see if any of the CRI countries have brought in new legislation on rape and sexual harassment since 2014, to ensure that the Index is up to date.

Adjustment for informality and unemployment

Because the legislation evaluated in these indicators only covers people in work, in many countries it has no impact on a large proportion of the population (most of them women) engaged in the informal sector, where they enjoy none of these basic rights. As a result, each of the indicators has been adjusted for the percentage of jobs that are 'informal', as judged by the ILO.[246] A country in which informal jobs comprise half of national jobs will see its score cut in half.

In countries such as Spain, which has high unemployment rates, a significant proportion of people are not covered by legal provisions for the workplace. As a result, the score for each indicator is further adjusted for the national unemployment rate; for example, a country with 10% unemployment will have a 10% discount applied to its score.[247]

It was not possible to go further and adjust the figures for people registering as employed to allow for zero hours contracts and other elements of non-standard employment, which is a growing issue in many countries. Data are not yet available for enough countries to do this (see Box 11).

4 CONCLUSION

Inequality is a policy choice

The CRI Index 2018 demonstrates clearly that governments have a choice. Either they can take steps to reduce the gap between rich and poor, or they can choose to act in ways that will increase inequality.

The Index demonstrates that many governments are making the right choice, and are choosing to do things that will close the gap. This shames the many other governments that are failing to do enough. The inequality crisis is undermining progress, and it has to be tackled. We call on all governments to take action, urgently.

Recommendations to governments

1. **Policy action**

   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.

2. **Better data**

   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.

3. **Policy impact**

   Governments and international institutions should analyse the distributional impact of any proposed policies, and base their choice of policy direction on the impact of those policies on reducing inequality.

ANNEX 1: THE COMMITMENT TO REDUCING INEQUALITY FINDINGS

What follows are the overall global CRI ranking for each country and rankings for each region of the world for 2018. On the CRI Index, each country is given a score of between 0 and 1 for each indicator, and then ranked under that indicator based on its score. These scores are then averaged to give the country's overall CRI ranking. This means that countries may have rankings in the three pillars that are not as high as their overall rank, because their overall average score remains high.

Denmark, for example – the top-ranking country (see Table 1) – ranked 5, 2 and 1 for the pillars on tax, social spending and labour rights respectively. Its average score is high enough to make it top of the overall rankings.

Table A1: Denmark's ranking per pillar, and overall

Country	Spending on health, education and social protection	Progressivity of tax policy	Labour rights and minimum wages	Overall CRI rank
Denmark	5	2	2	1
Score	0.74	0.92	0.97	0.87

Table A2: 2018 CRI Index country rankings

Country	Overall CRI rank	CRI rank on spending	CRI rank on taxation policies	CRI rank on labour rights and wages
Denmark	1	5	2	2
Germany	2	8	6	4
Finland	3	2	8	11
Austria	4	6	9	7
Norway	5	14	10	1
Belgium	6	7	5	21
Sweden	7	19	12	5
France	8	3	22	16
Iceland	9	24	26	3
Luxembourg	10	20	34	8
Japan	11	10	30	20
Slovenia	12	11	33	14
Australia	13	31	1	37
United Kingdom	14	15	19	27
Croatia	15	12	37	22
Italy	16	21	13	36
Netherlands	17	22	41	12
Canada	18	32	16	15
Portugal	19	26	36	30
Poland	20	1	114	33

Country	Overall CRI rank	CRI rank on spending	CRI rank on taxation policies	CRI rank on labour rights and wages
Malta	21	44	11	13
Spain	22	13	52	35
United States	23	25	39	34
Ireland	24	4	99	28
Israel*	25	40	31	10
Estonia	26	28	105	6
New Zealand	27	17	100	25
Czech Republic	28	9	112	26
Hungary	29	30	90	24
Slovak Republic	30	18	121	17
South Africa	31	34	3	65
Namibia	32	27	29	56
Switzerland	33	23	137	9
Argentina	34	33	45	45
Chile	35	35	60	39
Costa Rica	36	41	48	38
Greece	37	16	102	60
Uruguay	38	37	66	48
Brazil	39	38	64	49
Tunisia	40	59	17	50
Belarus	41	29	38	97
Lithuania	42	39	146	18
Ukraine	43	45	106	41
Cyprus	44	51	135	29
Seychelles	45	104	35	31
Bulgaria	46	49	130	32
Romania	47	57	83	43
Latvia	48	36	148	23
Georgia	49	48	4	117
Russian Federation	50	61	72	55
Guyana	51	65	32	63
Antigua and Barbuda	52	102	129	19
Turkey	53	62	42	70
Bolivia	54	54	25	89
Lesotho	55	71	65	52
Korea, Rep.	56	60	81	61
Colombia	57	46	56	95
Mongolia	58	78	77	47
Jordan	59	82	14	74
Moldova	60	43	140	51
Armenia	61	55	67	88
Kyrgyz Republic	62	69	63	77
Mauritius	63	52	143	44

Country	Overall CRI rank	CRI rank on spending	CRI rank on taxation policies	CRI rank on labour rights and wages
El Salvador	64	77	54	78
Ecuador	65	96	27	76
Albania	66	53	75	105
St. Lucia	67	63	87	79
Maldives	68	90	131	42
Barbados	69	97	110	53
Paraguay	70	68	108	75
Kazakhstan	71	64	119	72
Trinidad and Tobago	72	75	118	66
Serbia	73	50	144	57
Thailand	74	56	82	112
Malaysia	75	99	74	73
Kiribati	76	72	76	92
Cabo Verde	77	84	124	59
Samoa	78	111	84	64
St. Vincent and the Grenadines	79	66	136	62
Algeria	80	94	69	86
China	81	67	57	115
Peru	82	79	68	102
Botswana	83	85	71	94
Mexico	84	47	125	109
Occupied Palestinian Territory**	85	100	127	58
Guatemala	86	76	98	96
Malawi	87	108	7	121
Tajikistan	88	92	111	82
Dominican Republic	89	73	109	98
Indonesia	90	98	23	116
Swaziland	91	83	92	99
Zimbabwe	92	74	20	135
Yemen, Rep.	93	118	116	68
Philippines	94	114	91	84
Honduras	95	136	24	81
Jamaica	96	80	123	91
Central African Republic	97	137	147	40
Morocco	98	112	78	101
Vietnam	99	89	46	126
Bahrain	100	119	149	46
Solomon Islands	101	58	113	130
Sri Lanka	102	142	51	80
Mauritania	103	123	94	90

Country	Overall CRI rank	CRI rank on spending	CRI rank on taxation policies	CRI rank on labour rights and wages
Egypt, Arab Rep.	104	124	43	110
Papua New Guinea	105	122	55	111
Zambia	106	86	40	136
Tanzania	107	95	15	144
Fiji	108	134	96	83
Panama	109	138	126	69
Kenya	110	141	18	108
Angola	111	125	89	103
Senegal	112	103	85	122
Oman	113	126	152	54
Ghana	114	130	28	120
Belize	115	70	154	67
Azerbaijan	116	140	70	100
São Tomé and Principe	117	87	141	104
Lebanon	118	117	133	93
Mozambique	119	115	21	142
Djibouti	120	116	53	137
Cambodia	121	129	95	118
Gambia, The	122	120	93	125
Côte d'Ivoire	123	109	115	129
Liberia	124	113	120	127
Togo	125	121	59	134
Burkina Faso	126	88	79	153
Afghanistan	127	152	107	87
Mali	128	105	101	145
Guinea	129	110	150	106
Uganda	130	131	47	140
Ethiopia	131	101	86	152
Timor-Leste	132	147	128	107
Rwanda	133	128	88	138
Cameroon	134	144	49	139
Congo, Rep.	135	148	80	128
Vanuatu	136	150	97	124
Pakistan	137	154	61	119
Myanmar	138	156	62	113
Nepal	139	149	117	123
Benin	140	132	73	149
Guinea-Bissau	141	139	151	114
Niger	142	107	134	151
Burundi	143	106	122	157
Congo, Dem. Rep.	144	155	58	131
Tonga	145	93	139	155
Kosovo	146	127	155	85

Country	Overall CRI rank	CRI rank on spending	CRI rank on taxation policies	CRI rank on labour rights and wages
India	147	151	50	141
Bangladesh	148	146	103	148
Singapore	149	91	157	71
Lao PDR	150	153	44	146
Madagascar	151	135	142	143
Bhutan	152	81	153	147
Sierra Leone	153	143	132	150
Chad	154	145	138	154
Haiti	155	133	145	156
Uzbekistan	156	42	156	132
Nigeria	157	157	104	133

Notes:

*** Israel**

These figures relate to the Government of Israel's national budget, tax system, labour conditions and gender equality and related laws that the State of Israel applies to its citizens. It must be noted, however, that Israel is the occupying power in the Occupied Palestinian Territory (OPT). In this capacity, Israel maintains various degrees of control over the occupied Palestinian population. Those under complete Israeli control in Area C of the West Bank do not benefit from the protections of Israel's labour laws while Israeli settlers unlawfully residing in the same geographic locations do. The key drivers of inequality and injustice for Palestinians in the OPT are the protracted occupation, recurrent conflict and the systematic and ongoing denial of Palestinian rights. While this Index measures fairness of taxation, levels of social spending and work conditions, it is not designed to capture elements related to a situation of military occupation. The results of Oxfam's CRI Index as they relate to Israel's control of the OPT should be interpreted in the light of these facts.

** **Occupied Palestinian Territory**

The figures are related to the parts of the Occupied Palestinian Territory (OPT) that fall under the jurisdiction of the Palestinian National Authority (PNA). The OPT refers to the Palestinian territory occupied by Israel since the 1967 war: the Gaza Strip and the West Bank, including East Jerusalem. The OPT is recognized as one territorial entity under international law. The key drivers of inequality and injustice for Palestinians in the OPT are the protracted occupation, recurrent conflict and the systematic as well as ongoing denial of Palestinian rights. While this Index measures fairness of taxation, levels of social spending and work conditions, it is not designed to capture elements related to a situation of military occupation. It should be noted that the PNA and Palestinian economy remain heavily constrained by the ongoing occupation. Taxation in the OPT is subject to the Oslo Accords (Protocol on Economic Relations or Paris Protocol) and the PNA is not fully sovereign in determining tax policies as they pertain to indirect taxation, the majority of which are collected by the occupying power and transferred to the PNA. However, the PNA retains power to levy and collect direct taxes under its authority and Oxfam partners are seeking to encourage it to address issues of tax inequality where it can, within the constraints outlined above. The results of Oxfam's CRI Index as they relate to the OPT should be interpreted in the light of these facts.

REGIONAL RANKINGS

Asia

Asia's phenomenal economic growth over the past two decades is a remarkable success story in the fight against poverty. However, this growth has also led to a dramatic widening of the gap between rich and poor. In cities from Mumbai to Bangkok, gleaming condominium and office towers stand alongside shanty towns where people live with no basic services and little protection from the elements. Asia includes countries with some of the fastest-growing levels of inequality in the world. Whereas growth in the region from the 1960s to the 1980s was remarkable for its broad base, recent growth has been far less inclusive. This is partly due to recent policies that favour those at the top, including widespread tax breaks for corporations and individuals, and cuts in headline tax rates.

Table A3 shows the individual ranking per indicator and the overall ranking for countries in East Asia and the Pacific, and Table A4 for South Asia.

Table A3: East Asia and the Pacific

Country	Spending on health, education and social protection	Spending rank	Progressivity of tax policy	Tax rank	Labour rights and minimum wages	Labour rank	CRII 2018 score	Regional CRII 2018 rank
Japan	0.690	**1**	0.679	**3**	0.848	**1**	0.739	**1**
Australia	0.563	**3**	1.000	**1**	0.702	**3**	0.734	**2**
New Zealand	0.658	**2**	0.481	**19**	0.825	**2**	0.650	**3**
Korea, Rep.	0.324	**6**	0.521	**12**	0.527	**5**	0.449	**4**
Mongolia	0.244	**9**	0.536	**11**	0.595	**4**	0.440	**5**
Thailand	0.344	**4**	0.517	**13**	0.287	**14**	0.377	**6**
Malaysia	0.203	**14**	0.543	**9**	0.466	**8**	0.377	**7**
Kiribati	0.270	**8**	0.537	**10**	0.369	**11**	0.377	**8**
Samoa	0.183	**15**	0.514	**14**	0.501	**6**	0.372	**9**
China	0.278	**7**	0.590	**7**	0.275	**16**	0.361	**10**
Indonesia	0.205	**13**	0.704	**2**	0.273	**17**	0.344	**11**
Philippines	0.175	**16**	0.501	**15**	0.402	**10**	0.331	**12**
Vietnam	0.223	**10**	0.613	**5**	0.204	**20**	0.315	**13**
Solomon Islands	0.333	**5**	0.415	**20**	0.193	**21**	0.312	**14**
Papua New Guinea	0.151	**17**	0.593	**6**	0.304	**13**	0.301	**15**
Fiji	0.120	**19**	0.490	**17**	0.408	**9**	0.297	**16**
Cambodia	0.132	**18**	0.491	**16**	0.253	**18**	0.254	**17**
Timor-Leste	0.091	**20**	0.342	**21**	0.319	**12**	0.224	**18**
Vanuatu	0.079	**21**	0.485	**18**	0.215	**19**	0.202	**19**
Myanmar	0.039	**23**	0.577	**8**	0.283	**15**	0.194	**20**
Tonga	0.216	**12**	0.281	**22**	0.025	**23**	0.172	**21**
Singapore	0.221	**11**	0.000	**23**	0.486	**7**	0.162	**22**
Lao PDR	0.060	**22**	0.617	**4**	0.082	**22**	0.156	**23**

Table A4: South Asia

Country	Spending on health, education and social protection	Spending rank	Progressivity of tax policy	Tax rank	Labour rights and minimum wages	Labour rank	CRII 2018 score	Regional CRII 2018 rank
Maldives	0.222	**2**	0.336	**7**	0.636	**1**	0.394	**1**
Sri Lanka	0.106	**3**	0.604	**2**	0.416	**2**	0.307	**2**
Afghanistan	0.061	**7**	0.455	**5**	0.383	**3**	0.239	**3**
Pakistan	0.057	**8**	0.578	**3**	0.241	**4**	0.201	**4**
Nepal	0.080	**5**	0.394	**6**	0.221	**5**	0.192	**5**
India	0.061	**6**	0.607	**1**	0.107	**6**	0.164	**6**
Bangladesh	0.098	**4**	0.464	**4**	0.067	**8**	0.164	**7**
Bhutan	0.239	**1**	0.131	**8**	0.080	**7**	0.144	**8**

Sub-Saharan Africa

Seven of the world's most unequal countries are in Africa.[248] Across the continent, inequality is harming the potential of growth to reduce poverty and deliver shared prosperity, and is hindering the emergence of a new middle class. Instead, the benefits of economic growth are all too often accruing to a small minority. The gap between rich and poor is greater than in any other region of the world apart from Latin America, and in many African countries this gap continues to grow. Table A5 shows the rankings for each pillar and the overall ranking for sub-Saharan African countries included in the CRI Index.

Table A5: Sub-Saharan Africa

Country	Spending on health, education and social protection	Spending rank	Progressivity of tax policy	Tax rank	Labour rights and minimum wages	Labour rank	CRII 2018 score	Regional CRII 2018 rank
South Africa	0.512	**2**	0.897	**1**	0.499	**7**	0.618	**1**
Namibia	0.598	**1**	0.680	**8**	0.545	**5**	0.607	**2**
Seychelles	0.191	**15**	0.663	**9**	0.761	**1**	0.491	**3**
Lesotho	0.271	**4**	0.568	**15**	0.572	**4**	0.452	**4**
Mauritius	0.364	**3**	0.243	**38**	0.625	**3**	0.407	**5**
Cabo Verde	0.231	**7**	0.379	**32**	0.534	**6**	0.375	**6**
Botswana	0.231	**8**	0.552	**16**	0.359	**9**	0.357	**7**
Malawi	0.189	**19**	0.870	**2**	0.236	**17**	0.349	**8**
Swaziland	0.234	**6**	0.498	**24**	0.342	**10**	0.342	**9**
Zimbabwe	0.262	**5**	0.721	**5**	0.134	**26**	0.334	**10**
Central African Republic	0.117	**33**	0.218	**39**	0.657	**2**	0.325	**11**
Mauritania	0.148	**26**	0.493	**26**	0.377	**8**	0.305	**12**
Zambia	0.230	**9**	0.642	**10**	0.133	**27**	0.300	**13**
Tanzania	0.214	**12**	0.754	**3**	0.098	**33**	0.300	**14**

Kenya	0.107	**35**	0.740	**4**	0.315	**14**	0.292	**15**
Angola	0.146	**27**	0.505	**23**	0.327	**11**	0.290	**16**
Senegal	0.194	**14**	0.513	**20**	0.227	**18**	0.286	**17**
Ghana	0.131	**29**	0.693	**7**	0.240	**16**	0.281	**18**
São Tomé and Principe	0.229	**10**	0.272	**36**	0.326	**12**	0.275	**19**
Mozambique	0.174	**23**	0.721	**6**	0.105	**31**	0.271	**20**
Gambia, The	0.152	**24**	0.494	**25**	0.210	**19**	0.253	**21**
Côte d'Ivoire	0.189	**20**	0.408	**29**	0.195	**22**	0.250	**22**
Liberia	0.179	**22**	0.390	**30**	0.204	**20**	0.244	**23**
Togo	0.152	**25**	0.581	**14**	0.137	**25**	0.244	**24**
Burkina Faso	0.226	**11**	0.523	**18**	0.037	**39**	0.242	**25**
Mali	0.191	**16**	0.472	**27**	0.086	**34**	0.229	**26**
Guinea	0.189	**21**	0.172	**40**	0.320	**13**	0.227	**27**
Uganda	0.130	**30**	0.612	**11**	0.115	**30**	0.227	**28**
Ethiopia	0.200	**13**	0.512	**21**	0.039	**38**	0.226	**29**
Rwanda	0.133	**28**	0.505	**22**	0.122	**28**	0.213	**30**
Cameroon	0.103	**37**	0.609	**12**	0.115	**29**	0.205	**31**
Congo, Rep.	0.082	**39**	0.522	**19**	0.199	**21**	0.204	**32**
Benin	0.121	**31**	0.544	**17**	0.059	**35**	0.191	**33**
Guinea-Bissau	0.112	**34**	0.163	**41**	0.275	**15**	0.182	**34**
Niger	0.190	**18**	0.324	**34**	0.046	**37**	0.181	**35**
Burundi	0.191	**17**	0.384	**31**	0.000	**41**	0.180	**36**
Congo, Dem. Rep.	0.055	**40**	0.589	**13**	0.164	**23**	0.174	**37**
Madagascar	0.119	**32**	0.248	**37**	0.100	**32**	0.148	**38**
Sierra Leone	0.106	**36**	0.328	**33**	0.049	**36**	0.140	**39**
Chad	0.099	**38**	0.293	**35**	0.034	**40**	0.125	**40**
Nigeria	0.000	**41**	0.463	**28**	0.146	**24**	0.049	**41**

Middle East and North Africa

The Middle East had the greatest income inequality among its citizens in 2016, with the top 10% of the population capturing 61% of national income across the region, putting it ahead of sub-Saharan Africa, Brazil and India in terms of income inequality.[249] In North Africa, while historically lower than in the Middle East, inequality is likely to be underestimated.[250] The surge of popular protests that swept across the region in 2011 has had profound effects on a number of countries. Calls for greater political and economic freedoms were inspired by the desire to end economic inequalities and political capture by local elites. Since then, violent conflicts have persisted in Syria and Yemen, costing many lives and creating dire humanitarian conditions for millions of people, while putting additional pressure on the infrastructure and limited resources of neighbouring countries. With prospects for the Middle East peace process looking bleak, the region remains at risk of fragility, unrest and violent conflict.

Table A6 shows regional rankings, but does not include a number of countries in the region due to the extremely poor level of publicly available data on policies relevant to reducing inequality, which prevents a more comprehensive ranking. This remains a cause for a serious concern.

Table A6: The Middle East and North Africa

Country	Spending on health, education and social protection	Spending rank	Progressivity of tax policy	Tax rank	Labour rights and minimum wages	Labour rank	CRII 2018 score	Regional CRII 2018 rank
Tunisia	0.333	**1**	0.744	**2**	0.587	**2**	0.527	**1**
Jordan	0.237	**2**	0.757	**1**	0.463	**6**	0.437	**2**
Algeria	0.216	**3**	0.561	**5**	0.392	**7**	0.362	**3**
Occupied Palestinian Territories	0.202	**4**	0.345	**8**	0.534	**4**	0.354	**4**
Yemen, Rep.	0.160	**8**	0.400	**7**	0.492	**5**	0.332	**5**
Morocco	0.179	**5**	0.531	**6**	0.337	**9**	0.318	**6**
Bahrain	0.157	**9**	0.178	**10**	0.603	**1**	0.312	**7**
Egypt, Arab Rep.	0.146	**10**	0.619	**3**	0.304	**10**	0.302	**8**
Oman	0.138	**11**	0.147	**11**	0.558	**3**	0.281	**9**
Lebanon	0.163	**7**	0.324	**9**	0.361	**8**	0.274	**10**
Djibouti	0.170	**6**	0.600	**4**	0.132	**11**	0.257	**11**

Latin America

Latin America is the most unequal region in the world, with a history of colonial exploitation and land concentration favouring small elites and disenfranchising the poorest people, especially indigenous peoples and women. Nevertheless, in the past, between 2000 and 2014, the region bucked the global trend in terms of reducing inequality. Although there are a number of exceptions, governments in Uruguay, Bolivia, Argentina and other countries developed important reforms to reduce inequality. Public revenues from commodities have been used to increase spending on public services and social protection. In some countries, the minimum wage has also been increased. This is reflected in the CRI Index, with a number of Latin American countries doing well (see Table A7).

However, the region is currently facing an economic downturn connected to the fall in commodity prices. In 2015, it experienced the highest increase in poverty rates since the late 1980s, and changes of government in many countries are driving policy shifts that threaten the achievements made in recent years.[251]

Table A7: Latin America and the Caribbean

Country	Spending on health, education and social protection	Spending rank	Progressivity of tax policy	Tax rank	Labour rights and minimum wages	Labour rank	CRII 2018 score	Regional CRII 2018 rank
Argentina	0.533	**1**	0.614	**5**	0.607	**4**	0.584	**1**
Chile	0.507	**2**	0.579	**9**	0.659	**3**	0.581	**2**
Costa Rica	0.422	**5**	0.610	**6**	0.670	**2**	0.561	**3**
Uruguay	0.457	**3**	0.567	**11**	0.591	**5**	0.536	**4**
Brazil	0.451	**4**	0.572	**10**	0.590	**6**	0.535	**5**
Guyana	0.283	**10**	0.671	**4**	0.510	**9**	0.460	**6**
Antigua and Barbuda	0.198	**22**	0.342	**22**	0.856	**1**	0.459	**7**
Bolivia	0.352	**8**	0.700	**2**	0.377	**18**	0.456	**8**
Colombia	0.396	**6**	0.590	**8**	0.358	**20**	0.442	**9**
El Salvador	0.254	**17**	0.600	**7**	0.434	**15**	0.405	**10**
Ecuador	0.211	**20**	0.694	**3**	0.448	**14**	0.404	**11**
St. Lucia	0.288	**9**	0.511	**13**	0.424	**16**	0.397	**12**
Barbados	0.210	**21**	0.449	**17**	0.567	**7**	0.394	**13**
Paraguay	0.274	**12**	0.453	**15**	0.459	**13**	0.388	**14**
Trinidad and Tobago	0.261	**15**	0.393	**18**	0.496	**10**	0.379	**15**
St. Vincent and the Grenadines	0.280	**11**	0.309	**23**	0.512	**8**	0.367	**16**
Peru	0.244	**18**	0.563	**12**	0.335	**23**	0.358	**17**
Mexico	0.381	**7**	0.377	**20**	0.306	**24**	0.355	**18**
Guatemala	0.260	**16**	0.483	**14**	0.351	**21**	0.353	**19**
Dominican Republic	0.263	**14**	0.452	**16**	0.345	**22**	0.345	**20**
Honduras	0.117	**24**	0.701	**1**	0.410	**17**	0.328	**21**
Jamaica	0.240	**19**	0.381	**19**	0.374	**19**	0.326	**22**
Panama	0.112	**25**	0.351	**21**	0.491	**12**	0.296	**23**
Belize	0.273	**13**	0.106	**25**	0.496	**11**	0.279	**24**
Haiti	0.120	**23**	0.239	**24**	0.018	**25**	0.119	**25**

High-income OECD countries

In most high-income countries, the gap between rich and poor has been rising for the past 30 years. This trend comes after many years in which inequality narrowed, so much so that it was thought that when countries reached a certain level of wealth, an increase in equality was inevitable.[252] At the end of the Second World War, many high-income countries developed high levels of progressive taxation, strong welfare states and strong protection of workers. This combination of policies created some of the most equal countries in the world – which is reflected in the fact that high-income countries are predominantly at the top of the CRI Index (see Table A8). In recent decades, however, there has been a steady erosion of these policies in many rich nations, from Denmark to the USA. Institutions such as the IMF and the OECD have linked this to rising inequality.

Table A8: High-income OECD countries

Country	Spending on health, education and social protection	Spending rank	Progressivity of tax policy	Tax rank	Labour rights and minimum wages	Labour rank	CRII 2018 score	Regional CRII 2018 rank
Denmark	0.741	**5**	0.919	**2**	0.971	**2**	0.874	**1**
Germany	0.707	**8**	0.878	**4**	0.943	**4**	0.840	**2**
Finland	0.768	**2**	0.854	**5**	0.881	**11**	0.833	**3**
Austria	0.736	**6**	0.834	**6**	0.933	**7**	0.833	**4**
Norway	0.671	**13**	0.828	**7**	1.000	**1**	0.830	**5**
Belgium	0.731	**7**	0.887	**3**	0.846	**18**	0.819	**6**
Sweden	0.652	**18**	0.797	**8**	0.937	**5**	0.793	**7**
France	0.751	**3**	0.712	**12**	0.860	**15**	0.774	**8**
Iceland	0.623	**23**	0.700	**13**	0.951	**3**	0.757	**9**
Luxembourg	0.651	**19**	0.669	**17**	0.927	**8**	0.749	**10**
Japan	0.690	**10**	0.679	**14**	0.848	**17**	0.739	**11**
Slovenia	0.681	**11**	0.669	**16**	0.861	**13**	0.737	**12**
Australia	0.563	**28**	1.000	**1**	0.702	**30**	0.734	**13**
United Kingdom	0.660	**14**	0.722	**11**	0.816	**23**	0.732	**14**
Italy	0.645	**20**	0.795	**9**	0.736	**29**	0.723	**15**
Netherlands	0.644	**21**	0.628	**20**	0.875	**12**	0.716	**16**
Canada	0.541	**29**	0.753	**10**	0.861	**14**	0.712	**17**
Portugal	0.618	**25**	0.663	**18**	0.771	**25**	0.684	**18**
Poland	1.000	**1**	0.414	**31**	0.751	**26**	0.679	**19**
Spain	0.675	**12**	0.602	**22**	0.739	**28**	0.671	**20**
United States	0.621	**24**	0.643	**19**	0.744	**27**	0.669	**21**
Ireland	0.745	**4**	0.481	**26**	0.807	**24**	0.668	**22**
Israel	0.443	**32**	0.673	**15**	0.904	**10**	0.666	**23**
Estonia	0.579	**26**	0.460	**29**	0.936	**6**	0.656	**24**
New Zealand	0.658	**16**	0.481	**27**	0.825	**21**	0.650	**25**
Czech Republic	0.703	**9**	0.436	**30**	0.817	**22**	0.641	**26**

Hungary	0.576	**27**	0.502	**25**	0.827	**20**	0.634	**27**
Slovak Republic	0.655	**17**	0.387	**32**	0.858	**16**	0.622	**28**
Switzerland	0.643	**22**	0.299	**34**	0.906	**9**	0.594	**29**
Chile	0.507	**30**	0.579	**23**	0.659	**31**	0.581	**30**
Greece	0.658	**15**	0.467	**28**	0.533	**32**	0.547	**31**
Latvia	0.498	**31**	0.185	**35**	0.828	**19**	0.478	**32**
Turkey	0.312	**35**	0.625	**21**	0.489	**34**	0.458	**33**
Korea, Rep.	0.324	**34**	0.521	**24**	0.527	**33**	0.449	**34**
Mexico	0.381	**33**	0.377	**33**	0.306	**35**	0.355	**35**

NOTES

1 For an outline of this see, for example, World Bank (2016). Poverty and Shared Prosperity 2016: Taking on Inequality. http://www.worldbank.org/en/publication/poverty-and-shared-prosperity

2 D. Hardoon, S. Ayele and R. Fuentes-Nieva (2016). An Economy for the 1%: How privilege and power in the economy drive extreme inequality and how this can be stopped. Oxford: Oxfam International. https://oxf.am/2FKbYYL

3 K. Pickett and R. Wilkinson (2010). The Spirit Level: Why Equality is Better for Everyone. London: Penguin. See also C. Wang, G. Wanand and X. Zhang. (2016). Which Dimension of Income Distribution Drives Crime? Evidence from the People's Republic of China. ADBI Working Paper No. 704. Tokyo: Asian Development Bank Institute. https://www.adb.org/sites/default/files/publication/236561/adbi-wp704.pdf

4 C. Lakner, M. Negre and E.B. Prydz (2014). Twinning the Goals: How Can Promoting Shared Prosperity Help to Reduce Global Poverty? World Bank Policy Research Working Paper 7106.

5 Tax Policy Center (2017). Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act. https://www.taxpolicycenter.org/publications/distributional-analysis-conference-agreement-tax-cuts-and-jobs-act

6 J. Martinez-Vazquez and B. Moreno-Dodson (2014). The Impact of Tax and Expenditure Policies on Income Distribution: Evidence from a Large Panel of Countries. Georgia State University, Economics Department Publications; N. Lustig (2015). The Redistributive Impact of Government Spending on Education and Health: Evidence from Thirteen Developing Countries in the Commitment To Equity Project. CEQ Working Paper Series, Tulane University; and OECD (2015). In It Together: Why Less Inequality Benefits All. Also see, for example, F. Jaumotte and C. Osario Bultron (2015). Power From The People. IMF. Finance & Development. 52:1. http://www.imf.org/external/pubs/ft/fandd/2015/03/jaumotte.htm

7 N. Lustig (2015). The Redistributive Impact of Government Spending on Education and Health, op. cit.

8 UN Women (2015). Progress of the World's Women 2015-16. http://progress.unwomen.org/en/2015/pdf/UNW_progressreport.pdf

9 OECD (2015). In It Together: Why Less Inequality Benefits All, op. cit.

10 For evidence of the power of taxation to reduce inequality, see the multiple country studies carried out by the Commitment to Equity Institute, available at: www.commitmenttoequity.org

11 IMF (2017, October). Fiscal Monitor: Tackling Inequality. IMF. https://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017

12 F. Jaumotte and C. Osorio Buitron (2015). Inequality and Labor Market Institutions. IMF Staff Discussion Note SDN/15/14.

13 Ibid.

14 ILO (2018). World Employment and Social Outlook: Women. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_619577.pdf

15 World Inequality Report (2018). https://wir2018.wid.world/files/download/wir2018-full-report-english.pdf

16 M.Martin and M.Lawson (2017). Commitment to Reducing Inequality Index: A new global ranking of governments based on what they are doing to tackle the gap between rich and poor. DFI and Oxfam. https://www.oxfam.org/en/research/commitment-reducing-inequality-index

17 See the CRI Index 2018, Methodology Note for more details.

18 The Netherlands could take concrete measures to stop being a corporate tax haven, including; implementing stronger rules against profit shifting to (other) tax havens; stop providing tax deals for corporations that leave corporate profits (largely) untaxed (so-called 'Excess profit rulings'); revert legislation that favours large corporations with lower tax rates (Innovation box); and support steps at European and global levels against corporate tax competition between countries.

19 See, for example, C. Lagarde, C. Deléchat and M. Newiak (2018). Ending Harassment Helps #TheEconomyToo. IMF Blog. https://blogs.imf.org/2018/03/05/ending-harassment-helps-theeconomytoo/

20 C. Franklin and T. Menaker (2012) Differences in Education/Employment status in Intimate Partner Victimisation. Crime Victim's Institute, Houston University.

21 The facts about sexual violence are taken from the report of the Indian National Family Health Survey - 4, which was conducted nationwide in 2015–16. The report was put in the public domain in December 2017. The facts are mentioned in the Section 16.6.1 Prevalence of Spousal Violence (p.566). More detailed information is available in Tables 16.4 and 16.9. http://rchiips.org/nfhs/

22 See Feminism in India website. https://feminisminindia.com/sh-law/

23 The new countries are Brazil, Belize, Chad, Kosovo and Uzbekistan.

24 The overall rank for a country is calculated as an average of their scores under the three pillars, not their rank under the three pillars. Their rank on each pillar is irrelevant to the overall ranking – see Denmark for example (Table A1).

Country	Spending on health, education and social protection	Progressive structure and incidence of tax	Labour market policies to address inequality	Total CRI Rank
Denmark	5	2	2	1
Score	0.74	0.92	0.97	0.87

25 World Bank infant mortality figures for Nigeria, See: http://data.worldbank.org/indicator/SH.DYN.MORT

26 Premium Times (2015). 10.5 million children out of school in Nigeria – UNICEF. http://www.premiumtimesng.com/news/top-news/188590-10-5m-children-out-of-school-in-nigeria-unicef.html

27 UNICEF Nigeria. Retrieved from https://www.unicef.org/nigeria/education.html

28 There has been some recent progress in increasing tax collection in Nigeria, but it has yet to impact on their very low tax-to-GDP ratio, 6%. https://www.premiumtimesng.com/news/more-news/256385-firs-recorded-n4-trillion-tax-revenue-collection-2017-fowler.html

29 IMF (2018). Nigeria: Selected Issues. Country Report No. 18/64. https://www.imf.org/en/Publications/CR/Issues/2018/03/07/Nigeria-Selected-Issues-45700

30 'We must be mindful, and focus on the widening inequalities within societies, and the gap between the rich and the poor nations. These inequalities and gaps are part of the underlying root causes of competition for resources, frustration and anger leading to spiralling instability.' – President Buhari of Nigeria, Speech to UN General Assembly, September 2017. Statement delivered by His Excellency Muhammadu Buhari, President of the Federal Republic of Nigeria. Buhari, M. New York: United Nations, 2017. The General Debate of the 72th Session of United Nations General Assembly.

31 See World Bank. GINI index. http://data.worldbank.org/indicator/SI.POV.GINI?locations=AR

32 D. Rossignolo (2016). The Impact of Taxes and Expenditures on Poverty and Income Distribution in Argentina. Commitment to Equity Working Paper 45. http://www.commitmentoequity.org/wp-content/uploads/2017/05/CEQ_WP45_Rossignolo_May17_2017.pdf

33 See http://legis.senado.leg.br/legislacao/DetalhaSigen.action?id=540698 and D. Philips (2016). Brazil senate approves austerity package to freeze social spending for 20 years. *The Guardian*. https://www.theguardian.com/world/2016/dec/13/brazil-approves-social-spending-freeze-austerity-package

34 Argentina: IMF-Style Austerity Can't Be Macri's Only Solution. https://www.forbes.com/sites/afontevecchia/2018/06/08/argentina-imf-style-austerity-cant-be-macris-only-solution/#4d3880187161

35 https://www.telesurtv.net/english/news/Argentina-Professors-Teachers-Protest-Against-Budget-Cuts-20180824-0013.html and https://www.afp.com/en/news/15/argentinas-president-announces-new-austerity-measures-doc-18t7ka2

36 J Engel (2010). Ethiopia's progress in education: A rapid and equitable expansion of access. https://allafrica.com/download/resource/main/main/idatcs/00020257:ae9e77aeacf6cb4d8a886967f7390afe.pdf

37 J.E. Stiglitz and A. Schiffrin (2016). Learning from Namibia. Project Syndicate. https://www.project-syndicate.org/commentary/namibia-economic-social-success-story-by-joseph-e--stiglitz-and-anya-schiffrin-2016-06

38 World Bank (2017). Does Fiscal Policy Benefit the Poor and Reduce Inequality in Namibia? http://www.commitmentoequity.org/wp-content/uploads/2018/03/Namibia_116029-WP-P148652-PUBLIC-NamibiaCEQReport.pdf

39 Y. Byeon et al. (2017). Korea's Paradigm Shift for Sustainable and Inclusive Growth: A Proposal. IMF Working Paper. https://www.imf.org/en/Publications/WP/Issues/2017/11/21/Koreas-Paradigm-Shift-for-Sustainable-and-Inclusive-Growth-A-Proposal-45423

40 Jo He-rim (2017). Parliament passes 2018 government budget proposal. The Korea Herald. http://www.koreaherald.com/view.php?ud=20171205001033. Further planned increases in the minimum wage have been reduced in the face of fierce criticism from the business community, and to mitigate the short-term economic impact. President Moon is providing a subsidy to small businesses to

help cope with the rise.
http://english.yonhapnews.co.kr/news/2018/09/12/0200000000AEN20180912004251320.html

41 C. Kim (2017). Rich South Koreans, conglomerates face big tax bill as government seeks to fund welfare. Reuters. https://www.reuters.com/article/us-southkorea-economy-tax/rich-south-koreans-conglomerates-face-big-tax-bill-as-government-seeks-to-fund-welfare-idUSKBN1AI0Z9

42 Choi Ha-yung (2017). 86% support tax hike on rich. *Korea Times*. http://www.koreatimes.co.kr/www/nation/2017/07/356_233532.html

43 CGTN America (2017). South Korean President Moon warns rising inequality leading to a crisis. https://www.youtube.com/watch?v=0RSGTDIG-h0 and OECD (2016), OECD Social Expenditure database, (www.oecd.org/social/expenditure.htm). According to latest data available, Korea ranks at the bottom just over Mexico

44 C. Kim (2017). Rich South Koreans, conglomerates face big tax bill as government seeks to fund welfare. Reuters. https://www.reuters.com/article/us-southkorea-economy-tax/rich-south-koreans-conglomerates-face-big-tax-bill-as-government-seeks-to-fund-welfare-idUSKBN1AI0Z9

45 Yonhap News (2017). Full text of S. Korean President Moon's address to U.N. General Assembly. http://english.yonhapnews.co.kr/national/2017/09/21/0301000000AEN20170921013400315.html

46 See for example http://www.elcolombiano.com/colombia/politica/fiscalia-pide-investigar-dos-congresistas-por-corrupcion-IB7605280

47 See https://www.theguardian.com/world/2018/feb/20/iceland-equal-pay-law-gender-gap-women-jobs-equality

48 S.J. Klees (2017). Liberia's Experiment with Privatizing Education. http://ncspe.tc.columbia.edu/working-papers/WP235.pdf

49 Sierra Leone Telegraph (2018, 19 August). https://www.thesierraleonetelegraph.com/sierra-leone-launches-free-school-education/https://www.thesierraleonetelegraph.com/sierra-leone-launches-free-school-education/

50 R. Desai (2015). Does the Developing World Need a Welfare State to Eliminate Poverty? Some insights from history. Brookings Institution. https://www.brookings.edu/blog/future-development/2015/07/30/does-the-developing-world-need-a-welfare-state-to-eliminate-poverty-some-insights-from-history/

51 The Jakarta Post (2017, 24 February). http://www.thejakartapost.com/news/2017/02/24/government-to-reform-tax-to-fight-widening-inequality.html

52 C. Hoy and A. Sumner (2016). Gasoline, Guns, and Giveaways: Is There New Capacity for Redistribution to End Three Quarters of Global Poverty? CGD Working Paper 433. Washington DC: Center for Global Development. https://www.cgdev.org/sites/default/files/gasoline-guns-and-giveaways-end-three-quarters-global-poverty-0.pdf

53 A. Krozer (2015). For Richer or Poorer: The capture of growth and politics in emerging economies. Oxfam International. http://oxf.am/ZmqK

54 A. Arendar and E. Seery (2014). Even it Up: Time to end extreme inequality. p.36. Oxfam. http://oxf.am/Ffd

55 S.Kumar (2015). Private Sector in Healthcare Delivery Market in India. Institute for Studies in Industrial Development Working Paper 185.

56 See for example the very successful Nine is Mine campaign. A box on this campaign is included in the CRI 2017 report.

57 For a full discussion and analysis of the inequality situation in Latin America and the Caribbean, see R. Canete et al. (2015). Privileges That Deny Rights: Extreme Inequality and the Hijacking of Democracy in Latin America and the Caribbean. Oxfam. http://oxf.am/ZmS9

58 If you have stories to share please email max.lawson@oxfam.org

59 These include a patent box (Intellectual Property Development Incentive), a maritime sector incentive, a global trader programme and a financial sector incentive. For details, see PwC Worldwide Tax Summaries on Singapore's corporate tax incentives. http://taxsummaries.pwc.com/ID/Singapore-Overview

60 Croatia cut its personal income tax to rate by 3% and its top rate of corporate tax by 2%. Egypt cut its top rate of personal income tax by 2% and its top rate of corporate tax by 2.5%.

61 Development Pathways. Mongolia and Kyrgyzstan lose out in their struggle with the IMF over the targeting of child benefits. http://www.developmentpathways.co.uk/blog/mongolia-kyrgyzsg-child-benefits/

62 This is calculated by taking the global average Gini coefficient (taken from the World Bank's POVCALNET) and comparing this with the average change in the Gini brought about by spending in the S2 indicator in the CRI database.

63 Lower CIT rates for SMEs may be a good policy option for governments wanting to tackle inequality, particularly when tax dodging by big corporations means that effective tax rates can be higher for SMEs than for big corporations.

64 Cuts in more economically significant countries are particularly concerning as more large corporations do business in such countries, and the policies of these countries tend to have greater direct and indirect impacts on other countries.

65 See website: http://labour-rights-indicators.la.psu.edu

66 Even the OECD's Social Institutions and Gender Index (SIGI) only measures whether legal procedures are correctly followed when cases are brought before courts.

67 For detail of the Abuja Declaration, see http://www.who.int/healthsystems/publications/abuja_declaration/en/ and for the Incheon Declaration, see http://uis.unesco.org/sites/default/files/documents/education-2030-incheon-framework-for-action-implementation-of-sdg4-2016-en_2.pdf

68 For the Bachelet Commission report, see http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_165750.pdf

69 R. Joyce & L.Sibeta (2013) Labour's record on poverty and inequality Institute of Fiscal Studies https://www.ifs.org.uk/publications/6738

70 See M. Whitaker (2017). Economy Drive: Priorities and prospects ahead of the last Spring Budget. Resolution Foundation Briefing. https://www.resolutionfoundation.org/app/uploads/2017/02/Economy-Drive.pdf; and L. Elliot and K. Allen (2017). UK faces return to inequality of Thatcher era, says report. The Guardian. https://www.theguardian.com/business/2017/jan/31/theresa-may-inequality-margaret-thatcher-resolution-foundation

71 According to OECD data, Denmark saw a rise of 19.2% in the Palma ratio in the period from 2005 to 2015, an exceptional increase (this is based on OECD data from https://stats.oecd.org/index.aspx?queryid=66670). The government's own estimates show that the political reforms of the period 2012–16 have increased the Gini coefficient for disposable income by 0.48 percentage points. Source: https://lo.dk/wp-content/uploads/2016/12/ny-indkomstulighed.pdf Prior to 2004, the bottom 40% of Denmark's population received more income than the top 10%; this has since been reversed. See: https://www.ae.dk/sites/www.ae.dk/files/dokumenter/publikation/ae_fl16.pdf

72 Gustav A. Horn, et al. (2017). Was tun gegen die Ungleichheit? Wirtschaftspolitische Vorschläge für eine reduzierte Ungleichheit. IMK Report 129. Düsseldorf available from https://www.boeckler.de/pdf/p_imk_report_129_2017.pdf

73 D. Hardoon (2017). An Economy for the 99%: It's time to build a human economy that benefits everyone, not just the privileged few. Oxfam. http://oxf.am/ZLBB; https://doi.org/10.21201/2017.8616

74 I. Macias-Aymar, D.Vasquez and M.Lawson (2018). Reward Work, not Wealth: To end the inequality crisis, we must build an economy for ordinary working people, not the rich and powerful. Oxfam. https://www.oxfam.org/en/research/reward-work-not-wealth

75 It is also the case that these structural factors are often much more context-specific than the core actions of progressive spending, taxation and labour rights, which are relevant to inequality reduction in almost every instance.

76 See, for example, F. Rhodes (2016). Women and the 1%: How extreme economic inequality and gender inequality must be tackled together. Oxfam. https://oxf.am/2FKqhfM; F. Rhodes (2017). An Economy that Works for Women: Achieving women's economic empowerment in an increasingly unequal world. Oxfam. https://oxf.am/2FO3PT1; M. Chan (2018). Unpaid Care – Why and How to Invest: Policy briefing for national governments. Oxfam. https://policy-practice.oxfam.org.uk/publications/unpaid-care-why-and-how-to-invest-policy-briefing-for-national-governments-620406; and A. Parvez-Butt et al. (2018). Exploring the Need for Gender-Equitable Fiscal Policies for a Human Economy: Evidence from Uganda and Zimbabwe. Oxfam. https://policy-practice.oxfam.org.uk/publications/exploring-the-need-for-gender-equitable-fiscal-policies-for-a-human-economy-evi-620417

77 Miles Corak (2013). Income Inequality, Equality of Opportunity, and Intergenerational Mobility. *Journal of Economic Perspectives*. 27:3. pp. 79-102. https://www.aeaweb.org/articles?id=10.1257/jep.27.3.79

At the global level: Narayan, Ambar; Van der Weide, Roy; Cojocaru, Alexandru; Lakner, Christoph; Redaelli, Silvia; Mahler, Daniel Gerszon; Ramasubbaiah, Rakesh Gupta N.; Thewissen, Stefan. 2018. Fair Progress? Economic Mobility Across Generations Around the World. Equity and Development. Washington, DC: World Bank.

78 World Health Organization (WHO) (2017). More than 1.2 million adolescents die every year, nearly all preventable. http://www.who.int/news-room/detail/16-05-2017-more-than-1-2-million-adolescents-die-every-year-nearly-all-preventable; and The Economist (2018). In some countries, killer cops are celebrated. https://www.economist.com/international/2018/03/08/in-some-countries-killer-cops-are-celebrated

79 R.Chetty (2018). Race and Economic Opportunity in the USA. Equal Opportunity Project http://www.equality-of-opportunity.org/assets/documents/race_summary.pdf

80 See, for example, Civicus (2016). State of Civil Society Report 2016. http://www.civicus.org/index.php/socs2016

81 L. Bartels (2002). Economic Inequality and Political Representation. Princeton.

82 Tharanga Yakupitiyage (2017). 'Banging on the Door' – Women Fight for a Voice and Space in Civil Society. Inter-Press Service. http://www.ipsnews.net/2017/12/banging-door-women-fight-voice-space-civil-society/

83 O. O'Donnell et al. (2007). The Incidence of Public Spending on Healthcare: Comparative Evidence from Asia. The World Bank Economic Review 21(1) (January): 93–123. https://doi.org/10.1093/wber/lhl009. This research shows that health spending was found to reduce inequality in 11 of 12 Asian countries.

84 E. Seery (2014). Working for the Many: Public services fight inequality. Oxfam. http://oxf.am/RZn

85 In her work with the Commitment to Equity (CEQ) Institute, Nora Lustig identifies four types of income inequality. The first is market inequality, or the inequality that results from allocation of income to households and enterprises before government intervention through taxes and transfers. The second is disposable income, the amount of income after direct taxes and transfers. The third is consumable income, the amount remaining after indirect taxes and transfers, and the final income is the amount when the cash value of education and health services are taken into account. See, for example, N. Lustig (2017). Fiscal policy, Inequality and the Poor in the Developing World. http://www.commitmentoequity.org/wp-content/uploads/2017/08/CEQ_WP23_Lustig_July2017v2.pdf

86 The data include all schemes which have some form of contributory element (e.g. pensions or insurance schemes) and non-contributory schemes, and include nine categories: sickness, unemployment, old age, employment injury, family, maternity, invalidity and survivor's benefit; plus other income support and assistance programmes, including conditional cash transfers, available to the poor and not included under the above classes.

87 See I. Ortiz. (2015). Social Protection for All to Change People's Lives by 2030. Geneva: International Labour Organization. http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_405766/lang--en/index.htm and ILO's Recommendation 202 (R202) https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202

88 I. Marx, B. Nolan and J. Olivera (2015). The Welfare State and Antipoverty Policy in Rich Countries. In A.B. Atkinson and F. Bourguignon (eds). Handbook of Income Distribution, Vol. 2B, pp.2063–2139. Amsterdam: Elsevier.

89 This is from 1970 to 2009. J. Martinez-Vazquez and B. Moreno-Dodson (2014). The Impact of Tax and Expenditure Policies on Income Distribution: Evidence from a Large Panel of Countries. Georgia State University.

90 Between 2000 and 2007. G. Verbist, M. F. Förster and M. Vaalavuo (2012). The Impact of Publicly Provided Services on the Distribution of Resources: Review of New Results and Methods. OECD Social, Employment and Migration Working Papers, No. 130. OECD Publishing.

91 N. Lustig (2015). The Redistributive Impact of Government Spending on Education and Health, op. cit.

92 N. Lustig (2017). Fiscal Policy, Inequality and the Poor in the Developing World. CEQ Working Paper 23. CEQ Institute, Tulane University.

93 For details of the Abuja Declaration, see: http://www.who.int/healthsystems/publications/abuja_declaration/en/; and for the Incheon Declaration, see: http://uis.unesco.org/sites/default/files/documents/education-2030-incheon-framework-for-action-implementation-of-sdg4-2016-en_2.pdf

94 ILO (2016). World Bank, ILO announce new push for universal social protection. http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_525544/lang--en/index.htm

95 SDG 1.3: 'Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.'

96 UNESCO et al. (2017). More Than One-Half of Children and Adolescents Are Not Learning Worldwide. Fact Sheet 46. http://uis.unesco.org/sites/default/files/documents/fs46-more-than-half-children-not-learning-en-2017.pdf

97 Education Commission (2016). The Learning Generation: Investing in education for a changing world. http://report.educationcommission.org/wp-content/uploads/2016/09/Learning_Generation_Full_Report.pdf

98 Calculated from data in statistical tables in A. Benavot et al. (2016). Global Education Monitoring Report 2016: Education for People and Planet – creating sustainable futures for all. Paris: UNESCO.

99 J. Walker et al. (2016). Private Profit, Public Loss: Why the push for low-fee private schools is pushing quality education off-track. South Africa: Global Campaign for Education. http://www.right-to-

education.org/resource/private-profit-public-loss-why-push-low-fee-private-schools-throwing-quality-education

100 Ibid.

101 N. Lustig (2017). Fiscal policy, Inequality and the Poor in the Developing World, op. cit.

102 WHO (2017). Universal health coverage (UHC). Factsheet. http://www.who.int/mediacentre/factsheets/fs395/en/

103 Abena D. Oduro, Albert A Arhin, George Domfe, Seidu Alidu, Felix S.K. Agyeman, Doreen Edem Asimadu, Jo Walker, Luke Gibson, Chiara Mariotti, Sarah Hall (2018) Building a more equal Ghana: A 5-point action plan to close the gap between the rich and the rest. Oxfam. https://oxf.am/2D6wvcD

104 Latest coverage figures from presentation by Oswald Essuah-Mensah, Corporate Affairs Directorate, NHIA 29 March 2018.

105 National Women's Law Center (2013). Women and the Health Care Law in the United States. https://nwlc.org/resources/women-and-health-care-law-united-states/

106 O. Causa and M. Hermansen (2017). Income redistribution through taxes and transfers across OECD countries. OECD: Economics Department Working Papers No 1453.

107 OECD (2011). Divided We Stand: Why Inequality Keeps Rising. OECD Publishing. See Tables 6.6 and 6.9. http://dx.doi.org/10.1787/9789264119536-en

108 Contributory pensions have a significant equalizing effect in Argentina, Brazil and Uruguay and also in Chile, Costa Rica and Ecuador, but in the latter their effect is small. See N. Lustig (2016). The Impact of Taxes and Social Spending on Inequality and Poverty in Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, and Uruguay. (Spanish). Center for Global Development Working Paper 427.

109 O. Causa and M. Hermansen (2017). Income redistribution through taxes and transfers across OECD countries, op. cit.

110 See OECD (2015). In It Together, op. cit.; and N. Lustig (2015). The Redistributive Impact of Government Spending on Education and Health, op. cit.

111 N. Lustig et al. (2011). Fiscal Policy and Income Redistribution in Latin America: Challenging the Conventional Wisdom. Tulane University Working Paper 1124. This showed that, for instance, Bolivia spends five times more than Peru, but because funds are not targeted to the poor, the amount of redistribution is limited and only slightly higher than in Peru.

112 S. Kidd, B. Gelders and D. Bailey-Athias (2017). Exclusion by design: An assessment of the effectiveness of the proxy means test poverty targeting mechanism. Extension of Social Security (ESS) Paper Series No. 56. Geneva: ILO and Development Pathways.

113 Asian Development Bank (2013). Social Protection Index: Assessing Results for Asia and the Pacific. https://www.adb.org/publications/social-protection-index-assessing-results-asia-and-pacific

114 Ibid.

115 Development Pathways. (no date). Mongolia and Kyrgyzstan lose out in their struggle with the IMF over the targeting of child benefits. https://www.developmentpathways.co.uk/blog/mongolia-kyrgyzsg-child-benefits/

116 I. Ortiz, F. Durán-Valverde, K. Pal, C. Behrendt and A. Acuña-Ulate (2017). Universal Social Protection Floors: Costing Estimates and Affordability in 57 Lower Income Countries. Extension of Social Security Series No. 58. Geneva: ILO. http://www.social-protection.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=54915

117 H. Cortés Saenz and D. Itríago (2018). The Capture Phenomenon: Unmasking power. Oxfam Intermon, June 2018 Available at: https://www.oxfamintermon.org/sites/default/files/documentos/files/ENG_OXFAM_Intermon_Capture_Methodology_2018.pdf

118 OECD (2004). Reviews of National Policies for Education: Chile 2004. https://doi.org/10.1787/9789264106352-en; and J. Walker et al. (2016). Private Profit, Public Loss, op. cit.

119 A. Kireyev (2013). Inclusive Growth and Inequality in Senegal. IMF Working Paper 13/215. https://doi.org/10.5089/9781475580266.001

120 G. Canavire-Bacarreza, J. Martinez-Vazquez and C. Sepulveda (2012). Sub-national Revenue Mobilization in Peru. International Center for Public Policy Working Paper 12-09.

121 For a useful discussion of some of these models, see K. Watkins and W. Alemayehu (2012). Financing for a Fairer, More Prosperous Kenya: A review of the public spending challenges and options for selected arid and semi-arid counties. Brookings Institution. https://www.brookings.edu/wp-content/uploads/2016/06/08-financing-kenya-watkins.pdf.

122 See M. Martin and J. Walker (2015). Financing the Sustainable Development Goals: Lessons from government spending on the MDGs. Government Spending Watch Report 2015. Oxfam and Development Finance International. http://policy-practice.oxfam.org.uk/publications/financing-the-sustainable-development-goals-lessons-from-government-spending-on-556597

123 N. Lustig (2012). Taxes, Transfers, and Income Redistribution in Latin America. World Bank Group. Inequality in Focus series. http://siteresources.worldbank.org/EXTPOVERTY/Resources/InequalityInFocusJuly2012FINAL.pdf

124 World Bank (2014). Voice and Agency: Empowering Women and Girls for Shared Prosperity. http://www.worldbank.org/content/dam/Worldbank/document/Gender/Voice_and_agency_LOWRES.pdf

125 UNESCO data (2013) provide evidence that education transforms development: http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/ED/GMR/excel/dme/Press-Release-En.pdf

126 UNESCO (2104) Education Global Monitoring Report https://en.unesco.org/gem-report/report/2014/teaching-and-learning-achieving-quality-all

127 Ibid.

128 See, for example, UNESCO (2013). Girls' education – the facts. http://en.unesco.org/gem-report/sites/gem-report/files/girls-factsheet-en.pdf

129 M. Corak (2013). Income Inequality, Equality of Opportunity, and Intergenerational Mobility. Journal of Economic Perspectives, 27 (3): 79-102; S.E. Mayera and L.M. Lopoo (2008). Government spending and intergenerational mobility. Journal of Public Economics, Vol. 92, Issues 1–2, February 2008, pp.139-158. https://www.sciencedirect.com/science/article/abs/pii/S004727270700059X - !; J. Jerrim and L. Macmillan (2015). Income Inequality, Intergenerational Mobility, and the Great Gatsby Curve: Is Education the Key? Social Forces, Vol. 94, Issue 2, 1 December 2015, pp.505-533. https://doi.org/10.1093/sf/sov075

130 M. Meyers, D. Rosenbaum, C. Ruhm and J. Waldfogel (2004). Inequality in early childhood education and care: What do we know? Social Inequality 22.

131 OECD Development Centre (2014). Unpaid Care Work: The missing link in the analysis of gender gaps in labour outcomes. https://www.oecd.org/dev/development-gender/Unpaid_care_work.pdf

132 UN Women (2015). Progress of the World's Women 2015–2016. Transforming Economies, Realizing Rights. http://progress.unwomen.org/en/2015/pdf/UNW_progressreport.pdf For more examples see https://www.ituc-csi.org/IMG/pdf/policy_brief_gender_gaps_social_protection_en.pdf

133 E. Samman et al. (2016). Women's Work: Mothers, children and the global childcare crisis. Overseas Development Institute. https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/10333.pdf

134 T. Bhatkal (2016). Women's work: mothers, children and the global childcare crisis. Oxfam blog. http://policy-practice.oxfam.org.uk/blog/2016/05/womens-work

135 E. Samman et al. (2016). Women's Work: Mothers, children and the global childcare crisis. Op. cit.

136 J.G. Stotsky (2016). Gender Budgeting: Fiscal Context and Current Outcomes. https://www.imf.org/external/pubs/ft/wp/2016/wp16149.pdf

137 The IMF has produced extensive research and advice in this area. See: http://www.imf.org/en/News/Articles/2016/07/26/14/42/NA072816-New-IMF-Study-Data-Tool-Track-Fiscal-Policies

138 The extent of different services and the role they play in redistribution varies across countries (often weighted against the level of pre-existing inequality, and pre-tax and transfer income inequality) and the structure of spending. For example, the OECD has shown that New Zealand focuses on transfers highly targeted at reducing poverty; Germany takes a lifecycle approach to redistribution; Sweden uses a more Nordic model of large and mostly universal cash transfers, with a high level of spending. For more information, see I. Joumard, M. Pisu and D. Bloch (2012). Tackling Income Inequality: The role of taxes and transfers. OECD Journal: Economic Studies. http://dx.doi.org/10.1787/eco_studies-2012-5k95xd6l65lt

139 All are higher-income countries (HICs) apart from Brazil and Costa Rica, which are upper-middle-income countries (UMICs).

140 Health, education and cash transfers have been shown to be highly progressive – for example, in that they help to make Costa Rica more equal. See P. Sauma and J. Diego Trejos (2014). Social Public Spending, Taxes, Redistribution of Income, and Poverty in Costa Rica. CEQ Working Paper 18. http://www.commitmentoequity.org/publications_files/Costa%20Rica/CEQWPNo18%20PubSpendTaxRedistIncandPover%20Costa%20Rica.pdf

141 For example, it has infant mortality and life expectancy indicators comparable to those of developed European countries. See M. del Rocío Sáenz, J. L. Bermúdez and M. Acosta (2010). Universal Coverage in a Middle Income Country: Costa Rica. WHO. World Health Report (2010) Background Paper 11. http://www.who.int/healthsystems/topics/financing/healthreport/CostaRicaNo11.pdf

142 P. Sauma and J. Diego Trejos (2014). Social Public Spending, Taxes, Redistribution of Income, and Poverty in Costa Rica, op. cit.

143 OECD (2016). All together: Making growth more inclusive in Costa Rica. In OECD Economic Surveys: Costa Rica 2016: Economic Assessment, Paris: OECD Publishing. DOI: http://dx.doi.org/10.1787/eco_surveys-cri-2016-4-en

144 M. Bucheli, N. Lustig, M. Rossi and F. Amábile (2013). Social Spending, Taxes and Income Redistribution in Uruguay. Commitment to Equity Institute. CEQ Working Paper 10. https://doi.org/10.1596/1813-9450-6380

145 Uruguay's social protection schemes have been shown to have a varied impact on inequality. N. Lustig (2017). El impacto del sistema tributario y el gasto social en la distribución del ingreso y la pobreza en América latina. Una aplicación del marco metodológico del proyecto compromiso con la equidad (CEQ). http://www.commitmentoequity.org/wp-content/uploads/2017/08/CEQ_WP62_Lustig_July06_2017.pdf See also discussion in OECD (2015). In It Together, op. cit. Contributory pensions are equalizing in Brazil and are very slightly unequalizing in Chile, see N. Lustig (2015). Inequality and Fiscal Redistribution in Middle Income Countries: Brazil, Chile, Colombia, Indonesia, Mexico, Peru and South Africa. Center for Global Development. Working Paper 410.

146 Forbes Argentina: IMF style austerity can't be Macri's only solution. https://www.forbes.com/sites/afontevecchia/2018/06/08/argentina-imf-style-austerity-cant-be-macris-only-solution/#4d3880187161

147 N. Lustig and C. Pessino (2013). Social Spending and Income Redistribution in Argentina During the 2000s: The rising role of noncontributory pensions. Commitment to Equity. CEQ Working Paper No. 5. http://www.commitmentoequity.org/publications_files/Argentina/CEQWPNo5%20SocSpendRedist2000sArgentina%20Jan%202013%20REVISED%20Aug%2031%202013.pdf

148 N. Lustig (2012). Taxes, Transfers, and Income Redistribution in Latin America, op. cit.

149 N. Lustig (2015). Most Unequal on Earth. IMF. *Finance and Development*. Vol. 52. https://www.imf.org/external/pubs/ft/fandd/2015/09/pdf/lustig.pdf

150 Judged by the share of total income devoted to social spending, Ethiopia appears to be quite committed to social progress: its level of spending is much higher than it was in today's rich countries when their income per capita levels were as low as in Ethiopia today, and there is some good pro-poor spending, even if less redistributive (but given very high levels of poverty and low inequality, this is likely). See World Bank (2015). Ethiopia Poverty Assessment 2014. http://www.commitmentoequity.org/publications_files/Ethiopia/WorldBank%202014EthiopiaPovAssess%20CEQChapt5%20Feb%202015.pdf; and N. Lustig (2015). The Redistributive Impact of Government Spending on Education and Health: Evidence from Thirteen Developing Countries in the Commitment to Equity Project. CEQ Working Paper 30. http://www.commitmentoequity.org/publications_files/Comparative/CEQWPNo30%20RedisImpactGovntSpendEducHealth%20March%202015.pdf

151 R. Desai (2015). Does the Developing World Need a Welfare State to Eliminate poverty? Op. cit.

152 Gov't Increases Provincial Minimum Wages by 8.71% for 2018 http://jakartaglobe.id/news/govt-increases-provincial-minimum-wages-8-71-2018/ and

153 J. Walker et al. (2016). Private Profit, Public Loss, op. cit.

154 UNICEF. Nigeria; The situation. https://www.unicef.org/nigeria/education.html

155 Based on DHS figures: https://dhsprogram.com/pubs/pdf/FR293/FR293.pdf

156 Nigeria infant mortality figures available at: http://data.worldbank.org/indicator/SH.DYN.MORT

157 The USA spends 16% of GDP on healthcare, combining public and private spending. Its public spending, at 8.3% of GDP, is comparable with other nations with universal coverage such as France or the UK, where private spending is negligible. This fact alone shows the scale of the inefficiency of the US system. US public spending on health, for example on Medicare for the elderly, compares well with public spending in the rest of the OECD, and has an impact on reducing inequality.

158 Especially tertiary care; for example, a 2010 OECD study (Koechlin et al. (2010)) found the US price level of hospital services to be over 60% higher than the average of 12 other OECD countries in 2007. https://www.oecd.org/unitedstates/49084355.pdf

159 See D. Mangan (2013). Medical Bills Are the Biggest Cause of US Bankruptcies: Study. CNBC. http://www.cnbc.com/id/100840148

160 In total, we used country-level data on the incidence of spending for 60 countries wherever they were available, using a combination of OECD data and data from the studies carried out by Commitment to Equity (CEQ), kindly shared with Oxfam. The CEQ data were taken from the CEQ Institute's Data Center on Fiscal Redistribution, based on the following CEQ Master Workbooks of Results: Argentina (Rossignolo, 2016); Armenia (Younger and Khachatryan, 2014); Bolivia (Paz-Arauco et al., 2014); Brazil (Higgins and Pereira, 2016); Chile (Martinez-Aguilar and Ortiz-Juarez, 2016); Colombia (Melendez and Martinez, 2015); Costa Rica (Sauma and Trejos, 2014); Dominican Republic (Aristy-

Escuder et al., 2016); Ecuador (Llerena et al., 2014); El Salvador (Beneke, Lustig and Oliva, 2014); Ethiopia (Hill, Tsehaye and Woldehanna, 2014); Georgia (Cancho and Bondarenko, 2015); Ghana (Younger, Osei-Assibey and Oppong, 2016); Guatemala (Cabrera and Moran, 2015); Honduras (Castañeda and Espino, 2015); Indonesia (Jellema, Wai Poi and Afkar, 2015); Iran (Enami, Lustig and Taqdiri, 2016); Jordan (Abdel-Halim et al., 2016); Mexico (Scott, 2013); Nicaragua (Cabrera and Moran, 2015); Peru (Jaramillo, 2015); Russia (Malytsin and Popova, 2016); South Africa (Inchauste et al., 2016); Sri Lanka (Arunatilake et al., 2016); Tanzania (Younger, Myamba and Mdadila, 2016); Tunisia (Shimeles et al., 2015); Uganda (Jellema et al., 2016), Uruguay (Bucheli et al., 2014) and Venezuela (Molina, 2016). All are available at www.commitmenttoequity.org

161 J. Martinez-Vazquez, B. Moreno-Dodson and V. Vulovic (2011). The Impact of Tax and Expenditure Policies on Income Distribution. Georgia State University: Andrew Young School of Public Policy Studies.

162 Oxfam (2016). Fiscal Justice Global Track Record: Oxfam's tax, budget and social accountability work. http://policy-practice.oxfam.org.uk/publications/fiscal-justice-global-track-record-oxfams-tax-budget-and-social-accountability-620087

163 We decided against using out-of-pocket expenditures because some countries (e.g. Sri Lanka) have high out-of-pocket spending on health, but this is by the richest people, not the poorest. Their government health systems are progressive, so they would be unfairly penalized by an indicator that simply penalized high out-of-pocket expenditures. When data are available on out-of-pocket spending for different groups in society, we will be able to include this.

164 J. Martinez-Vazquez and B. Moreno-Dodson (2014). The Impact of Tax and Expenditure Policies on Income Distribution: Evidence from a Large Panel of Countries. Georgia State University.

165 Martinez-Vazquez et al. (2012) find that it has more than five times as much marginal effect as education and health, and 10% more effect than social protection. Verbist et al. (2012) find that it has had a much higher marginal effect in OECD countries, especially where access to it is means tested.

166 Housing benefits, meant to help people pay rents, are instead included as part of social protection spending.

167 B. Ellmers (2016). The evolving nature of developing country debt and solutions for change. A Eurodad discussion paper. For an analysis of the current global debt situation, see: J. Kaiser (2018). Global Sovereign Debt Monitor 2018 by The Global Sovereign Debt Monitor 2018 is an extract form Schuldenreport 2018, a joint publication by Jubilee Germany/erlassjahr.de - Entwicklung braucht Entschuldung e.V.and Bischöfliches Hilfswerk MISEREOR e.V. published 15 March 2018. Available at: http://erlassjahr.de/wordpress/wp-content/uploads/2018/04/Global-Sovereign-Debt-Monitor-2018.pdf

168 Government of Kenya. Estimates of Recurrent Expenditure of the Government of Kenya for the year ending 30 June 2019. http://www.treasury.go.ke/component/jdownloads/send/198-2018-2019/775-recurrent-volume-i.html

169 M. Devereux et al. (2016). G20 Corporation Tax Ranking. Oxford: Oxford University Centre for Business Taxation.

170 Sources: Annex No. 3 - Tax Spending. General Budget of the State 2017 (DIGEPRES), Table 3, page 175: http://www.digepres.gob.do/proyecto-de-ley/2017/Tomo-1/ANEXO-No.-3-Estimacion-de- tax-expenses-2017.pdf and Annex No. 2 - Information on expenditures of the Central Government 2017 (DIGEPRES). Economic Classification of Expenditure according to Functions, pages 110–111: http://www.digepres.gob.do/proyecto-de-ley/2017/Volume-1/ANNEX-No.-2-Information-about-expenses-of-Government-Central.pdf or fiscal transparency portal http://transparenciafiscal.gob.do/para-que-se-gasta The budget formulated in 'health' and 'water supply' is taken as a reference, and compared with the estimated volume of tax gas for 2017. The category 'water and sanitation' must be replaced for 'supply of drinking water'.

171 For more on Indonesia, see L. Gibson (2017). Towards a More Equal Indonesia: How the government can take action to close the gap between the richest and the rest. Oxfam. http://oxf.am/ZbM5

172 Fair Tax Monitor website: https://maketaxfair.net/ftm/

173 Ibid.

174 Fair Tax Monitor (2016). Composite Report. https://maketaxfair.net/assets/wbb-publications/1628/FTM%20Composite%20Report%202016.pdf

175 Fair Tax Monitor (2017). Bangladesh Report. https://www.supro.org/images/publication/booklets/Fair_Tax_Monitor_2017.pdf

176 Fair Tax Monitor (2016). Composite Report. https://maketaxfair.net/assets/wbb-publications/1628/FTM%20Composite%20Report%202016.pdf

177 For details, see J. Birchall and F. Marzia (2015). The Gender Dimensions of Expenditure and Revenue Policy and Systems. IDS and DFID; C. Capraro (2014). Taxing Men and Women: Why Gender is Crucial for a Fair Tax System. Christian Aid; GTZ (2008). Why Care About Taxation and Gender Equality; and Swiss Development Cooperation (2015). Conclusions of a Facilitated E-Discussion on Gender and Taxation.

178 C. Grown and I. Valodia (2010). Taxation and Gender Equity: A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries. London and New York: Routledge.

179 For a similar conclusion from a review of gender-responsive budgeting across the world, see S. Quinn (2016). A Survey of Gender Budgeting Efforts. IMF Working Paper 16/155. http://www.imf.org/en/Publications/WP/Issues/2016/12/31/Europe-A-Survey-of-Gender-Budgeting-Efforts-44148

180 For the UK, see for example the Women's Budget Group: https://wbg.org.uk/

181 Lower CIT rates for SMEs may be a good policy option for governments wanting to tackle inequality, particularly when, because of tax dodging by big corporations, effective tax rates can be higher for SMEs than for big corporations.

182 Cuts in more economically significant countries are particularly concerning as more large corporations do business in such countries, and the policies of these countries tend to have greater direct and indirect impacts on other countries.

183 The incidence of CIT is made more complicated by global factors, like the impact of tax havens. Also for multinational corporations, with owners and shareholders domiciled all over the world, the impact of higher taxation on reducing the wealth of shareholders is distributed to many different nations, not simply the one where the corporate tax is levied.

184 UK govenment HM Revenue and Customs (20180. https://www.gov.uk/government/publications/rates-and-allowances-corporation-tax/rates-and-allowances-corporation-tax

185 World Economic Forum. (2016). Global Competitiveness Report 2016–2017. https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1/

186 The way that this has been scored and implemented is explained fully in the CRI 2018 methodology note.

187 As referred to in the 2016 budget speech: https://indianexpress.com/article/business/budget/budget-2016-arun-jaitley-union-budget-2016-full-text/gene

188 ECLAC and Oxfam (2016). Time to Tax for Inclusive Growth. http://www.cepal.org/en/publications/39950-time-tax-inclusive-growth

189 For more details of these at country level, see Development Finance International (2016). IMF Tax Policy Advice and TA: Is It Living Up To (Progressive) Expectations? Policy research report for Oxfam International; and at global level, see IMF (2015). Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment. Staff Report. https://www.imf.org/external/np/g20/pdf/101515.pdf

190 World Bank (2017). Kenya Economic Update, December 2017: Poised to Bounce Back? https://openknowledge.worldbank.org/handle/10986/29033; and Government of Kenya Programme Based Budget. http://www.treasury.go.ke/component/jdownloads/send/198-2018-2019/1221-programme-based-budget.html?option=com_jdownloads The Kenyan government is projected to spend $180m on free primary education in 2018/19.

191 E. Mwachinga (2013). Results of investor motivation survey conducted in EAC. World Bank, presentation given in February 2013 in Lusaka, quoted in ActionAid (2013). Give Us a Break: How big companies are getting tax-free deals. http://www.actionaid.org/sites/files/actionaid/give_us_a_break_-_how_big_companies_are_getting_tax-free_deals_2.pdf

192 Annette Alstadsæter, Niels Johannesen, Gabriel Zucman (2017).Tax Evasion and Inequality. http://gabriel-zucman.eu/files/AJZ2017.pdf

193 For more information, see E. Berkhout (2016). Tax Battles: The dangerous global race to the bottom on corporate tax. Oxfam. http://oxf.am/ZuCG

194 For more on the negative effects of tax treaties, see ActionAid (2016). Mistreated: How shady tax treaties are fuelling inequality and poverty. http://www.actionaid.org/2016/02/mistreated-how-shady-tax-treaties-are-fuelling-inequality-and-poverty; IMF (2014). Spillovers in International Corporate Taxation. Policy Paper. https://www.imf.org/external/np/pp/eng/2014/050914.pdf; SOMO (2013). Should the Netherlands Sign Tax Treaties With Developing Countries? Centre for Research on Multinational Corporations; and F. Weyzig (2013). Analysing Effects of Dutch Corporate Tax Policy on Developing Countries. Netherlands Ministry of Foreign Affairs.

195 Tax Justice Network: https://www.taxjustice.net/2016/06/22/tax-treaties-overturned/

196 Common EU list of third country jurisdictions for tax purposes. Available at: https://ec.europa.eu/taxation_customs/tax-common-eu-list_en

197 The Netherlands could take concrete measures to stop being a corporate tax haven, including; implementing stronger rules against profit shifting to (other) tax havens; stop providing tax deals for corporations that leave corporate profits (largely) untaxed (so-called 'Excess profit rulings'); revert legislation that favours large corporations with lower tax rates (Innovation box); and support steps at European and global levels against corporate tax competition between countries

198 Despite ranking number 1 under the tax pillar, Australia is far from doing well on tax. Australia scores 40th on tax collection efforts and 35th on the fairness of its tax structure – well behind many of its OECD peers. Australia has still room for improvement in collecting more and collecting better. Australia's final tax ranking at number 1, is more the consequence of DFI and Oxfam this year taking into account the harmful tax practices of others. Compared with more aggressive countries, Australia a does not currently partake in most aggressive harmful practices – such as special tax holidays or patent boxes – for wealthy corporations and individuals. Australia has also progressed positively on a range of actions under the OECD BEPS (Base Erosion and Profit Shifting) Project. Nevertheless it could still improve the anti-avoidance legislation by strengthening its legislation through an exit tax, for example. In addition, recent legislation passed or pursued by the government are very likely to lower Australia's score on tax in the future. This includes the tax reforms being introduced for personal income taxes, which will flatten Australia's current progressive tax system in the coming years. This will disproportionately benefit wealthy, upper income earners. Debate has also currently been shelved on further corporate tax rate cuts, but if implemented, proposed changes to corporate tax rates would make Australia the latest country to join the global race to the bottom on corporate taxes. Action is also needed in the area of public tax transparency, which is not measured as part of the CRI. Australia needs to make reporting on country-by-country tax affairs public for large multinational firms, to better crack down on tax avoidance and other harmful tax practices.

199 Ibid.

200 See R. Fenochietto and C. Pessino (2013). Understanding Countries' Tax Effort, IMF Working Paper 13/244; J. Torres (2013). Revenue and Expenditure Gaps. IMF Working Paper 13/05; and subsequent studies in IMF country documents and Regional Economic Outlooks and tax studies. See also CERDI (2016). Tax Potential and Tax Effort: An Empirical Estimation for Non-resource Tax Revenue and VAT's Revenue; and J.P. Jimenez, J.C. Gomez Sabaini and A. Podesta (2013). Tax Gaps and Equity in Latin America and the Caribbean. GTZ/BMZ/CEPAL Fiscal Studies Paper 16.

201 I. Macias-Aymar, D.Vasquez and M.Lawson (2018) Reward Work, not Wealth: To end the inequality crisis, we must build an economy for ordinary working people, not the rich and powerful. Oxfam. https://www.oxfam.org/en/research/reward-work-not-wealth

202 See, for example, IMF (2013). Fiscal Monitor: Taxing Times. IMF.

203 Countries analysed were Afghanistan, Argentina, Australia, Bangladesh, Belgium, Bolivia, Brazil, Canada, China, Denmark, El Salvador, France, Germany, Ghana, India, Indonesia, Ireland, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Niger, Nigeria, Russia, Spain, Senegal, South Africa, Turkey, the UK and the USA.

204 Oxfam has increasingly been looking at wealth taxes in its country inequality reports. See for example, Oxfam India (2018). Implications of Wealth Taxes on Inequality in India; L. Gibson (2016). Towards a More Equal Indonesia, op. cit; and R. Georges (2017). Inequalities in Brazil: the Divide that Unites Us. Oxfam. https://oxf.am/2yA3M9J

205 T.Matheson (2011). Taxing Financial Transactions: Issues and Evidence. IMF Working Paper.

206 The countries that abolished their wealth taxes were Austria, Denmark, Finland, Iceland, India, Luxembourg, the Netherlands and Sweden. Germany stopped collecting wealth taxes in 1997.

207 D. Hardoon (2015). An Economy for the 1%, op. cit.

208 Ibid.

209 Ibid.

210 Andy Haldane, Chief Economist of the Bank of England, quoted in BBC News (2015). Shareholder power 'holding back economic growth'. http://www.bbc.co.uk/news/business-33660426

211 Ibid.

212 Ibid.

213 I. Macias-Aymar, D.Vasquez and M.Lawson (2018) Reward Work, not Wealth. Op. cit.

214 R. Wilshaw et al. (2015). In Work But Trapped in Poverty: A summary of five studies conducted by Oxfam, with updates on progress along the road to a living wage. Oxfam. http://policy-practice.oxfam.org.uk/publications/in-work-but-trapped-in-poverty-a-summary-of-five-studies-conducted-by-oxfam-wit-578815; https://doi.org/10.21201/2015.578815

215 Ibid.

216 Worker Rights Consortium. (2013). Global Wage Trends for Apparel Workers, 2001–2011. Center for American Progress. https://www.americanprogress.org/issues/economy/reports/2013/07/11/69255/global-wage-trends-for-apparel-workers-2001-2011/

217 Oxfam Australia (2017). What She Makes: Power and poverty in the fashion industry. Oxfam.

218 F. Jaumotte and C. Osario Bultron (2015). Power From The People, op cit.

219 Ibid.

220 M. Walters and L. Mishel (2003). How Unions Help all Workers. Economic Policy Institute. https://www.epi.org/publication/briefingpapers_bp143/

221 A. Bruce and R. Skovoroda (2015). The Empirical Literature on Executive Pay: Context, the pay-performance issue and future directions. Nottingham University Business School. http://highpaycentre.org/files/academic_literature_review_FINAL.pdf

222 CIPD and High Pay Centre (2018). Executive Pay: review of FTSE 100 executive pay. http://highpaycentre.org/files/CEO_pay_report.pdf

223 French law: Clifford Chance (2017). New French law imposing due diligence requirements in relation to human rights, health and safety, and the environment. https://www.cliffordchance.com/briefings/2017/03/new_french_law_imposingduediligenc.html

Dutch law: L. Unger (2017). Due diligence on child labour in the Netherlands; a new law. https://www.linkedin.com/pulse/due-diligence-child-labour-netherlands-new-law-liesbeth-unger

224 KPMG (2015). KPMG Economic Analysis. Raising the minimum wage to the Living Wage would benefit staff and businesses. http://www.livingwage.org.uk/news/kpmg-economic-analysis-raising-minimum-wage-living-wage-would-benefit-staff-and-businesses

225 RAND Europe (2016). The impact of the National Minimum Wage on employment: a meta-analysis. A report for the UK Low Pay Commission. https://www.rand.org/randeurope/research/projects/national-minimum-wage.html

226 A. Smith (2015). Where there's a political will…. Blog. Ethical Trade Initiative. http://www.ethicaltrade.org/blog/where-theres-political-will

227 The Jakarta Post (2016). Indonesia to propose minimum wage for ASEAN workers. http://www.thejakartapost.com/news/2016/06/03/indonesia-to-propose-minimum-wage-for-asean-workers.html

228 Gallup and ILO. (2017). Towards a Better Future for Women and Work: Voices of Women and Men. Retrieved 10 October 2017, from http://www.ilo.org/wcmsp5/groups/public/--- dgreports/---dcomm/---publ/documents/publication/wcms_546256.pdf

ILO. (2016). Women at Work: Trends 2016. Retrieved 15 September 2017, from http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_457317.pdf

229 F. Rhodes et al. (2016). Underpaid and Undervalued: How inequality defines women's work in Asia. Oxfam. http://oxf.am/ZXPr

230 Ibid.

231 UNDP Human Development Report: Gender Inequality Index. http://hdr.undp.org/en/content/gender-inequality-index-gii; and World Economic Forum (2016). The Global Gender Gap Report 2016. http://reports.weforum.org/global-gender-gap-report-2016/

232 When all work – paid and unpaid – is accounted for, women work longer hours than men in every region. According to a 2018 report by the ILO, women work an average of four hours and 25 minutes per day, against one hour and 23 minutes for men. ILO (2018). Care Work and Care Jobs: For the Future of Decent Work. https://www.ilo.org/global/publications/books/WCMS_633135/lang--en/index.htm

233 The Economist (2016). A Proper Reckoning. http://www.economist.com/news/finance-and-economics/21694529-feminist-economics-deserves-recognition-distinct-branch-discipline

234 ILO (2018). Care Work and Care Jobs: For the Future of Decent Work, op. cit.

235 All the facts in this paragraph are taken from ILO (2017) Global Employment Trends for Youth.

236 See International Trade Union Confederation (ITUC). Survey of Violations of Trade Union Rights. http://survey.ituc-csi.org/Sri-Lanka.html?lang=en#tabs-3

237 Even the OECD SIGI index only measures whether legal procedures are correctly followed when cases are brought before courts.

238 For more details, see BBC (2018). Iceland now the first country to enforce equal pay for women and men. https://www.bbc.co.uk/bbcthree/article/253d8b3e-1891-43ab-8848-4a5110bda171

239 This box is drawn from OECD (2015). In It Together, op. cit.

240 Also important to take into account is the ranking of countries in the ITUC Global Rights Index. ITUC is a confederation of national trade union centres, which together has 328 affiliated organizations in 162 countries and territories on all five continents, with a membership of 176 million, 40% of whom are women. http://www.ituc-csi.org/ituc-global-rights-index-2015. The 2015 publication, the second iteration, identifies the world's worst countries in which to be a worker by rating 141 countries on a scale from 1 to 5 based on the degree of respect for workers' rights, and provides regional overviews with country examples.

241 Fair Labor Association (2016). Toward Fair Compensation in Global Supply Chains: Factory pay assessments in 21 countries. http://www.fairlabor.org/report/toward-fair-compensation-global-supply-chains-factory-pay-assessments-21-countries

242 Clean Clothes Campaign (2013). Bangladesh Minimum Wage. https://cleanclothes.org/livingwage/bangladesh-minimum-wage

243 ILO (2014). Wages and Working Hours in the Textiles, Clothing, Leather and Footwear Industries. http://www.ilo.org/sector/Resources/publications/WCMS_300463/lang--en/index.htm

244 OECD. Social Institutions and Gender Index (SIGI). https://www.genderindex.org/

245 U.S. Department of State. Human Rights Reports. https://www.state.gov/j/drl/rls/hrrpt/

246 ILO's estimation of vulnerable employment (including own-account workers and contributing family workers) is used as a proxy of informal employment.

247 There are some who argue that the informal sector is a good thing in that it provides jobs for those who otherwise would not have them, so by discounting for it we are not taking this into account. Nevertheless, it remains the case that the informal sector is where the worst abuses of workers' rights and of women are largely found, with no recourse to trade unions or protection. The smaller the informal sector and the better regulated it is, the better that is for vulnerable people.

248 World Bank (2016). Poverty in a Rising Africa. http://www.worldbank.org/en/region/afr/publication/poverty-rising-africa-poverty-report

249 F. Alvaredo, L. Chancel, T. Piketty, E. Saez and G. Zucman (eds). (2017). World Inequality Report 2018. http://wir2018.wid.world/files/download/wir2018-full-report-english.pdf

250 R. van der Weide (2016). Is inequality underestimated in Egypt? Evidence from housing prices. World Bank blog. http://blogs.worldbank.org/developmenttalk/inequality-underestimated-egypt-evidence-housing-prices

251 For a full discussion and analysis of inequality in Latin America and the Caribbean see R. Canete et al. (2015). Privileges That Deny Rights, op. cit.

252 This is known in economics as the Kuznets Curve, after the work of Simon Kuznets.

ACKNOWLEDGEMENTS

This report has been jointly produced by a small team from Oxfam and Development Finance International.

In Oxfam, Max Lawson was the lead author of the final report and led the global Oxfam team. Chiara Mariotti, Inigo Macias Aymar, Mikhail Maslenikov and Didier Jacobs gave support research and data checking and in updating the methodology document. Kwesi Obeng, Ivan Nikolic, Valentina Montanaro, Mustafa Talpur, Ati Canete, Mikhail Maslenikov and Chiara Mariotti supported Oxfam affiliates and offices in contributing to the production process. Stefan Verwer played a key role in championing the CRI and ensuring funding was available to enable the project to go ahead. Namalie Jayasinghe and Rowan Harvey worked on the new gender indicators, and Susana Ruiz, Henrique Alencar and Mikhail Maslenikov put together the new indicator on Harmful Tax Practices. Many others from Oxfam contributed in different ways to the report and the index. The team was coordinated by Mary Mshai Mkoji.

Excellent inputs were also received from most Oxfam country and regional offices and the 20 Oxfam affiliates which helped to update and improve global data by using national sources, and to improve the overall methodology of the Index to reflect national realities more precisely.

At DFI, Matthew Martin was a joint author of the final report and led the conceptualisation and construction of the index and the writing of the methodology document. The DFI team compiled almost all the data for the index. The overall index database management and tax data teams were led by David Waddock. The spending data team was led by Maria Holloway, and the labour data team by Jeannette Laouadi. Programme Manager Jo Walker played a key role in the design of the previous CRI 2017.

Excellent additional help on the design of the initial CRI 2017 index was received from external peer reviewers and staff in the ILO (on labour and social protection), the IMF (on tax) and the World Bank (on tax and gender labour), as well as Nanak Chand Kakwani and Alex Cobham of the Tax Justice Network. Particular thanks also go to Nora Lustig and her team at CEQ led by Ludovico Feoli for supplying data from their actual incidence studies; and to Alistair Usher and Brett Dodge at Ergon Associates and Marta Fana at the University of Paris for input on the labour indicators. Staff from the Asian Development Bank, CEPAL, the ILO and the OECD, and officials from many developing countries, were also most helpful in supplying and explaining their data on spending, tax and labour to DFI. Michaela Saisana and Beatrice Dhombres at the Competence Center 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, thank you to Julie McCarthy of the Open Society Foundation for helping fund CRI 2018.

.

ENDORSEMENTS

Oxfam and Development Finance International's insightful investigation into what governments are actually doing to reduce inequality could not have come at a better time. Based on careful, systematic and scientific use of the available data, it does much more than simply rank countries to provide objective assessments of their performance on this crucial issue; it provides an urgent wake-up call to all governments about what can be done in terms of taxation, spending and labour policies. This should become as prevalent as the Human Development Index as a yardstick to judge national performance.

Jayati Ghosh
Professor, Jawaharlal Nehru University, New Delhi, India

In 2015, the world came together to agree the Sustainable Development Goals that would shape the future, safeguard our planet, and ensure inclusive growth. As we strive to meet them, tackling inequality emerges as the challenge of our generation, everywhere, whether in rich or poor countries. Addressing it is a strategic imperative and doing so requires evidence-based actions.

Oxfam and Development Finance International's Commitment to Reducing Inequality Index is a rigorous attempt to do so: to demonstrate the nature, the depth and the scope of the problem and the implications for public policy. It shows that every country has to make a step change.

Donald Kaberuka
7th President, African Development Bank (2005–15)

Africa's people are facing an inequality crisis. For the past few years Oxfam, as a key part of the Global Inequality Alliance, has been able to put shocking figures on just how extreme this is. Consider that the combined wealth of Nigeria's five richest men – $29.9bn – could end extreme poverty in that country, yet five million people there face hunger. This Commitment to Reducing Inequality Index – technical though it sounds – could be a powerful tool in the hands of citizens to demand change. In the face of politicians' platitudes, we can show hard facts. In the face of meaningless promises, we can show the gaping holes where policies to reduce inequality could be. Information is power, so let's use it.

Kumi Naidoo
Secretary General, Amnesty International

This is joint Oxfam and Development Finance International report is written to share research results, to contribute to public debate and to invite feedback.

For more information, or to comment on this report, email max.lawson@oxfaminternational.org or matthew.martin@dri.org.uk

Published by Oxfam GB for Oxfam International under ISBN 978-1-78748-341-5 in October 2018.
Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK. DOI: 10.21201/2018.3415

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 90 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

Oxfam America (www.oxfamamerica.org)
Oxfam Australia (www.oxfam.org.au)
Oxfam-in-Belgium (www.oxfamsol.be)
Oxfam Brasil (www.oxfam.org.br)
Oxfam Canada (www.oxfam.ca)
Oxfam France (www.oxfamfrance.org)
Oxfam Germany (www.oxfam.de)
Oxfam GB (www.oxfam.org.uk)
Oxfam Hong Kong (www.oxfam.org.hk)
Oxfam IBIS (Denmark) (https://oxfamibis.dk/)
Oxfam India (www.oxfamindia.org)
Observer: KEDV (Oxfam Turkey)

Oxfam Intermón (Spain) (www.oxfamintermon.org)
Oxfam Ireland (www.oxfamireland.org)
Oxfam Italy (www.oxfamitalia.org)
Oxfam Mexico (www.oxfammexico.org)
Oxfam New Zealand (www.oxfam.org.nz)
Oxfam Novib (Netherlands) (www.oxfamnovib.nl)
Oxfam Québec (www.oxfam.qc.ca)
Oxfam South Africa (www.oxfam.org.za)

Development Finance International

www.oxfam.org OXFAM