The Consequences of inequalities

Webinar METROPOLIS

Gemma Pinyol-Jiménez

Instrategies *Think&Do*

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About Inequalities

- Inequality in contemporary societies is not only related to unequal access to economic resources but rather impacts on scenarios that go beyond labor markets or capitals, and generate new social tensions and new challenges for public management. In a context of globalization, these new tensions appear in a diverse form and intensity in different countries and societies, thus generating new spaces of inequality.
  - Have inequalities grown in the last decades (in internal and international comparative perspective)?;
  - Have inequalities grown in a similar way everywhere or have they had uneven growth in different countries and regions (Milanovic 2016)?
  - Is the presence of inequalities inevitable? And to what extent are they 'tolerable'?

About Inequalities (3)

- The impacts of these inequalities in current societies clearly affect their viability as we know them. Democratic societies seek, for their own idiosyncrasies, **to guarantee a certain level of development and social cohesion** (Lipset 1959).

- The solution to the effects of inequality would be to put an end to it. But is it feasible?
  - *"Far from being inevitable and unstoppable, the sense of deterioration in social wellbeing and the quality of social relations in society is reversible. Understandin the effects of inequality means that we suddenly have a policy handle on the wellbeing of whole societies" (Wilkinson and Pickett 2009: 31).*

About inequalities (4)

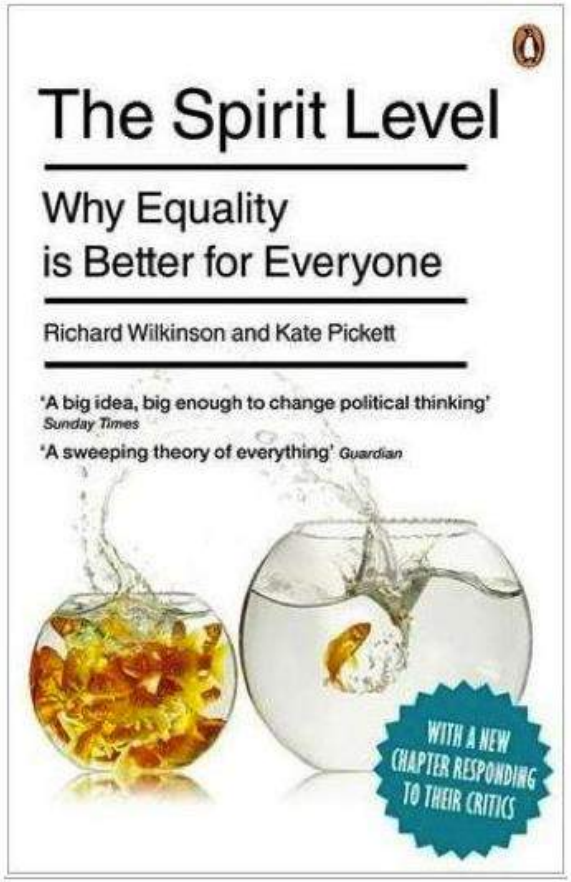
- There are a number of reasons why inequality can harm the economic performance of a country.
  - At the microeconomic level, inequality increases health and ill health expenditure and reduces the educational performance of the most vulnerable people, issues that impact on the productive potential of labor-power.
    - At macroeconomic level, inequality can be a restriction for growth and can lead to instability.
- Similarly, it is important to identify which are the main impacts of inequalities in each society.

About inequalities (5)

There is growing consensus that economic growth is not sufficient to reduce poverty if it is not inclusive and if it does not involve the three dimensions of sustainable development – economic, social and environmental.

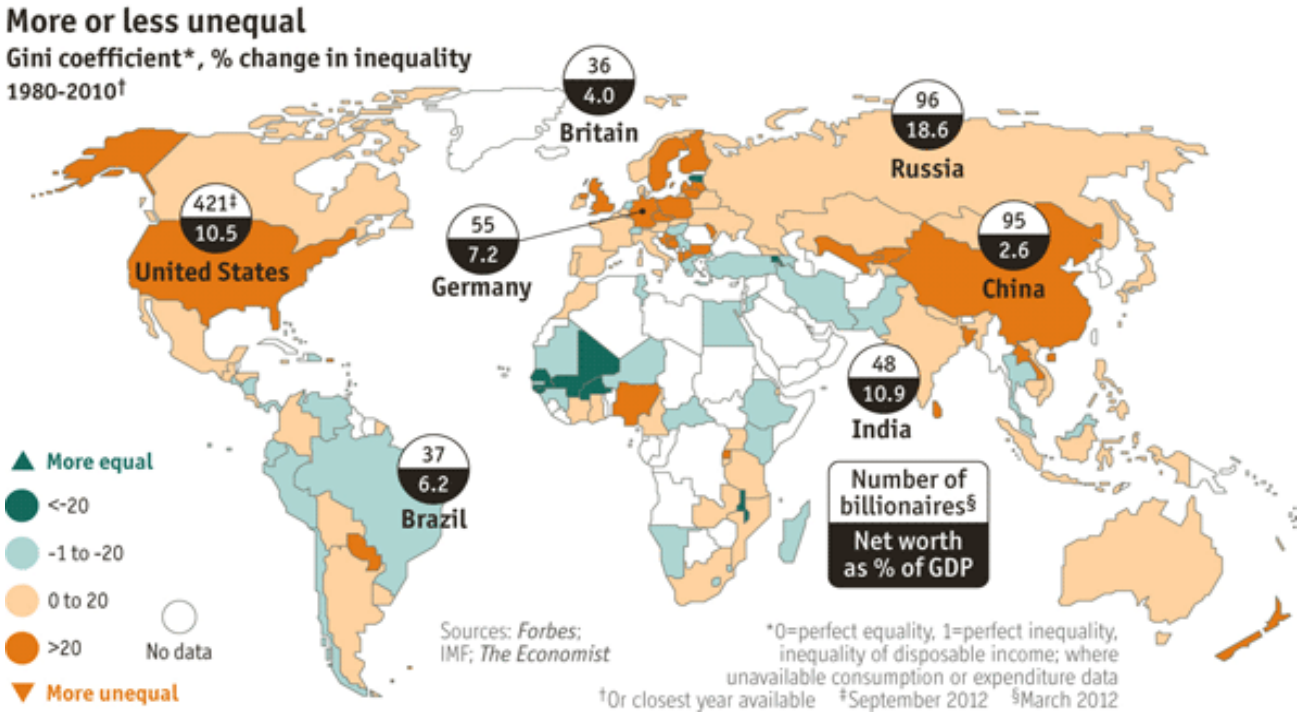
About inequalities (&6)

- What are the impacts of inequality in current societies, and what are the effects and consequences that they generate in them?

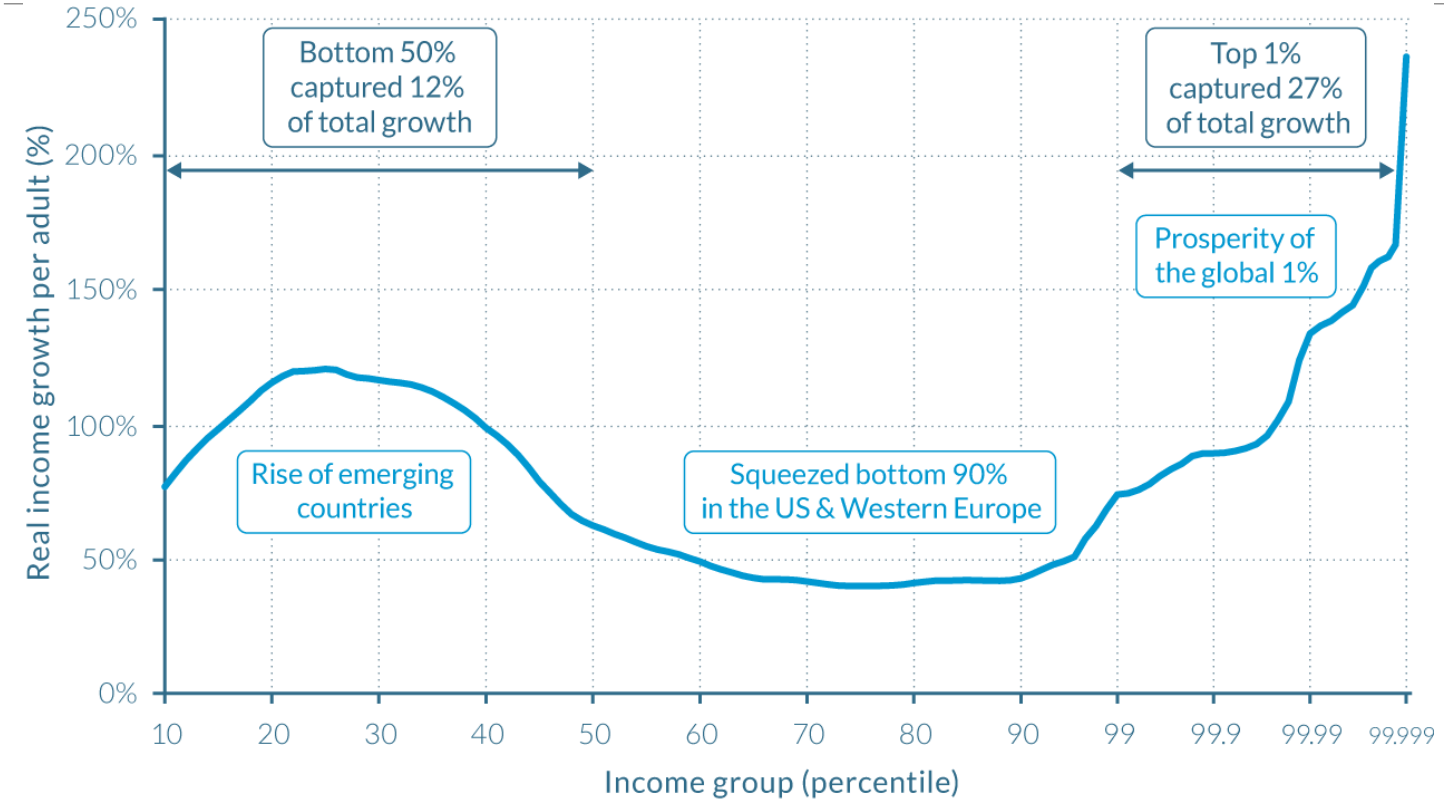


The Consequences of Inequalities

Inequalities impact differently in different countries, but also internally. Inequality is perceived at the state level, but also at the local level (neighborhoods), which is a particularly important challenge for the local world



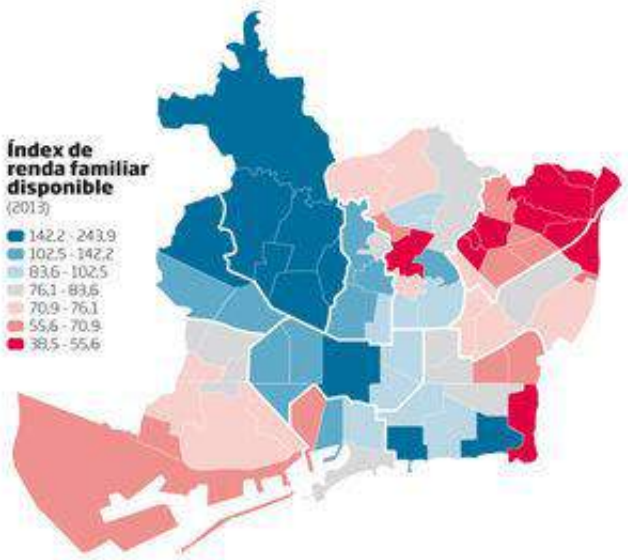
The Consequences of Inequalities

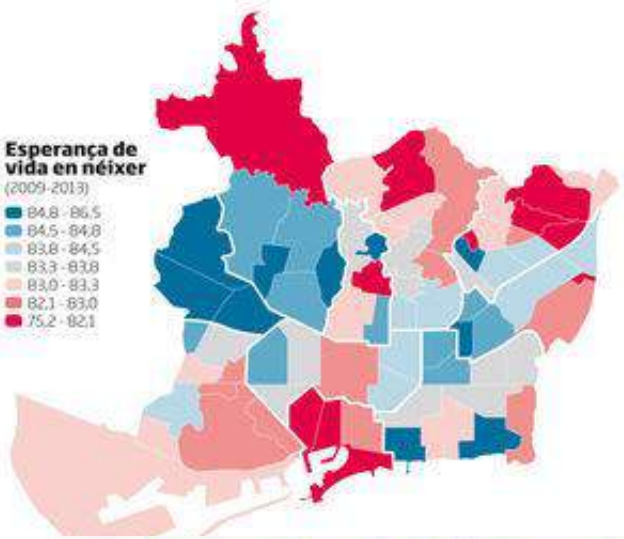


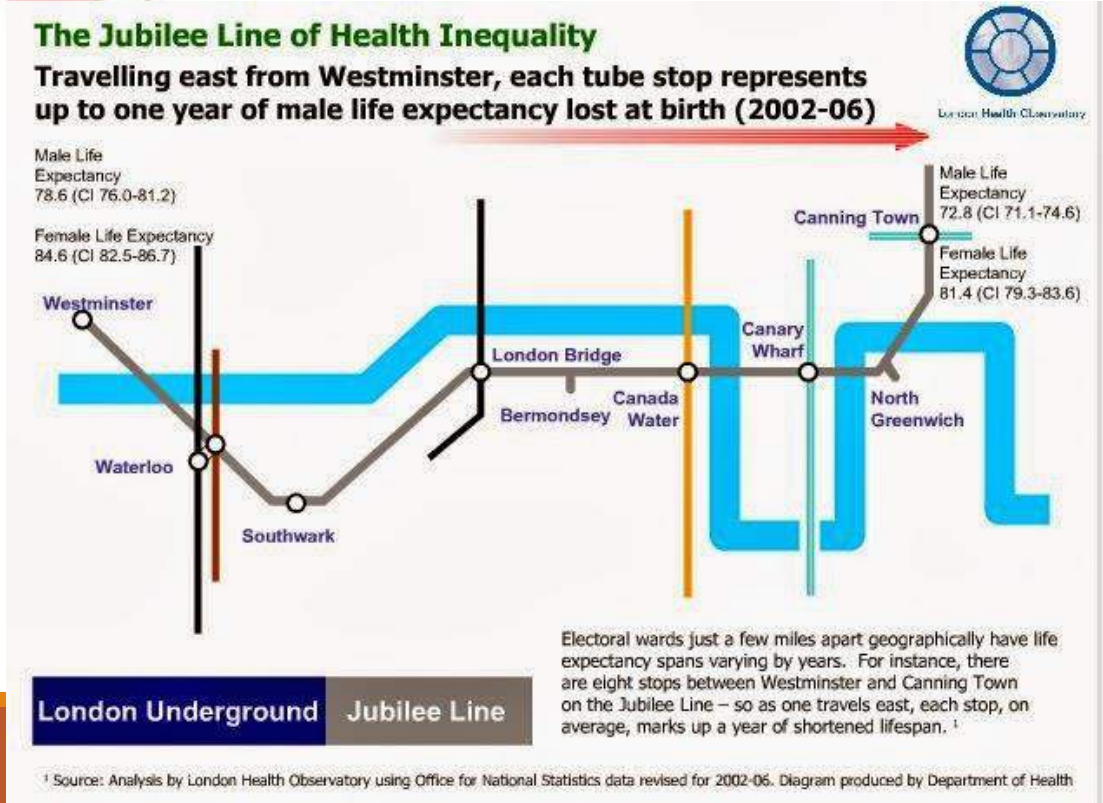
Source: WID.world (2017). See wir2018.wid.world/methodology.html for more details.

On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The Top 1% group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10% among the world's richest 1%), growth was 74% between 1980 and 2016. The Top 1% captured 27% of total growth over this period. Income estimates account for differences in the cost of living between countries. Values are net of inflation.

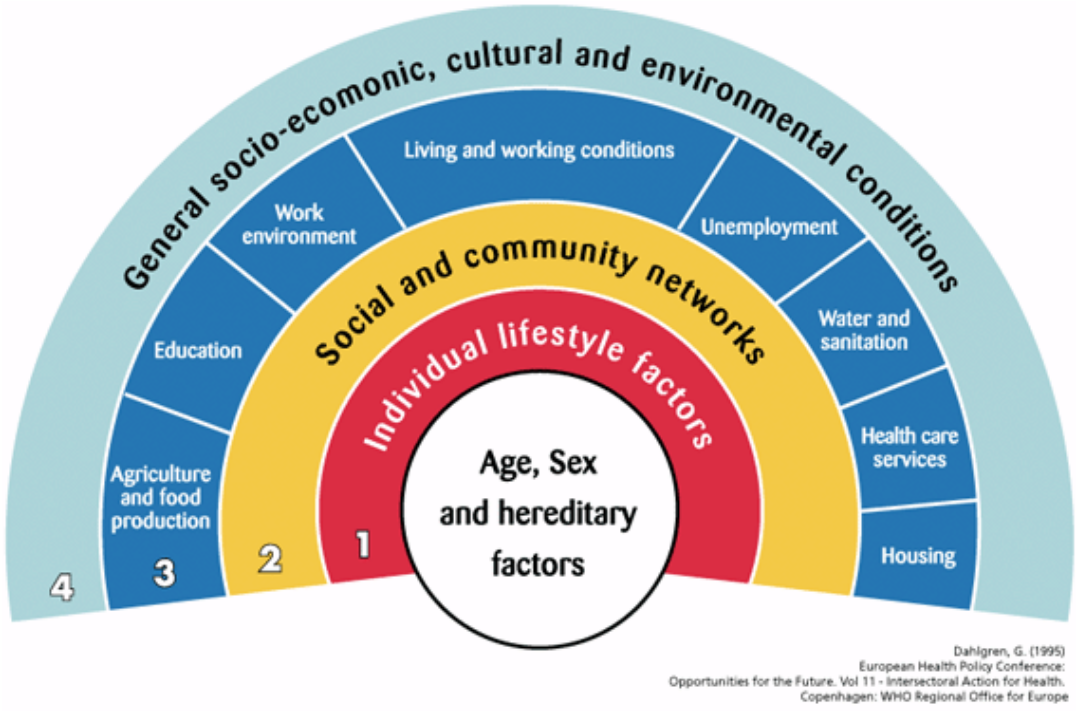
Inequality in internal perspective (income and life expectancy)







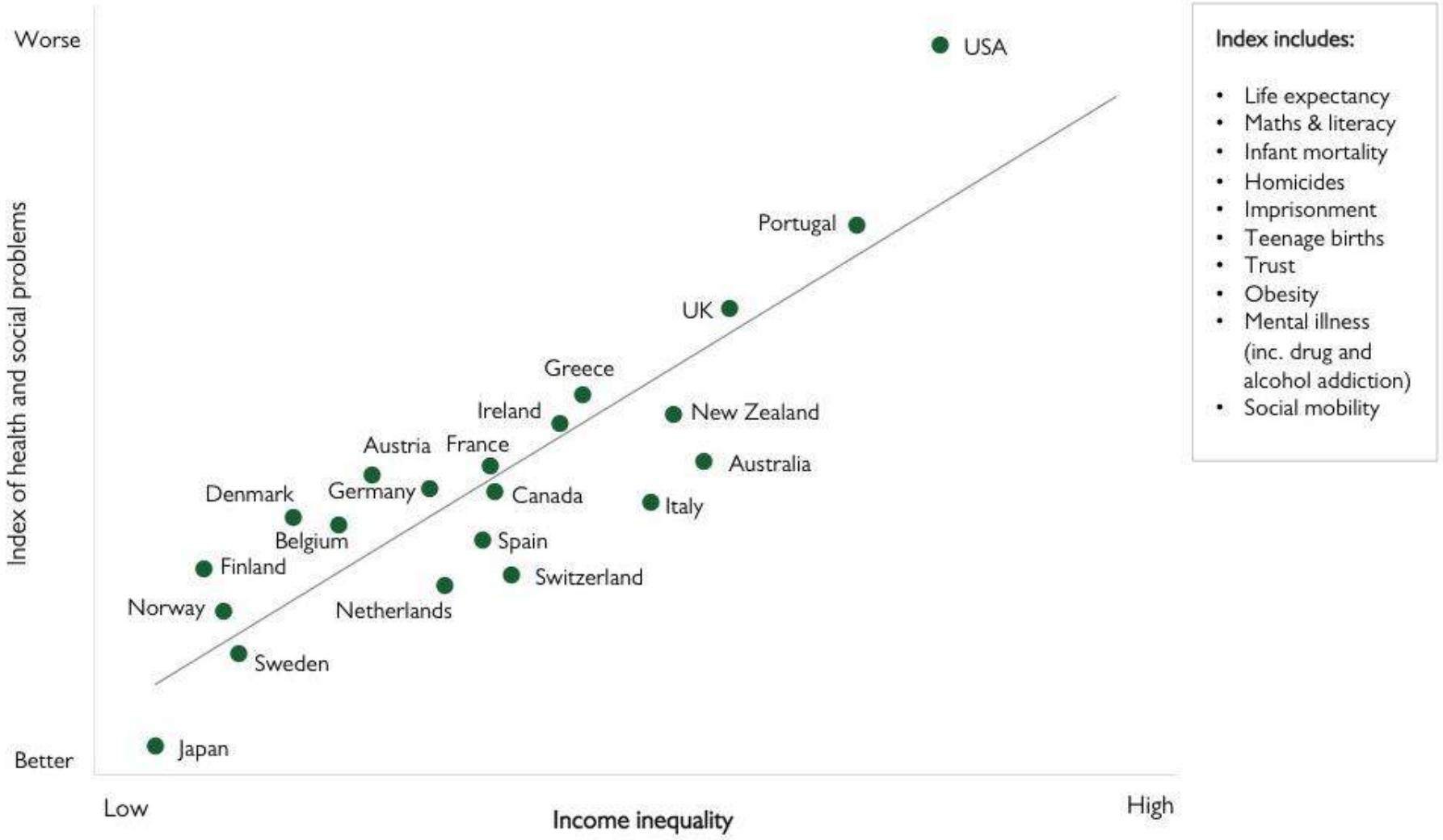
The Consequences of Inequalities (2)



Dahlgren, G. (1995)
European Health Policy Conference:
Opportunities for the Future. Vol 11 - Intersectoral Action for Health.
Copenhagen: WHO Regional Office for Europe

Inequalities affect a society as a whole, but in different groups that are distinguished by issues such as the social group and / or the level of income; sex and gender identity; the age; the nationality; the physical and psychic conditions, etc. These differences are neither limited nor exclusive constructions.

Index of Health and Social Problems vs. Income inequality



Source: Wilkinson & Pickett, The Spirit Level (2009)

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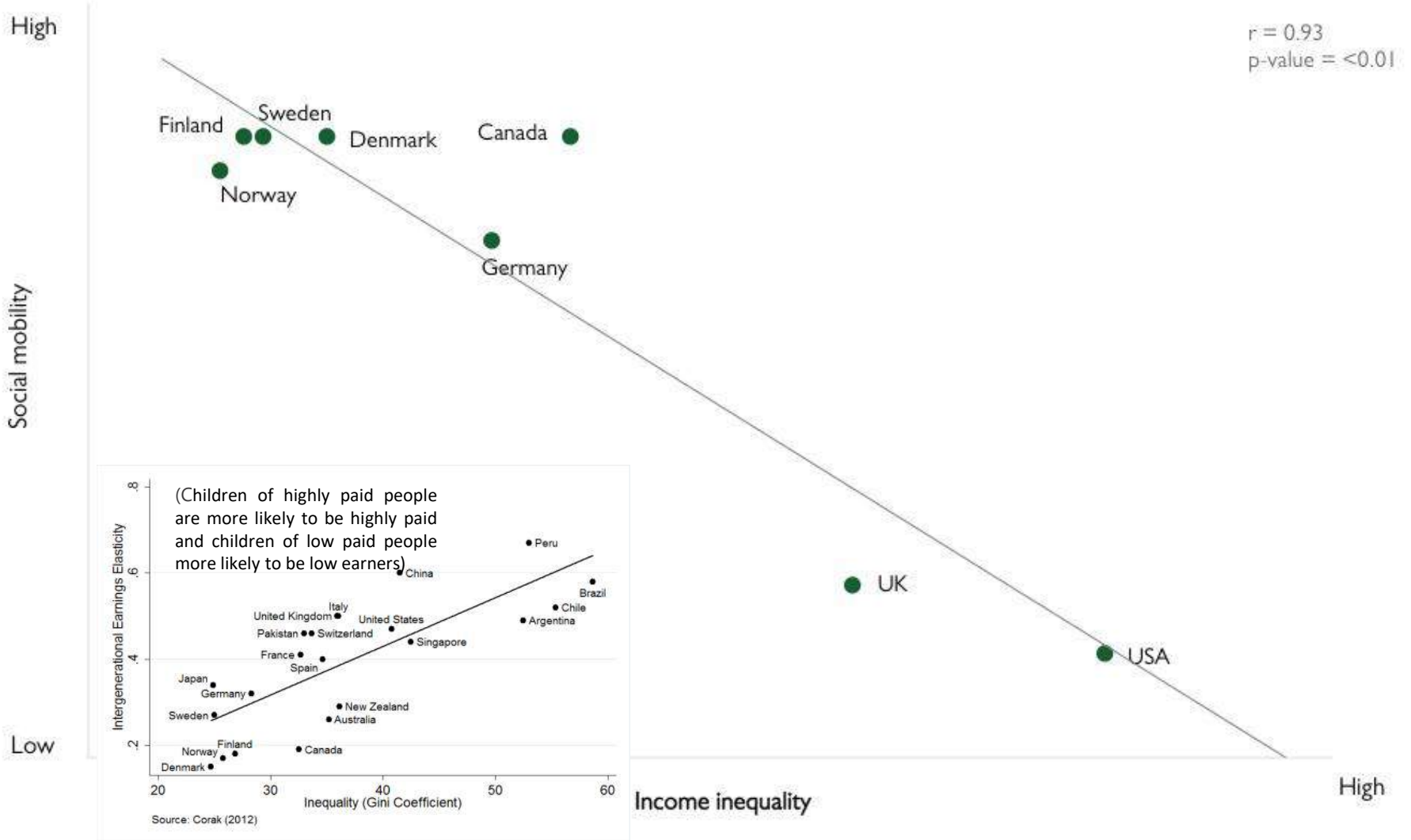
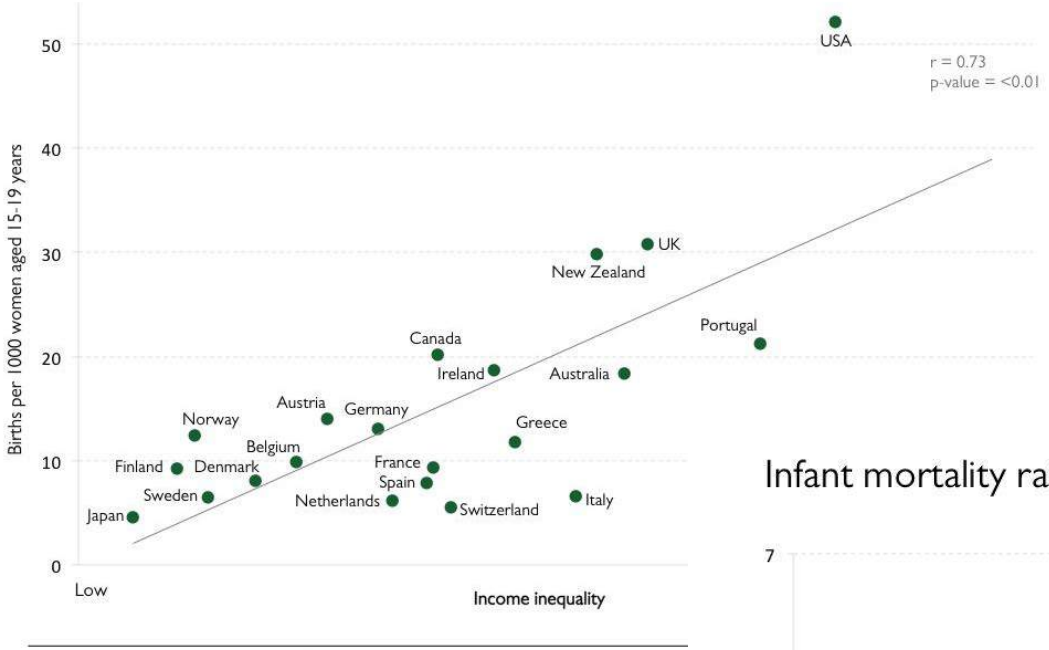
Social mobility and inequality



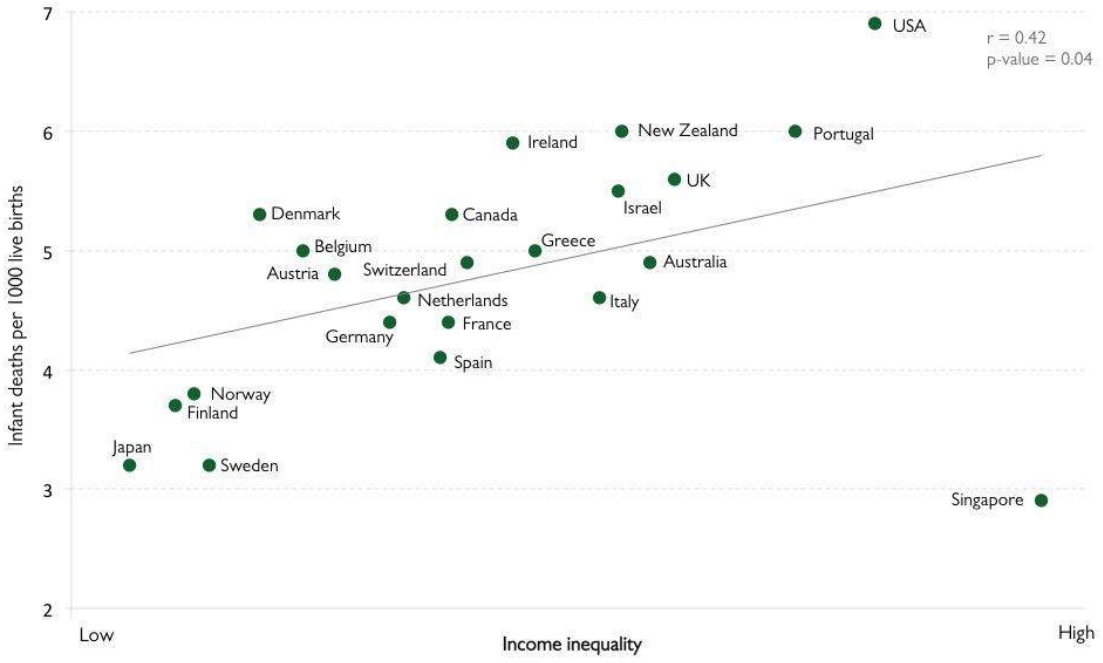
Source: Wilkinson & Pickett, The Spirit Level (2009)

Teenage birth rates are higher in more unequal rich countries



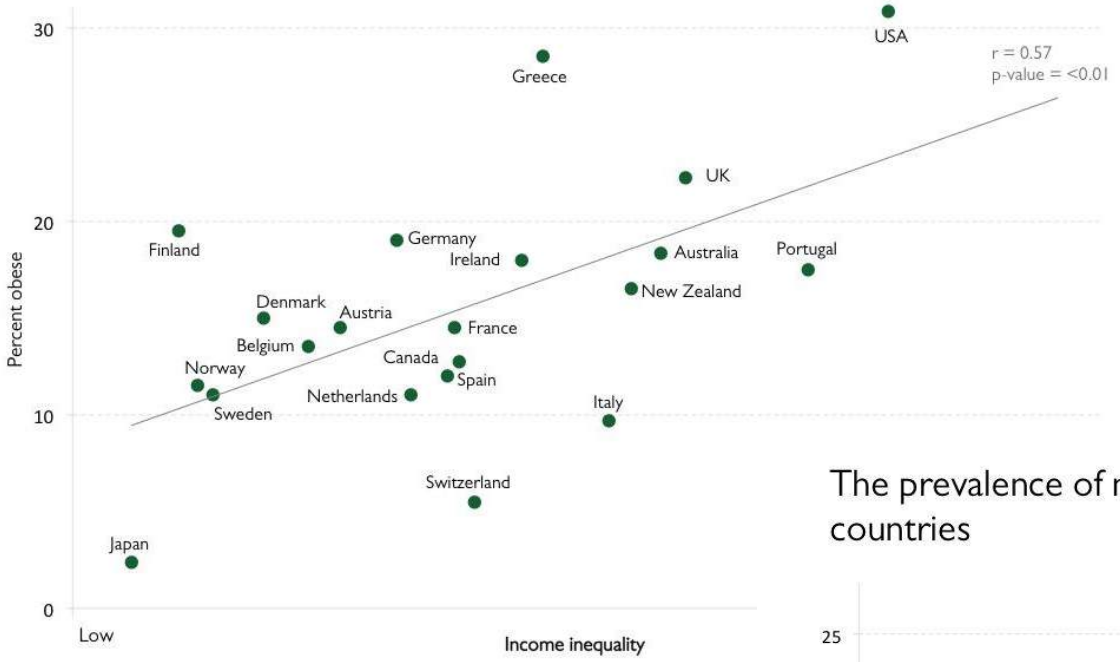
Source: Wilkinson & Pickett, The Spirit Level (2009)

Infant mortality rates are higher in more unequal countries



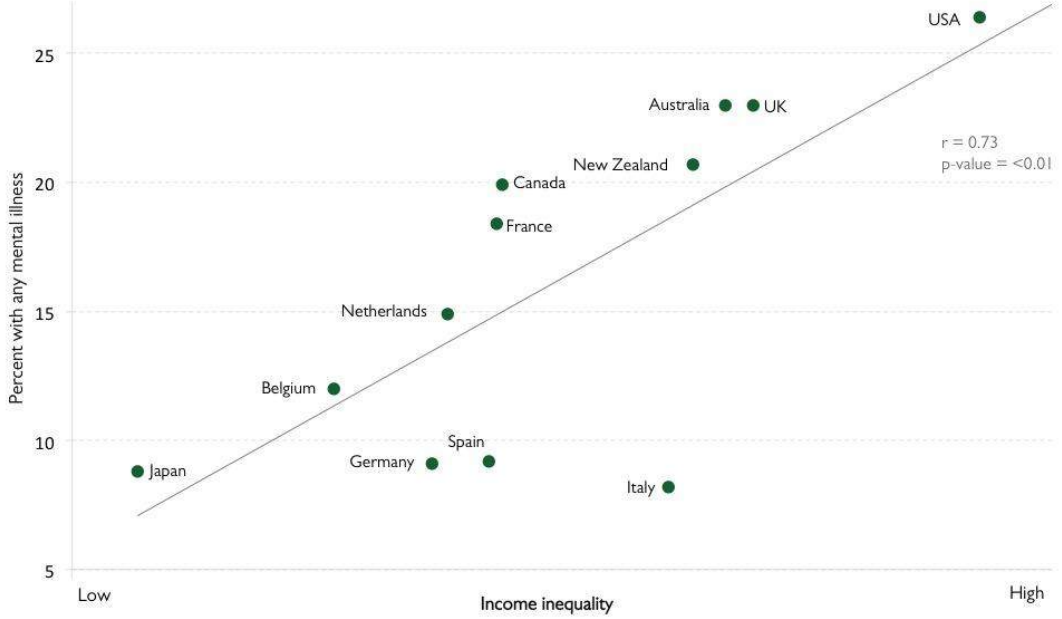
Source: Wilkinson & Pickett, The Spirit Level (2009)

More adults are obese in more unequal rich countries



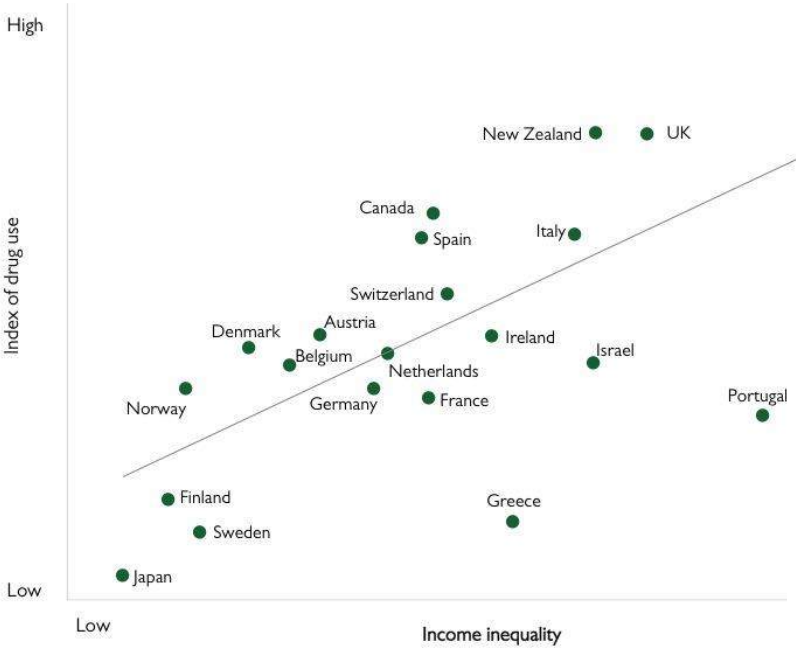
Source: Wilkinson & Pickett, The Spirit Level (2009)

The prevalence of mental illness is higher in more unequal rich countries



Source: Wilkinson & Pickett, The Spirit Level (2009)

Drug use is more common in more unequal countries



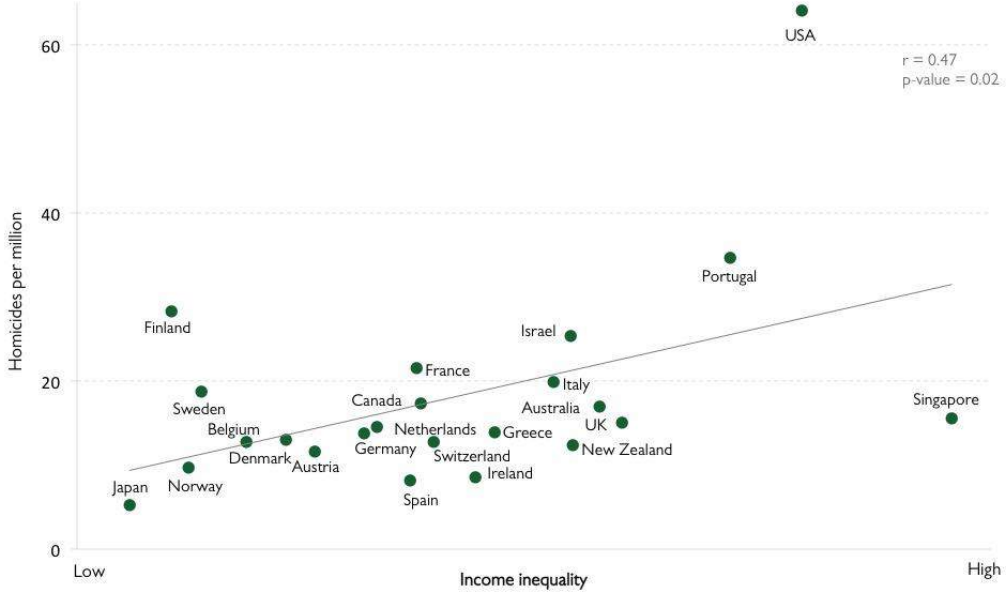
Index includes use of:

- Opiates
- Cocaine
- Cannabis
- Ecstasy
- Amphetamines

r = 0.63
p-value = <0.01

Source: Wilkinson & Pickett, The Spirit Level (2009)

Homicide rates are higher in more unequal rich countries



Source: Wilkinson & Pickett, The Spirit Level (2009)

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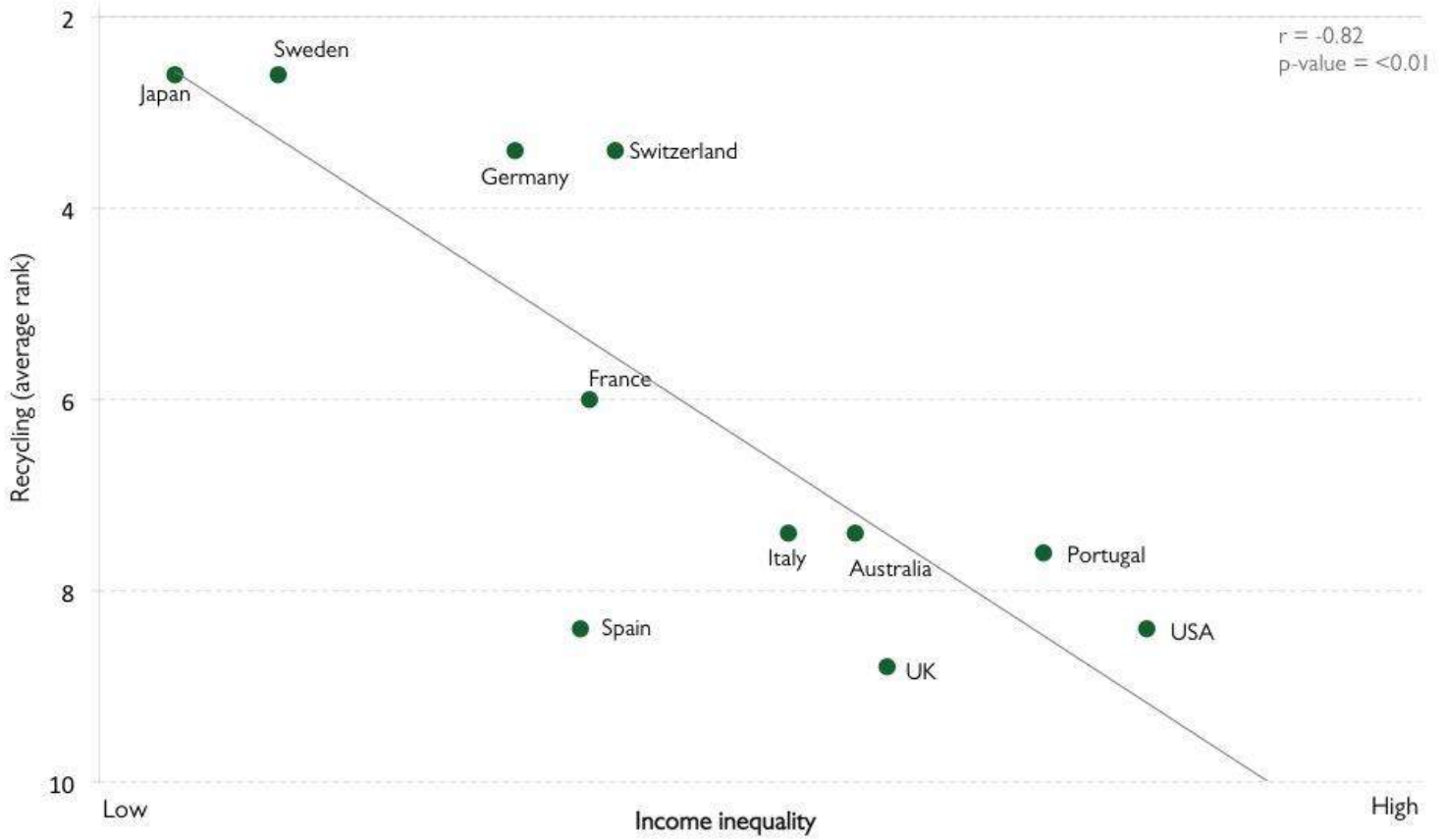
More equal countries rank better (1 is best) on recycling



Source: Wilkinson & Pickett, The Spirit Level (2009)

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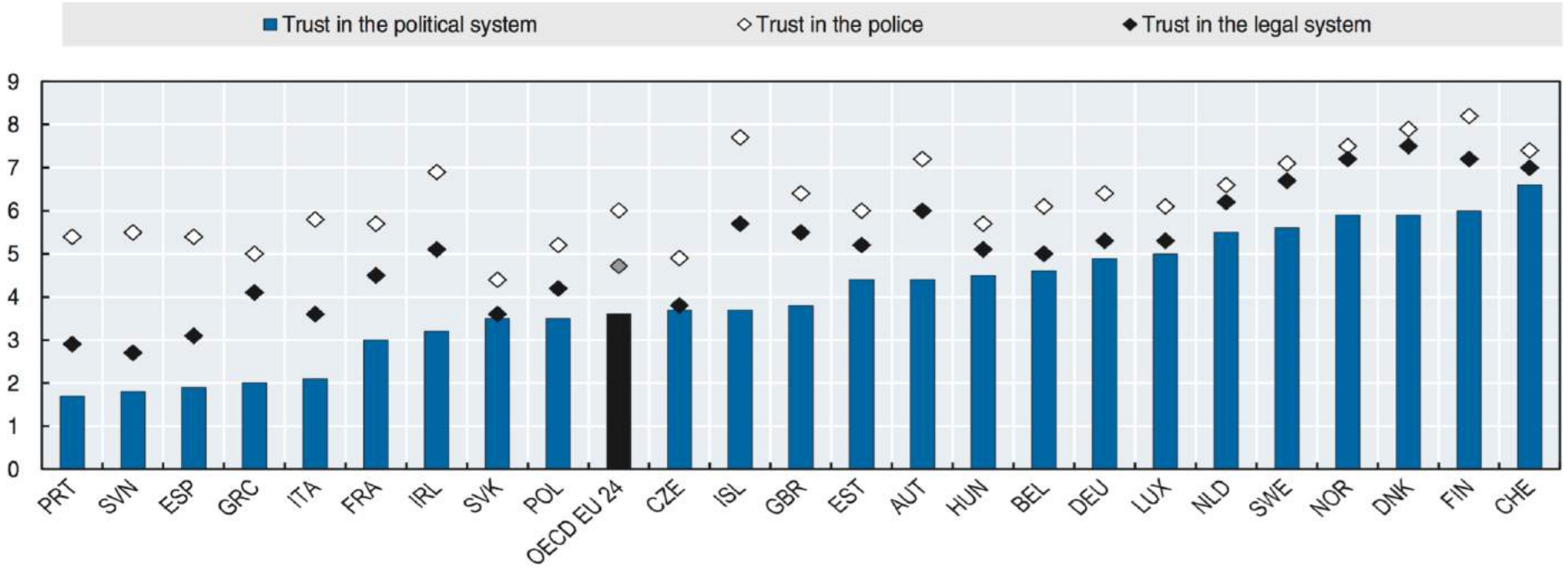
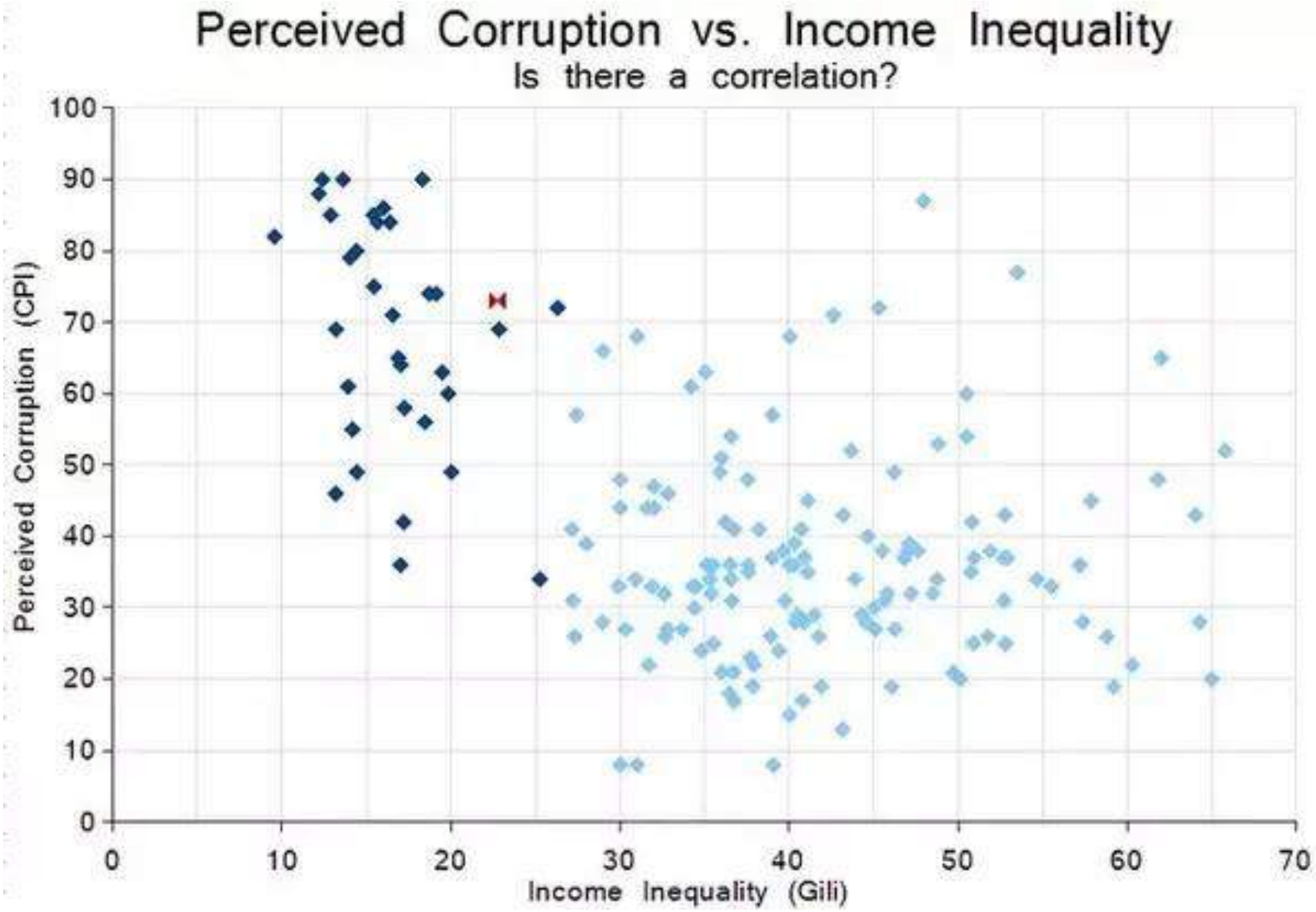
The Consequences of inequalities(&3)

- People from European countries with higher levels of inequality are less likely to help each other in acts of altruism.
- Unequal societies have lower rates of social and civic participation (including a smaller commitment to political parties).
- The highest rates of income inequality are related to lower levels of voter turnout.
- Inequality is related to lower levels of cultural activity.

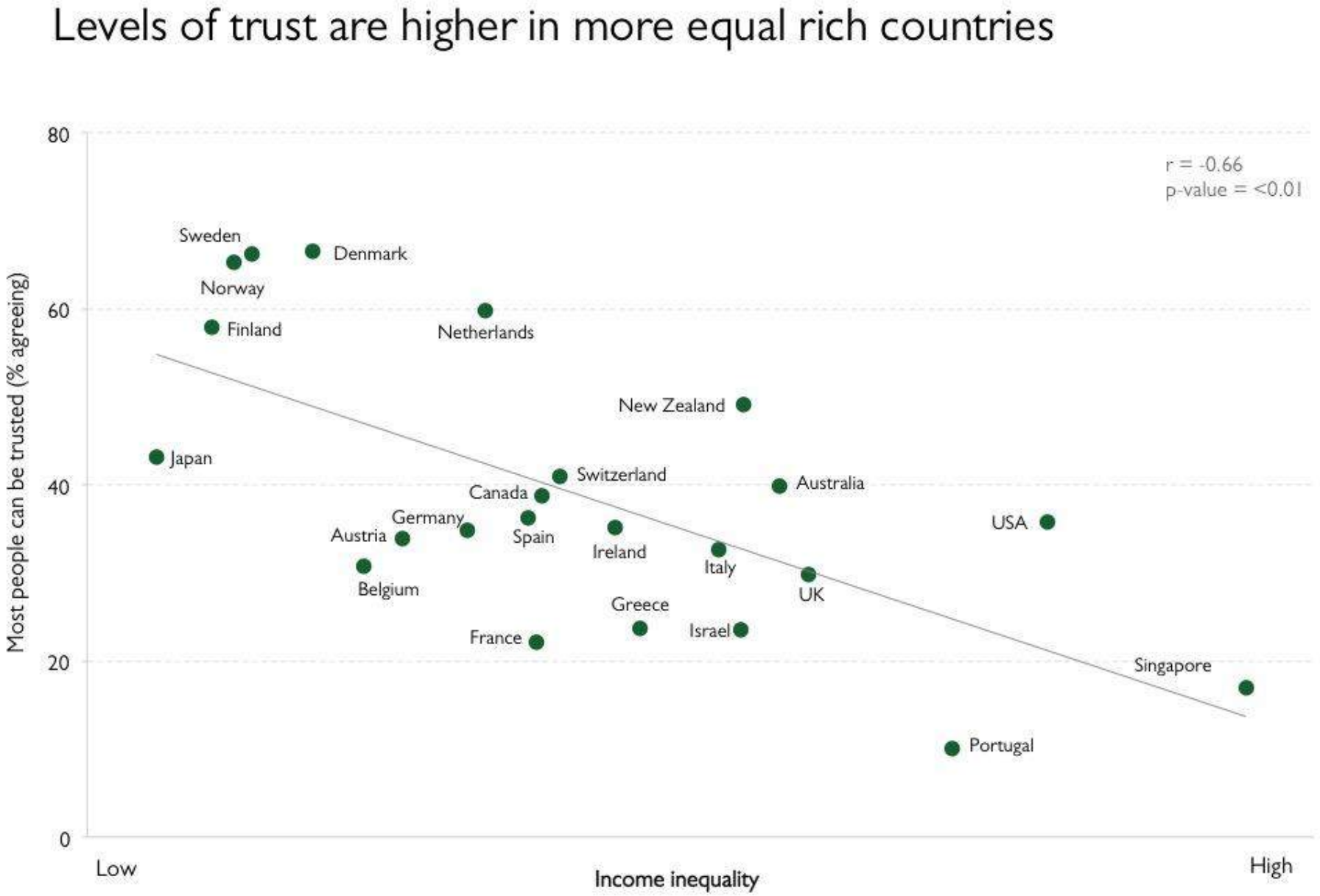


Note: Response options range from 0 ("No trust at all") to 10 ("Complete trust").The OECD EU average is the population-weighted average of the values included in the chart.

Source: Eurostat (2015), European Union Statistics on Income and Living Conditions (EU-SILC), *http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_pw03&lang=en*.


Perceived Corruption vs. Income Inequality
Is there a correlation?
Perceived Corruption (CPI)
100
90
80
70
60
50
40
30
20
10
0
0
10
20
30
40
50
60
70
Income Inequality (Gili)

Trust (citizenship) and inequality



Source: Wilkinson & Pickett, The Spirit Level (2009)

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The Challenge of Inequalities

- Since 1980, income inequality has increased rapidly in North America and Asia, grown moderately in Europe, and stabilized at an extremely high level in the Middle East, sub-Saharan Africa, and Brazil.
- The poorest half of the global population has seen its income grow significantly thanks to high growth in Asia. But the top 0.1% has captured as much growth as the bottom half of the world adult population since 1980.
- Income growth has been sluggish or even nil for individuals between the global bottom 50% and top 1%. This includes North American and European lower- and middle-income groups.
- The rise of global inequality has not been steady. While the global top 1% income share increased from 16% in 1980 to 22% in 2000, it declined slightly thereafter to 20%. The trend break after 2000 is due to a reduction in between-country average income inequality, as within-country inequality has continued to increase.

Source: World Inequality Report 2018

The Challenge of Inequalities (&2)

- The dynamics of global inequality have attracted growing attention in recent years. However, we still know relatively little about how the distribution of global income and wealth is evolving.

- The production of global inequality dynamics is in its infancy and will still require much more work. It is critical that national statistical and tax institutions release income and wealth inequality data in many countries where data are not available currently—in particular, in developing and emerging countries. Researchers also need to thoroughly harmonize and analyse these data to produce consistent, comparable estimates.

Source: The elephant curve of global inequality and growth

Interesting links:

- https://www.equalitytrust.org.uk/about-inequality
- http://www.oecd.org/social/inequality.htm
- https://www.worldbank.org/en/topic/isp
- http://www.un.org/en/development/desa/policy/wess/wess_dev_issues/dsp_policy_02.pdf
- https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2652960/
- https://wid.world/document/elephant-curve-global-inequality-growth-wid-world-working-paper-2017-20/
- https://wir2018.wid.world/executive-summary.html

Thank you for your attention!

gpinyol@Instrategies.eu
@gemma_pinyol