The world has made significant strides in reducing poverty: over the last three decades, more than one billion people have lifted themselves out of extreme poverty. Yet the income share of the poorer half of humanity has barely shifted over this period, despite global economic output more than tripling since 1990. Inequalities undermine economic progress, which in turn exacerbates the social divides that inequalities create.

Inequalities driven by income, geography, gender, age, ethnicity, disability, sexual orientation, class and religion – determining access, opportunities and outcomes – continue to persist, within and among countries. In some parts of the world, these divides are becoming more pronounced. Meanwhile, gaps in newer areas, such as access to online and mobile technologies, are emerging.

In 1992, the UN Development Programme released a chart depicting global income distribution per quintile. The resulting 'champagne glass' image became a symbol of the gap between rich and poor. Nearly 30 years later, the share of the poorest 20 per cent remains under two per cent. Meanwhile, the share of the top one per cent has grown – from 18 per cent in 1990 to 22 per cent in 2016 – and the threshold for being in that category is around $32,000.

Since the global financial crisis in 2008, the number of billionaires has more than doubled. According to Credit Suisse, 82 per cent of all new wealth created in 2018 went to the top one percent. None went to the bottom half of humanity. A host factors – stagnant wages and falling share of labour income, gradual decline of the welfare state in developed economies, inadequate social protection in developing countries, changes in taxation, financial market deregulation, rapid technological change and automation, among others – explain the rising income and wealth inequality.

While inequality has gone up in many countries over the past three decades, it has fallen in others. In Latin America and the Caribbean, there has been a considerable decline, although levels remain high. In many advanced industrial economies, inequality rose modestly from relatively low levels. A number of Eastern European countries saw sharp increases in inequality as they underwent political transitions. In parts of the Middle East, the gap has narrowed but grown for particular groups.

In Africa and Asia, trends have been more varied, with greater similarities between emerging economies or landlocked developing countries, and between rural or urban areas, than within regions. On the whole, more than two thirds of the world population are now experiencing rising income and wealth inequality, which is significantly undermining the prospects for sustainable development.
There are also inequalities within communities – and families. Up to 30 per cent of income inequality is due to inequality within households. While gender inequalities have been shrinking – the gender pay gap, for instance, has decreased in the last couple of decades – women still experience significant disparities economically, legally, politically and socially.

Meanwhile, children continue to make up a significant proportion (around half) of the world’s poor, even as targeted efforts to reduce child mortality and boost education have led to better outcomes in most parts of the world. And groups such as indigenous peoples, migrants and refugees and ethnic and other minorities continue to suffer from discrimination and marginalisation.

The impacts of inequality go far beyond purchasing power. Inequalities can affect a person’s life expectancy and access to basic services such as healthcare, education, water and sanitation. They can curtail a person’s human rights, through discrimination, abuse and lack of access to justice, for example. High level of inequality discourages skills accumulation, choke economic and social mobility and human development and, consequently, depress economic growth. It also entrenches uncertainty, vulnerability and insecurity, undermines trust in institutions and government, increases social discord and tensions and trigger violence and conflicts.

There are growing evidence that high level of income and wealth inequality is propelling the rise of nativism and extreme forms of nationalism. Inequality also undermines the capacities of individuals and communities to cope with climate change adaptation and mitigation. Recent populist reactions to carbon tax demonstrates that it will be increasingly difficult to pursue bold climate action, without addressing the root causes of inequality.

While technology can be a great equaliser – by enhancing connectivity, financial inclusion, access to trade and public services, for instance – those yet to be connected may experience further marginalisation as a result, especially as progress is slowing, even reversing, among some constituencies.

There is growing consensus that the narrow focus on economic growth – while ignoring its distributional consequences – has resulted in high levels of income and wealth inequality in many regions of the world. Data presented in the 2019 Multidimensional Poverty Index showed little association between poverty and levels of economic inequality. It revealed that two-thirds of the world’s poor now live in middle-income countries.

According to Oxfam, if today’s level of inequality continues, the global economy would have to be 175 times bigger for everyone to earn more than $5 a day. There is a clear need to pursue inclusive, equitable and sustainable growth, ensuring a balance among economic, social and environmental dimensions of sustainable development.

For example, since the late 1970s, income inequality has returned to the high levels of a century ago in English-speaking advanced economies. It did not increase so sharply in continental European countries.

In 2015, world leaders adopted the 2030 Agenda for Sustainable Development, which includes 17 goals to build more peaceful, just and sustainable societies. Recognising that inequalities threaten long-term socio-economic development, and can breed violence, disease and environmental degradation, one of the goals – Goal 10 – is dedicated to reducing inequalities and narrowing disparities of opportunity, income and power.
Its targets include eliminating discriminatory laws and policies, improving regulation of global financial markets, facilitating safe and orderly regular migration and enhancing inclusion in decision-making – nationally and internationally. Between 2010 and 2016, the incomes of the poorest 40 percent of the population grew faster than those of the entire population in 60 out of 94 countries with data. This shows inequality is neither inevitable nor irreversible.

Inequality takes many forms and varies significantly across countries. While SDG 10 and its targets provide a framework, the fight against inequality must be rooted in country-contexts, economic imperatives and political realities. There is no scope for a one-size fits all approach. Generating greater awareness and forging broader policy support, targeting and reprioritizing public expenditures to reduce inequality in access and opportunities, reorienting tax and fiscal frameworks to reduce intra and inter-generational income and wealth inequalities and managing rapid technological change will remain critical for combating the scourge of inequality in all forms and manifestations.

FOR MORE INFORMATION

- The Sustainable Development Goals
- UNDP | Global Multidimensional Poverty Index
- UN DESA | Inequality
- UN University | World Income Inequality Database