



THE COMMITMENT TO REDUCING INEQUALITY INDEX 2022

Jo Walker, Matthew Martin, Emma Seery, Nabil Abdo,
Anthony Kamande, Max Lawson



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The 2022 Commitment to Reducing Inequality (CRI) Index is the first detailed analysis published looking at governments' policies and actions to fight inequality during the first two years of the pandemic. It reviews the spending, tax and labour policies and actions of 161 governments during 2020–2022.

COVID-19 has increased inequality worldwide, as the poorest were hit hardest by both the disease and its profound economic impacts. Yet the CRI 2022 Index shows clearly that most of the world's governments failed to mitigate this dangerous rise in inequality. Despite the biggest global health emergency in a century, half of low-and lower-middle-income countries saw the share of health spending fall during the pandemic, half of the countries tracked by the CRI Index cut the share of social protection spending, 70% cut the share of education spending, while two-thirds of countries failed to increase their minimum wage in line with gross domestic product (GDP). Ninety five percent of countries failed to increase taxation of the richest people and corporations. At the same time, a small group of governments from across the world bucked this trend, taking clear actions to combat inequality, putting the rest of the world to shame.

[Methodology note](#)

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EXECUTIVE SUMMARY

COMMITMENT TO REDUCING INEQUALITY (CRI) INDEX 2022: MOST GOVERNMENTS DOING LITTLE TO FIGHT MORE EXTREME POST-COVID-19 INEQUALITY

The Commitment to Reducing Inequality (CRI) is a ranking of 161 governments worldwide on the extent to which they are taking steps to reduce inequality. The index ranks governments' efforts based on actions in three areas or pillars vital to reducing the level of inequality: social spending, taxation, and labour.

The 2022 Commitment to Reducing Inequality (CRI) Index is the first detailed analysis published looking at governments' policies and actions to fight inequality during the first two years of the pandemic. It reviews the spending, tax and labour policies and actions of 161 governments during 2020–2022. The findings are shocking.

COVID-19 has increased inequality worldwide, as the poorest and most vulnerable people were hit hardest by both the disease and its profound economic impacts.¹ Yet the CRI 2022 shows clearly that most of the world's governments failed to take major concrete steps to mitigate this dangerous rise in inequality.

- **Despite the biggest global health emergency in a century, half of low- and lower-middle-income countries cut health spending during the pandemic.**
- Despite widespread destitution caused by the pandemic, **half of the countries tracked by the CRI actually cut social protection spending**, and 70% cut education spending.
- Despite big losses in tax revenue, and huge increases in the wealth of the richest people and corporations during the pandemic, **143 countries out of 161 failed to increase taxation of the richest people**, and 11 countries inexcusably cut taxes on rich people.
- Two-thirds of countries failed to increase their minimum wage in line with gross domestic product (GDP).

The CRI also demonstrates that some governments from countries of every income level have chosen to use their policy space to take clear steps to fight inequality. The actions are an example to the world, demonstrating that inequality is a policy choice, and shaming the majority of countries that are failing to act. To give some examples:

- The Occupied Palestinian Territory increased anti-inequality social spending from 37% to 47% of its budget; and Nepal increased health spending by more than half between 2019 and 2021.
- Costa Rica increased its top rate of income tax by 10 percentage points, and Argentina and Bolivia introduced wealth and solidarity taxes on their wealthiest citizens.
- Barbados introduced a comprehensive set of laws to improve women's labour rights, and the Maldives introduced a nationwide minimum wage for the first time.
- The pandemic is now being compounded by a cost-of-living crisis that has engulfed ordinary people worldwide, driving millions into hunger and crippling the finances of governments all over the world. Rising interest rates and a strengthened dollar are

exacerbating a profound debt crisis. In 2021, low- and middle-income countries spent 27.5% of their budgets on debt service, which was twice their education spending, four times health spending and nearly 12 times social protection spending. Every 1% increase in the rate of interest can represent another \$35 bn in interest payments that must be made by low- and middle-income countries to rich creditors.

The world was extremely unequal before the pandemic. It is even more unequal now. Unless urgent action is taken by governments and the international community, the profound increase in inequality and poverty driven by COVID-19 will rapidly become permanent, and governments will lose a decade in fighting it.

As the world faces this new crisis, which is already causing immense suffering worldwide, governments and international institutions must learn fast from their failures during COVID-19, which the CRI 2022 documents so clearly. They must act now to protect and increase social spending, not cut it. They must protect the rights of workers and ensure living wages. And more than anything else they must substantially increase the tax paid by the richest people and corporations. Only by doing this can they begin to halt and to reverse the inequality explosion.

None of this is inevitable. Inequality is a policy choice. Even in the midst of these multiple crises, some governments are showing that another way is possible. That the road to greater equality is a practical alternative journey that can be taken by all nations. Never has taking this road been more urgent.

THE CRI INDEX 2022: METHODOLOGY AND RESULTS

This fourth edition of the CRI Index ranks 161 governments on their commitment to reduce inequality.² It measures their policies and actions in three areas proven to have a major impact on reducing inequality³: 1) public services (health, education, and social protection); 2) taxation; and 3) workers' rights. As in 2020, each pillar contains three levels of indicator, which measure: 1) policy commitments; 2) coverage or implementation of these commitments; and 3) their impact on inequality. There have been no changes in methodology between the 2020 and 2022 indexes, and this report therefore focuses on changes in country rankings and policies between the two, largely comparing pre- and post-COVID-19 policies.⁴

Figure 1:
Structure of the CRI Index. Note: Value added tax (VAT), personal income tax (PIT and corporate income tax (CIT).

	PUBLIC SERVICES SPENDING	TAX PROGRESSIVITY	LABOUR RIGHTS AND WAGES
Policy indicators	<ul style="list-style-type: none"> PS1a Education PS1b Health PS1c Social protection 	<ul style="list-style-type: none"> T1a-Personal income tax T1a-Corporate income tax T1a-Value added tax T1b-Harmful tax practices 	<ul style="list-style-type: none"> L1a Labour rights L1b Women's labour rights L1c Minimum wage
Implementation or coverage indicators	<ul style="list-style-type: none"> PS2a Secondary education completion by poorest quintile PS2b Universal health coverage and out-of-pocket expenditure PS2c Pension coverage 	<ul style="list-style-type: none"> T2 Tax productivity across VAT, PIT & CIT 	<ul style="list-style-type: none"> L2a Unemployment L2b Vulnerable employment
Impact indicators	<ul style="list-style-type: none"> PS3 Impact of spending on inequality (Gini) 	<ul style="list-style-type: none"> T3 Impact of tax on inequality (Gini) 	<ul style="list-style-type: none"> L3 Impact of labour income (wage) on inequality (Gini)
Total CRI score	Average of 3 pillar scores		

OVERALL RESULTS

THE TOP AND BOTTOM PERFORMERS

Norway leads the CRI as in 2020, followed by Germany and Australia, which has risen from 16th to 3rd. All of the top 10 are wealthy OECD countries. One reason is that wealthier countries have much more scope to collect tax revenues because they have more citizens and corporations with higher incomes; this also gives them greater scope to spend those revenues on public services and social protection.

But even countries at the top could improve a lot. Norway ranks only 12th on public services: it spends less of its budget on education and health than most OECD countries and has not achieved universal secondary education or healthcare. It is only 15th best on tax, having cut top personal and corporate income tax rates sharply in the 2000s – though a temporary cut in its very high VAT rate on food helped to reduce inequality during COVID-19. And it has fallen from 1st to 3rd on labour because its minimum wage has been rising more slowly than its GDP. Germany scores high in labour rights and had a recent sharp minimum wage increase; but its education spending remains low and VAT high. Australia’s sharp rise is due to strong, new anti-tax dodging measures, and a high minimum wage rise in July 2022; but it has short and poorly paid parental leave and comes only 40th on labour.

On the other hand, the bottom performers are all lower-income countries, many of which are (or have recently been) severely affected by internal conflict and political instability. South Sudan continues to be bottom of the CRI index and Nigeria second from bottom. Both still perform badly on all the index pillars, though Nigeria has slightly improved its tax score by excluding small traders from paying VAT. Guinea and Sierra Leone have fallen into the bottom 10 because they have cut corporate income tax rates; Uganda due to sharp falls in social spending’s share of the budget; and Côte d’Ivoire due to a fall in tax productivity.

Table 1.0. Top and bottom performers and raisers and fallers.

Top 10		Bottom 10		Risers		Fallers	
1	Norway	161	South Sudan	Tajikistan	+37	Afghanistan	-36
2	Germany	160	Liberia	Maldives	+33	Togo	-35
3	Australia	159	Nigeria	Bhutan	+30	Honduras	-34
4	Belgium	158	Haiti	Moldova	+29	Yemen, Rep.	-32
5	Canada	157	Guinea	Morocco	+29	Guyana	-28
6	Japan	156	Madagascar	Singapore	+27	Georgia	-27
7	Denmark	155	Côte d’Ivoire	Egypt	+26	Eswatini	-26
8	New Zealand	154	Central Africa Republic	Mauritius	+25	Hong Kong SAR, China	-26
9	Slovenia	153	Sierra Leone	Korea, Rep.	+22	Bolivia	-22
10	Finland	152	Uganda	Occupied Palestinian Territory, Palestine	+19	Seychelles	-22

The picture looks very different in terms of the major risers and fallers, with much more mixed country income levels, showing in particular that any country can rise significantly in the CRI by

taking anti-inequality policy measures. The risers include one low-income country (Tajikistan, due to a big rise in personal income tax collection) and four lower-middle-income countries (Moldova, which increased paternity/parental leave and reduced unemployment and vulnerable employment; Bhutan, which moved from regressive sales taxes to more neutral VAT, and increased its top personal income tax rate; Occupied Palestinian Territory (OPT), which sharply increased social spending and the minimum wage; and Egypt which introduced its first national minimum wage). Other key anti-inequality policy changes were the Maldives' new progressive income tax, and South Korea's increased social spending and pension coverage in recent years.⁵

The fallers include one high-income country and one region (Seychelles and Hong Kong SAR, China) and two upper-middle-income countries (Georgia and Guyana). Eight of the ten biggest fallers reflect collapses in tax revenues, mainly as a result of COVID-19. However, other key policy changes which are exacerbating inequality are a collapse in women's labour rights in Afghanistan, Togo's failure to increase its minimum wage since 2012, and falls in the proportion of the budget going to social spending (and as a result in coverage of public services) in Eswatini, Honduras, the Seychelles, and Hong Kong SAR, China – all but the latter reflecting rapid rises in debt service which are crowding out social spending.

Box 1: The Good Guys and the Bad Guys: Which countries are committed to reducing inequality and which countries are failing?

Those that have moved up

The Occupied Palestinian Territory (OPT) has jumped up 19 places even in the midst of fragility. During the pandemic, the Territory increased the health budget's share by a third, social protection by more than half and education's share by one-tenth. In recent years, it has halved proportion of its citizens who pay more than 10% of their income for health care. And for the first time in 10 years, OPT increased its minimum wage by 33% of per capita GDP.

South Korea has moved up 22 positions in this year's index, the highest rise in the OECD. The country improved spending in public services, strengthened service coverage (allowing nine in 10 of the poorest children to complete secondary education, the highest rate globally), and reduced catastrophic out of pocket health spending by 45%. During the early stages of the pandemic, it increased tax on the richest and ended major tax haven-like behaviour. This improvement reflects the commitment of the previous government: it remains to be seen whether the new government will maintain it.

Senegal has moved 10 places up in the index. It increased share of education budget by one fifth and social protection by a third%, making it the most committed to spending on anti-inequality public services in West Africa. However, health spending (5% of the budget) is still very low. Senegal has one of the highest tax rates on the richest in West Africa at 40% and has increased its tax collection by 12% by eliminating tax exemptions and combating tax dodging.

In his speech to the nation in September 2022, Senegalese President Macky Sall restated his political will and commitment to reducing social, economic, and geographic inequalities, especially by improving people's access to social services including health, education, and sanitation. It remains to be seen whether these declarations will translate into results and not just announcements intended to appease the population in the context of troubled and growing opposition to his third term.

Those that have fallen

Bulgaria dropped 20 places in the CRI and went down across all the three pillars. Bulgarian's tax system is one of the most regressive in the world. The VAT rate is twice as high as the income tax rates on the richest and corporations who pay just 10%, and there are no measures to make the VAT less regressive. All the income groups face the same income tax rates regardless of the level of income. Bulgaria slightly cut social protection budget share. The rate of catastrophic out of pocket expenditure has risen by three-quarters to become the ninth highest in the world. Bulgaria's minimum wage fell by one tenth as a proportion of GDP, ranking it only 88th on minimum wages.

Sri Lanka, now engulfed in political and economic turmoil, has gone down 17 places in this year's index. It is the sixth lowest public services spender out of 161 countries and has been cutting the already low health and education budget shares by one-fifth each since 2019, due to a growing debt crisis which is absorbing 60% of its budget. Sri Lanka is collecting just 16% of its potential revenue from tax revenue, reflecting cuts in tax rates and granting of exemptions to massive projects in recent years. The pandemic alone has increased poverty by 27%.

Ghana, now in economic turmoil and in debt distress, has slipped 7 positions in the Index, and 25 places on public services. The combined budget shares on education, health, and social protection, already among the lowest in the world, have been cut dramatically as they are crowded out by rising debt service. In 2022, with the country on the brink of a full-blown debt crisis, more austerity measures were announced that threaten to further undermine investment in public services and social protection.⁶ About 17 million Ghanaians do not have coverage of even the most basic healthcare services. The minimum wage has also fallen by one-tenth as a proportion of GDP, ranking Ghana only 130th globally on this indicator and 133rd on the labour pillar trends.

RESULTS FROM THE THREE PILLARS

PILLAR 1: PUBLIC SERVICES – SPENDING SHARE OF HEALTH AND SOCIAL PROTECTION FALLS DESPITE COVID-19 PANDEMIC

This pillar looks at government actions to fight inequality through public education, health, and social protection services. As in 2020, it looks in turn at spending as a percentage of the government budget; coverage and equity of services provided; and the impact spending is having on inequality.

OVERALL PUBLIC SERVICES PILLAR RESULTS

The top 20 countries on this pillar are all high-income. At the top, Poland puts as much money into the pockets of the poorest people through public services as they earn in the market. Before the war, Ukraine had risen from 24th to 21st due to sharp increases in education and health spending, showing that a lower-middle-income country could compete with the highest-income countries on inequality-busting public services. Two other lower-income countries have risen significantly since the last CRI: OPT, which has dramatically increased social spending and pension coverage; and Mozambique, which has increased education spending sharply since 2019 and is the highest ranking low-income country in the pillar.

At the bottom on this pillar are lower-income countries performing poorly on the share of the budget they allocate to social services, their coverage, and their impact on inequality. South Sudan at the bottom has seen a fall in the proportion of its spending going to education and health since

2019, and Ghana, Honduras, Eswatini, and the Seychelles are all countries that have fallen sharply in the rankings due to spending cuts brought on by growing debt burdens and austerity.

SPENDING ON PUBLIC SERVICES FALLS AS A SHARE OF BUDGETS DESPITE THE COVID-19 PANDEMIC

The CRI measures the share of government budgets going to anti-inequality spending; the fact that many governments even failed to maintain the share of budgets going to critical spending on health and social protection during the pandemic is a damning indictment of their commitment to protecting their citizens. Those countries that instead did the right thing and did all they could to increase spending on helping their citizens get through this terrible experience are to be commended.

On average since the 2020 index (and during the COVID-19 period) the share of budgets allocated to education, health, and social protection combined has fallen by nearly 1 percentage point, with over half of countries cutting it and only 19 increasing it by more than 5 percentage points. Costa Rica ranks top, spending 67% of its budget on these sectors, and Iran, Uzbekistan, Argentina and Moldova also stand out as top-performing less wealthy countries. At the bottom are poorer countries with little commitment to fighting inequality, notably four South Asian countries, and Uganda and Guinea-Bissau, which have fallen into the bottom 10 due to large spending cuts. Shockingly, almost half (49%) of low- and lower-middle-income countries actually saw a fall in the share of their budgets allocated to health despite the global health emergency caused by the COVID-19 pandemic. More than two-thirds of countries cut education's share and half cut social protection. Nevertheless, poor countries such as Burkina Faso, Burundi, Ethiopia and Rwanda managed to increase education's share; Cyprus, Maldives, and Central Africa Republic (CAR) sharply increased health's share; and China, Uzbekistan, and Mongolia increased social protection's share significantly.

COVERAGE LEVELS BARELY IMPROVING EVEN BEFORE COVID-19

Public services for the poorest people were making virtually no progress in the pre-COVID-19 period, with coverage in all three sectors improving by less than 0.5 percentage points per year since the CRI 2020. Before COVID-19, in 40 countries, less than 10% of the poorest children completed secondary education; in 35 countries, more than 50% of the population did not have access to health services; in 51 countries, more than 10% of the population were paying catastrophic proportions of their income for healthcare; and in 66 countries, fewer than half of elderly people had a pension.

In poorer countries, even high shares of government budgets often mean low per capita spending, leaving the poorest people behind, and spending share cuts in 2020–21 will have made this worse. Nevertheless, some countries provide outstanding examples of expanding coverage: Argentina, Armenia, and Mongolia for education; Thailand and El Salvador for progress on health coverage; and Fiji, Mexico, Samoa and Tunisia for pension coverage.

SLIGHT INCREASE IN IMPACT OF SPENDING ON INEQUALITY

As in the 2020 index, most of the highest impact countries are wealthier, headed by Poland (whose public services reduce inequality by 77%), but Ukraine and Kiribati stand out as poorer countries reducing inequality substantially through public services. At the bottom, South Sudan reduces inequality by only 0.5 percentage points, and Hong Kong SAR, China, Jordan, and Barbados are wealthier but have little impact.

Box 2: Ukraine: Progress fighting inequality thrown into reverse by war.

Among the lower-middle-income countries, Ukraine was one of the best performers in using public services to reduce inequality. Like most former Soviet Union countries, it has a significant welfare system. Prewar, Ukraine was spending 60% of its budget on education, health, and social protection combined, the sixth highest globally bar high-income countries. Social protection alone accounted for 35% of government spending. This high spending had largely paid off. Basic health and social protection coverage were on the rise before the invasion. Children, mothers with new-borns, and persons with severe disabilities had universal social protection coverage. Old age pension coverage was near universal, while 84% of unemployed were included in the welfare programme.⁷ Nearly three-quarters of Ukrainians had basic healthcare coverage prewar, one of the highest rates among LMICs.

Ukraine was also doing quite well on tax collection, netting 57.5% of the potential revenue, the 10th best performer out of 161 countries tracked by the CRI. Nonetheless, its tax system is highly regressive, increasing inequality. Top personal income and corporate tax rates are just 18%, one of the lowest rates globally, while the VAT rate is 20%.

The war is having a devastating economic and social impact, dealing a major blow on social services and public finances, and reversing gains won against poverty and inequality, just in a matter of months. A report prepared jointly by the World Bank, the Government of Ukraine, and the European Commission paints this grim picture.⁸ The poverty rate (less than \$5.5 a day) has increased tenfold to 21% from 2% prewar and could reach a staggering 58% in 2023, pushing 18 million Ukrainians below the poverty line. The country needs \$45bn to rebuild the damaged health care, education, and social protection infrastructure.

The war has led to a dramatic decrease in tax revenue even as war-related expenditures rocket. As of May, tax revenues were 27% below the prewar period, while expenditures were 40% up, with military spending accounting for 61% of the growth in expenditure. Each day of the war means more poverty, deteriorating living standards, loss of lives, and escalating cost of reconstruction.

Since CRI 2020, the estimated average impact of anti-inequality spending on reducing inequality has risen slightly, from 18.4% to 19.4%. This reflects two factors: overall, while social spending may have fallen as a percentage of the total budget, in many countries it did not fall as a percentage of GDP or people's income because GDP and income collapsed even more; and, for some countries, new specific studies or modelling methods have changed the calculations upwards. Strong upward movers since CRI 2020 include the Maldives, Timor-Leste, and Cyprus due to spending increases as a percentage of GDP; and South Africa, Türkiye, Zambia, and China due to new studies of impact by the Commitment to Equity (CEQ) Institute or OECD. Those falling considerably – because spending has fallen even faster than GDP – include the Seychelles, Kyrgyz Republic, Yemen, and Djibouti.

PILLAR 2: PROGRESSIVE TAXATION – COUNTRIES FAIL TO INCREASE TAXATION OF RICHEST DESPITE HUGE INCREASES IN WEALTH

The CRI tax pillar looks at policy (whether the main types of tax are designed to reduce inequality); implementation (whether they are successfully collected); and the impact of policy and implementation combined on inequality. It also looks at whether countries are behaving like tax havens through harmful tax practices (HTP), depriving themselves and other countries of revenue.

Historically, during moments of crisis in history, when societies pull together, governments have increased taxation on the richest people, as a clear sign of social solidarity. During World War Two, the United States pushed up tax rates on the richest people to over 90%, to help pay for the war effort, and taxes were also levied on the excessive windfall profits of corporates.

During the COVID-19 pandemic, tax revenues from sales taxes collapsed as economies ground to a halt. Yet at the same time the wealth of the richest people increased dramatically worldwide, as did corporate profits. Billionaires saw an almost exponential increase in their fortunes. Yet the analysis in the CRI shows that the vast majority of governments, 143 out of 161, failed to increase taxes on rich people during the pandemic; 11 countries, incredibly, cut taxes on the richest people. Only seven countries chose to do the right thing and increase taxes on rich people to help society weather this pandemic and its economic impact.

OVERALL TAX PILLAR RESULTS

Australia comes top on the 2022 CRI Index tax pillar, reflecting a tax system that is progressive on paper, continued high tax collection levels during COVID-19, and a high impact in reducing inequality. It has risen up the index since 2020 by removing tax-haven practices but could still do much more to reduce inequality by exempting more small traders from VAT, reversing its recent corporate income tax (CIT) rate cut, reducing tax exemptions for high earners and corporations, and introducing wealth taxes. At the other end of the pillar, most countries have no (or very low and flat rate) income taxes, such as North Macedonia, the Bahamas, Vanuatu, Bahrain, and Oman, or score poorly on HTP.

In terms of trends since the last CRI, improvers are dominated by countries that have removed specific harmful tax practices. However, two countries stand out: Bhutan for a comprehensive tax reform making its VAT neutral and its personal income tax (PIT) more progressive and resulting in more revenue; and the Maldives for introducing a progressive PIT. Collapses in tax collection explain many of the biggest fallers, due to COVID-19, armed conflict, and oil price falls. But 11 countries cut taxes on their richest citizens and 22 on corporations.

PERSONAL INCOME TAXES MORE PROGRESSIVE, NEW WEALTH TAXES, BUT CIT RATE CUTS ACCELERATE

The countries with the most progressive tax systems on paper continue to be lower-income countries. During the COVID-19 period, 21 countries raised top rates of **personal income tax (PIT)** led by Angola, Costa Rica, and New Zealand. The number of countries without PIT fell to four, as the Maldives introduced a progressive income tax. Another positive trend has been the growing introduction of **wealth taxes**, notably in Latin America (Argentina, Bolivia, and planned in Chile), as part of the response to anti-inequality social protests and new progressive governments. Yet at a time when the wealth and income of their wealthiest citizens were rocketing, 143 of 161 countries failed to increase taxes on the richest: and 11 countries actually cut taxes on the richest, led by Armenia, Barbados, and Croatia.

On the other hand, there has been a fall in average **corporate income tax (CIT)** rates of 0.4 percentage points, with 22 countries cutting rates (notably Tunisia, Greece, Angola, the Philippines, and Sierra Leone) compared with only 5 raising them. The countries with the highest CIT rates continue to be mostly low- or lower-middle-income. The Bahamas, Bahrain, and Vanuatu continue to have no CIT. There has been little change in **value-added tax (VAT)**, which is usually regressive, i.e. inequality-exacerbating. Afghanistan and Bhutan introduced VAT tailored not to be regressive by exempting food and small traders; Albania and Jamaica made VAT less regressive; and Angola and Japan more regressive. The average global VAT rate fell from 15.7% to 15.6%.

HARMFUL TAX PRACTICES FALLING BUT PROFIT SHIFTING NOT FOLLOWING SUIT

The CRI Index includes, as a negative indicator, the degree to which a country implements harmful tax practices (HTPs), attracting corporate profits and eroding other countries' tax bases and ability to fight inequality. There has been a marked improvement on this indicator since 2020. The number of countries with no harmful tax practices has risen from 26 to 29 and the average global score improved from 1.7 to 1.4 out of nine (with nine being the worst score). Hong Kong SAR, China comes bottom, followed by Barbados, and Singapore, and five EU member states (Cyprus, Ireland, Luxembourg, Malta, and Netherlands) in the bottom 10.

However, this indicator captures only the most evident HTPs, and the sub-indicators which track flows of royalties, interest, and dividends show that profit-shifting is rising. Efforts to combat HTPs through the OECD agreement on a 15% minimum tax might help OECD countries to collect more revenues but will be of little benefit to low- and middle-income countries, especially as all but three of them already have CIT rates at 15% or above.

SHARP FALL IN TAX COLLECTION

The pandemic has led to falls in tax collection even larger than those in GDP, resulting in a fall of 6.3% in tax 'productivity' – the percentage of tax which each country is collecting compared with what it should collect, based on the tax rates it has set. Overall, VAT collection fell most sharply, making country tax systems less regressive. Countries were affected very differently, with the biggest fallers being countries hit by other factors – such as political instability in Afghanistan, Guyana, Haiti, and Lebanon; and oil and gas price falls in Algeria, Bolivia, and the Republic of the Congo. Bhutan stands out as a country where tax reforms led to a sharp rise in tax productivity.

Taking these falls into account, the best performers – collecting more than two-thirds of what they should – are Barbados, Mongolia, New Zealand, Bulgaria, Denmark, and the Seychelles; while the worst (under 10%) include South Sudan, Oman, CAR, Nigeria, Chad, Lebanon, and Guinea-Bissau.

TAX SYSTEMS BECAME LESS INEQUALITY-EXACERBATING

On average, national tax systems continue to be regressive, increasing inequality by around 1.5%. This reflects many countries' high dependence on VAT revenues and very low collection of progressive income taxes: tax systems are regressive in 97 countries. On a more positive note, due to policy changes and the fall in VAT collection as a proportion of total revenue, tax systems continued to become less regressive in 96 countries during COVID-19, compared with only 58 becoming more progressive.

The countries with the tax systems most geared towards reducing inequality on income are Ireland, Kenya, Tanzania, Lesotho, and Argentina, according to the latest analyses by the CEQ and the OECD. They all reduced their inequality levels by well over 5% using their tax systems, due to progressive tax structures on income and strong income tax collection. Those with the most inequality-increasing tax systems are Eastern European and Central Asian countries, headed by Serbia and Bulgaria, which have flat and low-income tax rates, and are dependent on indirect taxes.

PILLAR 3: LABOUR RIGHTS – MINIMUM WAGES FALL BEHIND DURING THE PANDEMIC, WOMEN'S RIGHTS IMPROVE

The CRI labour pillar measures policy on labour rights (respect for union rights, legal protection for women workers, and minimum wages); coverage of rights, (the unemployed and vulnerably employed); and impact (measured by the Gini coefficient of labour income).

The COVID-19 pandemic had a huge negative impact on low-paid workers worldwide, especially women. Hundreds of millions were forced into poverty. Though rich nations spent billions on social protection or subsidies to companies to support workers, keeping down unemployment, most low- and middle-income countries did not have this luxury.

Meanwhile, the CRI 2022 shows that the pandemic has led to further undermining of workers' rights. Minimum wages failed to keep pace with per capita GDP in two-thirds of countries, and **International Trade Union Confederation (ITUC)** indicated that union rights are under threat because of the pandemic. The one positive element has been the continuing introduction of new laws to promote women's rights.

OVERALL LABOUR PILLAR RESULTS

The top 10, headed by Slovakia, are all high-income European countries with strong policies, low unemployment and vulnerable employment,⁹ and low wage inequality. The bottom 10, with Nigeria bottom, are lower-income African countries with very high vulnerable employment and weak labour rights. Since 2020, the largest risers in the index have been Moldova (due to improved women's rights and lower vulnerable employment), OPT (due to a sharp rise in the minimum wage), and Egypt (by extending its public sector minimum wage to the whole economy). All of the fallers reflected increased unemployment, vulnerable employment, and income inequality due to COVID-19.

LABOUR POLICIES – WOMEN'S RIGHTS IMPROVE ON PAPER, MINIMUM WAGES FALL

Across all policies, there were considerable improvements in women's rights and the minimum wage. The top risers since CRI 2020 are Barbados (due to a comprehensive new package of laws to protect women in the workplace) and Samoa and CAR (due to sharp rises in the minimum wage). Nepal extended parental leave considerably, and Angola, Haiti and Jamaica introduced sexual harassment laws. The poor performers are dominated by countries that failed to raise the minimum wage to keep up with GDP growth (see below).

UNION RIGHTS UNDER THREAT ACCORDING TO INTERNATIONAL TRADE UNION CONFEDERATION (ITUC)

The source data for our indicator on union rights is still being updated so we have kept scores unchanged in the index and referred to International Trade Union Confederation (ITUC) analysis for the latest information. ITUC has noted an increase in the suppression of workers' rights during COVID-19, with 87% of countries violating the right to strike, 79% the right to bargain collectively, and 74% the right to establish or join a union. ITUC has suggested that the best countries in respect of union rights in 2021 were Austria, Denmark, Finland, Germany, Iceland, Ireland, Italy, the Netherlands, Norway, Sweden, and Uruguay; while the worst were Bangladesh, Belarus, Brazil, Egypt, Honduras, Myanmar, the Philippines, Türkiye, and Zimbabwe.

WOMEN'S RIGHTS IMPROVE SUBSTANTIALLY ON PAPER, ENFORCEMENT NOW THE PRIORITY

The CRI score for women's rights in the workplace (legislation on equal pay, non-discrimination, rape, sexual harassment, and parental leave) has improved substantially since 2020. As a result of these improvements, 154 countries have laws on non-discrimination, 145 on equal pay, and 137 on sexual harassment. Ongoing high gender pay gaps and levels of unprosecuted sexual harassment show that the priority in these areas is enforcement of the laws. On the other hand, there has been virtually no progress in improving rape laws to ensure that marital rape is included and rape is based on lack of consent rather than evidence of violence. Standout countries are Barbados, for improving all of its laws, and Afghanistan, where women's legal protections have collapsed.

Parental leave policies have also improved, with 17 countries introducing or increasing paternity or parental leave, and 8 countries maternity leave. Here the EU stands out for positive steps taken to comply with its 'work-life balance' directive. On the other hand, five countries continue to deny paid parental leave and 58 fall short of **International Labour Organization (ILO)** recommendations for 14 weeks of maternity leave.

MINIMUM WAGE RISES STALLED DURING COVID-19, BUT HAVE ACCELERATED SINCE

Many countries used the pandemic as an excuse not to increase minimum wages, so that wages fell from 50% to 47% of per capita GDP between 2019 and 2022. Twelve countries have no national minimum wage – with India joining this list since 2020 as the application of a national minimum wage has broken down. In addition, many countries have failed to update wages in line with GDP, with Bangladesh, Burundi, Georgia, Rwanda, Uganda, and Zimbabwe all having wages which are less than 10% of per capita GDP. In 2022, minimum wages have begun to rise sharply in many countries, with the best performers being OPT and Mozambique, and many EU or EU-candidate countries increasing their wages in line with its 'decent standard of living' directive.

LABOUR RIGHTS COVERAGE

As emphasized in past CRI reports, implementation of labour rights is very low in the poorest countries. This is linked to workers being informally employed and not on standard contracts. Unemployment has risen across the CRI countries to an average 8.2% from 7% in 2020, with huge spikes in countries like Republic of the Congo, South Africa, Panama, and Lebanon. The average percentage of vulnerable workers has fallen slightly during the pandemic (from 37.3% to 36.5%), but some countries have seen dramatic increases – for example Lesotho’s vulnerable labour force rose from 16% to 52%. On the other hand, Tajikistan and Moldova have both reduced vulnerable labour sharply, through deliberate policies to promote formal employment, regulate informal employment more closely, reduce compliance costs of formalizing companies, and increase employee negotiating power with employers. In addition, during COVID-19, 14 million (especially poorer) workers in OECD lost labour rights by becoming ‘inactive’ rather than registering as unemployed.

IMPACT: WAGE INEQUALITY REMAINS EXTREME ESPECIALLY IN LOW-INCOME COUNTRIES

Labour policies and their coverage are intended to close the wage gap between rich and poor people. This is working mainly in high-income OECD countries, where rights not only exist on paper but apply to most workers and are enforced. On the other hand, inequality of wages is extremely high (with a Gini exceeding 0.8) in seven low-income countries, led by Liberia, Niger, CAR, Zimbabwe, and DRC – reflecting low enforcement of workers’ rights and high levels of vulnerable or unemployed workers who have no rights.

It is also vital to remember that the overall share of national income going to labour income (workers’ wages, salaries, and benefits) has been falling steadily since 1990, especially in Europe and North America. Instead, capital income (dividends, interest, and profits) has been growing much faster, and income from these sources benefits rich people more and exacerbates inequality.

CONCLUSION AND RECOMMENDATIONS

The explosion of the COVID-19 pandemic and the health, social, and economic crises that ensued have supercharged poverty and inequality. The world witnessed sharp increases in poverty for the first time in decades, while the wealth of the richest people and corporate profits soared. The pandemic should therefore have been a wakeup call to national and global leaders to introduce policies to tackle inequality aggressively, but as this report has shown, with some notable exceptions, governments have shamefully continued with ‘inequality as usual’.

In 2022, recovery from the pandemic has been side-lined by a new crisis, triggering a sharp rise in food and energy prices, and deepening food security, budget, and debt problems for many low- and middle-income countries. A debt crisis is looming large across much of the Global South and in the absence of adequate debt relief, many countries are being forced into austerity, which will undermine anti-inequality spending. At the same time, corporates, especially in the food and energy sectors, are reaping enormous windfall profits. Simultaneously the huge increase in wealth of the richest people across the world during COVID-19 remains virtually untouched by any increase in taxation.

The citizens of the world did not endure the pandemic to see it followed by austerity. Governments all over the world, supported by international financial institutions and global funding, need to implement policies which will reduce inequality and protect the incomes of the poor from recession and inflation.

HALTING AND REVERSING THE INEQUALITY EXPLOSION: RECOMMENDATIONS FOR GOVERNMENTS

The top priority is for governments to take urgent actions to radically reduce inequality:

1. **Produce National Inequality Reduction Action Plans.** This means rejecting austerity and focusing on enhancing the incomes of the poorest people by increasing anti-inequality spending, making tax more progressive, increasing workers' rights and pay, and investing much more in annually monitoring progress on reducing inequality and the impact of policies. The plans should include the following:
 - a. Make corporate and personal income taxes more progressive by setting top rates for large companies and the richest individuals at higher levels.
 - b. Dramatically reduce tax exemptions, incentives, and allowances for large companies and individuals.
 - c. Introduce 'solidarity taxes' on the richest people and 'windfall taxes' on a permanent basis on all companies making excessive profits, especially from the current oil and food price rises.
 - d. Ensure that VAT and **general sales tax (GST)** exempt basic food products and set high registration thresholds to exclude small traders, to reduce their burden on people living in poverty.
 - e. Introduce taxes on the stock of wealth (including wealth held offshore) for the richest corporations and individuals.
 - f. Increase the rates and progressivity of other taxes, such as those on capital gains, property, inheritance, and financial transactions and income.
 - g. Ensure multinational corporations pay their fair share of taxes by reducing harmful tax practices and strengthening measures against tax avoidance.
 - h. Strengthen the capacity of national revenue authorities to collect tax and curb illicit financial flows by ending secrecy through a global asset registry, improved exchange of information on offshore wealth holdings, and more efficient country-by-country reporting on corporate activities.
2. **Tax policies:**
 - a. Make corporate and personal income taxes more progressive by setting top rates for large companies and the richest individuals at higher levels.
 - b. Dramatically reduce tax exemptions, incentives, and allowances for large companies and individuals.
 - c. Introduce 'solidarity taxes' on the richest people and 'windfall taxes' on a permanent basis on all companies making excessive profits, especially from the current oil and food price rises.
 - d. Ensure that VAT and **general sales tax (GST)** exempt basic food products and set high registration thresholds to exclude small traders, to reduce their burden on people living in poverty.
 - e. Introduce taxes on the stock of wealth (including wealth held offshore) for the richest corporations and individuals.
 - f. Increase the rates and progressivity of other taxes, such as those on capital gains, property, inheritance, and financial transactions and income.
 - g. Ensure multinational corporations pay their fair share of taxes by reducing harmful tax practices and strengthening measures against tax avoidance.
 - h. Strengthen the capacity of national revenue authorities to collect tax and curb illicit financial flows by ending secrecy through a global asset registry, improved exchange of information on offshore wealth holdings, and more efficient country-by-country reporting on corporate activities.
3. **Public services:**
 - a. Scale up spending on free publicly provided education, aiming in low- and middle-income countries to reach the Incheon target of 20% of government budgets, with special emphasis on high-quality secondary education for the poorest people.
 - b. Dramatically increase spending on public healthcare to ensure that citizens can access high quality healthcare and to protect them better in future pandemics. Special emphasis is needed on providing free comprehensive primary healthcare for all.
 - c. Enact universal social protection programmes going beyond pensions to ensure protection for the working poor, children, people living with disabilities, unemployed people, unpaid carers, and other vulnerable groups – and to protect citizens much more comprehensively against future pandemics and the climate crisis.
 - d. End user fees on education and health services to ensure that they are free at the point of use, reverse privatization policies, and make contributions to contributory social protection systems more progressive to reduce the burden on poor people.
 - e. Accelerate progress to universal coverage of secondary education, healthcare, and social protection by focusing spending on the poorest, most marginalized citizens.

4. Workers' rights and wages:

- a. Ensure that people have rights to unionize, strike and bargain collectively, whether in informal, formal, or unpaid work by introducing and respecting all laws needed to comply with ILO conventions.
- b. Introduce and improve enforcement of laws for women's rights on equal pay, non-discrimination, and sexual harassment.
- c. Legislate to include marital rape in anti-rape laws across all countries and to define rape based on lack of consent rather than evidence of violence.
- d. Increase equal paid parental leave, that is available to all genders, to at least 18 weeks paid at 100% of prior salary, in line with ILO recommendations to redistribute the time, costs, and responsibility for unpaid care work between women and men, and from households to the state.
- e. Increase minimum wages to match per capita GDP and thereafter establish annual reviews to increase them in line with inflation. Invest far more in national structures enforcing labour legislation, including minimum wages and women's rights.
- f. Set up systems to ensure that the informal sector complies with minimum regulatory requirements on working conditions and pay.
- g. Establish systems to gradually incorporate informal and vulnerable workers (and their micro-insurance arrangements) into social protection systems.

RECOMMENDATIONS FOR THE INTERNATIONAL COMMUNITY

To support governments, the international community needs to take five urgent actions:

1. Enhance global monitoring of progress on reducing income and wealth inequality under Sustainable Development Goal (SDG) 10, and of the introduction of key tax, spending, and labour policies designed to achieve this, setting targets for measures which will allow all countries to reach post-fiscal Gini coefficients of 0.25 by 2030.¹⁰
2. Mandate the IMF and World Bank to ensure that all country programmes and policy advice avoid austerity and focus on reducing inequality and contain specific urgent measures to make tax, public services, and labour policies achieve this more effectively.
3. Enhance emergency concessional and conditionality-free financing provided by the international financial institutions (IFIs) to help countries protect their populations from rising energy and food prices. The institutions should do all they can to maximize re-allocation of the IMF Special Drawing Rights (SDRs) issued in 2021 from high- to lower-income countries, in ways which minimize debt and conditionality. The IMF should issue a further \$650bn SDRs, reallocated to target low- and middle-income countries to enhance their ability to spend progressively.
4. Provide comprehensive debt reduction to all countries, including cancelling all debt payments due to public and private lenders in 2023 and 2024, in order to reduce their debt servicing to low levels and ensure that they have enough financing to achieve the SDGs for universal healthcare, education, and social protection.
5. Significantly increase aid to low- and lower-middle-income countries, focused on supporting anti-inequality spending on education, health, and social protection, including by establishing a global fund for social protection which supports lower-income countries to provide social protection for all by 2030. This could be funded by introducing solidarity taxes in high-income countries on wealth, income, financial transactions, and carbon emissions, with part of the revenue going to lower-income countries.

1. COVID-19 IMPACT ON INEQUALITY, GOVERNMENT RESPONSES, AND THE ROLE OF THE INTERNATIONAL FINANCIAL INSTITUTIONS (IFIS)

The COVID-19 pandemic is now being compounded by the cost-of-living crisis that has engulfed ordinary people worldwide, driving millions into hunger and crippling the finance of governments all over the world.

This chapter looks at the impact of COVID-19 on inequality, the lack of government action to tackle inequality, and the actions of the IMF and World Bank. It looks at the debt crisis and new age of austerity that is set to further increase inequality on top of the COVID-19 inequality explosion.

COMPOUNDING CRISES DRIVE INCREASES IN INEQUALITY

The COVID-19 pandemic has exposed and increased existing inequalities, widening both within and between country inequality. The pandemic has affected everyone, but its impact has been unequal. The poorest people, women, and other vulnerable groups have been hit hardest. While billions of people saw their income reduced and millions more pushed into extreme poverty, the world's richest people have managed to grow their wealth to a record high during the pandemic.¹¹ For low-income earners, the impacts of the pandemic continue to linger and it could take years for their income to return to the pre-pandemic level. Global vaccine inequality has driven a two-speed recovery from COVID-19, which in turn has seen inequality between high-income and low- and middle-income countries increase for the first time in three decades.

The global inequality crisis within and among countries, supercharged by the pandemic, is being exacerbated by high inflation levels that began appearing in 2021 and are compounded by the impact of the war in Ukraine, especially in terms of the spike in food and energy prices. This has caused a global cost of living crisis, forcing millions into poverty and hardship, and pushing entire nations to the brink of bankruptcy. Rising food and fuel prices forced around 71 million people into poverty in the three months between March and June 2022.¹² The COVID-19 pandemic, climate change, and recently the war in Ukraine are exacerbating hunger that was already on the rise in the last few years. Globally, about 828 million people were facing severe food crisis in 2021, 150 million more since the pandemic began.¹³

Low-income countries are still struggling to recover from the pandemic while high-income countries have managed to rebound strongly. Yet some of the actions taken by wealthier countries to protect their economies are proving costly to low-income countries. Higher interest rates, especially in the United States, drive up the value of the dollar, making imports such as food or fuel ever more expensive. They also increase the cost of servicing foreign debts. Through no fault of their own, poorer nations are having to find more and more money simply to stay afloat when they are already on their knees following the economic storm of COVID-19. This ongoing disaster has been in the making for years and is accelerated by the policies of governments and international financial institutions. But there is still room to reduce inequality, vulnerability, and poverty if the governments and the international financial institutions do the right thing and if there is global solidarity.

GOVERNMENT RESPONSES TO THE COVID-19 INEQUALITY EXPLOSION

The COVID-19 pandemic hit the world at a moment when most countries were ill-prepared to face it. The CRI 2020 report highlighted that only 26 out of 158 countries were spending 15% of their budgets on health prior to the pandemic, and in 103 countries at least one in three workers lacked basic labour rights and protections, like sick pay, when the virus struck.¹⁴ This has triggered an unprecedented increase in public spending worldwide as governments had to step in through fiscal stimuli to protect people and support businesses as the whole world shut down.

Nevertheless, this kind of spending effort showcased again the alarming level of global inequality. While high-income countries were able to deploy fiscal support amounting to 9.3% of gross domestic product (GDP), low-income countries and emerging economies were only able to mobilize 1.6% and 3.5% of their GDP respectively¹⁵ (excluding public policy measures related to loans and equity stakes). It is estimated that per capita stimulus spending for high-income countries reached \$9,836, 579 times more than least developed countries (LDCs) who spent an abysmal \$17 per person, despite the fact that the per capita income of the high-income countries is only 30 times higher than that of the LDCs.¹⁶ Naturally, this massive disparity has translated into an inequality in the recovery paths. While high-income countries have rebounded strongly from the pandemic, low-income countries are still experiencing scarring from the pandemic in 2021 and worsening in 2022¹⁷ compounded by spikes in food and energy prices, inflation, and debt.

The scale of fiscal support during the pandemic was unprecedented, though uneven. While high-income countries drew heavily on their available fiscal space and the power of their central banks to inject needed liquidity, low-income countries had to resort to international financial institutions, notably the IMF and the World Bank to support their economies while avoiding a financial meltdown. Surprisingly, health-related spending was not the most prominent in terms of countries' responses. In fact, additional spending on health was a small share in total additional spending or forgone revenue (most notably tax reduction and suspension and other measures). According to the IMF, while additional spending and forgone revenues represented 10.2% of GDP globally, measures related to the health sector only represented 1.4% of GDP, i.e. only 13.4% of fiscal measures.¹⁸

GOVERNMENT RESPONSES TO COVID-19: WHAT DOES THE CRI SHOW US?

The 2022 Commitment to Reducing Inequality (CRI) Index is the first detailed analysis published looking at the policies and actions of governments during the period of the pandemic that have a critical impact on inequality. It reviews the spending, tax, and labour policies and actions of 161 governments during 2020 and 2021.

COVID-19 increased inequality worldwide as the poorest and most vulnerable people were hit hardest both by the disease and the profound economic impacts.¹⁹

Yet the CRI 2022 shows clearly that most of the world's governments failed during the pandemic to take concrete steps to mitigate this dangerous rise in inequality.

- Half of low- and lower-middle-income countries cut health spending during the pandemic.
- In 107 countries with pre-pandemic spending data, half (49%) cut social protection spending while 51 increased it. Just 35 countries made an increase of more than 1 percentage point.
- 70% of countries cut education spending during the pandemic.

- 143 countries out of 161 failed to increase taxation of the richest people during the pandemic and 11 countries actually cut taxes on rich people.
- Two-thirds of countries failed to increase their minimum wages in line with GDP.
- Yet even in the face of the COVID-19 pandemic, several governments showed that strong policy actions could be taken to fight inequality. The actions of these governments are an example to the world, demonstrating that inequality is a policy choice, and shaming the majority of countries that are failing to act.
- The Occupied Palestinian Territory (OPT) increased the health budget by a third (34%), social protection by more than half (53%), and education by 10%.
- Nepal increased its health budget by more than half between 2019 and 2021.
- Costa Rica increased its top rate of income tax by 10 percentage points, from 15% to 25%, and Argentina and Bolivia introduced wealth and solidarity taxes on their wealthiest citizens.
- Barbados introduced a comprehensive set of laws to improve women's labour rights and the Maldives introduced a nationwide minimum wage for the first time.

The reduction in health spending in the midst of the biggest health emergency in a century is remarkable. Health spending, as a share of total public spending reduced during the pandemic for 42% of countries compared with their pre-pandemic spending.²⁰ For low- and lower-middle-income countries, almost half (49%) reduced the share of health spending during the pandemic. Only 26 countries increased the share of health spending in their budgets by more than 1 percentage point during the health crisis.

This decrease in health spending could be explained by several factors, including the narrow fiscal space within which most countries had to face the pandemic, having to reallocate spending rather than increase it. In some countries, any increase in COVID-19 health expenditure would have been paid for instead by health spending cuts elsewhere, with severe consequences. Jordan saw both an absolute²¹ and relative decrease in health spending in 2020 compared with 2019, from 12.2% of total expenditures to 9.9%. For most countries, increased health spending was concentrated on COVID-19-related measures rather than building the health infrastructure and expanding coverage. Nepal increased its health budget by more than half between 2019 and 2021. However, virtually all the increase went to COVID-19 prevention and control, which accounted for 40% of the central government health budget in the financial year 2021/22.²² Nevertheless, the country's health budget is still low at 7.8% of total expenditure as the increase was from a low level.

The increase in spending in other areas could also explain the decrease in the share of health spending, in particular support to the business sector. The People's Recovery Tracker looked at stimulus packages in Nepal, El Salvador, South Africa, Bangladesh, Kenya, Guatemala, Honduras, and Sierra Leone and found that 63% of announced stimuli went to large corporations rather than to small and medium enterprises and social protection measures.²³ Education is clearly the most important victim in terms of spending cuts during the pandemic with 89 out of 127 countries (70%) reducing the share of education in total public spending.²⁴

Tax revenues fell dramatically between CRI 2020 and CRI 2022, falling for 68% of countries according to our analysis, primarily as VAT receipts fell; yet very few governments took the opportunity to increase taxation of the richest people to compensate for this. A time of economic crisis and economic solidarity has historically been the moment when governments have taken steps to increase taxation of the richest people and had the most support to do this politically.²⁵ Yet very few governments took this opportunity during the COVID-19 crisis, with 90% of governments failing to increase the top rate of personal income tax, and 12 countries actually cutting taxes on rich people.

Although workers in some of the lowest-income professions, such as hospitality, were hit hardest by the COVID-19 pandemic, nearly two-thirds of governments also failed to ensure that their

minimum wages kept pace with GDP. The ITUC also reports that the percentage of governments blocking registration or joining of trade unions rose from 73% to 77%, and those impeding the right to strike rose from 85% to 87%.

SUPPORT FROM THE WORLD BANK AND THE IMF

While the height of fiscal support was witnessed during the first year of the pandemic, it quickly waned for most countries in 2021, particularly in the Global South. High-income countries continued their support measures through 2021 and 2022 amounting to an additional 6% and 2% of GDP, respectively, building upon the 8% of GDP they spent in 2020. However low-income countries will have spent barely 2% of their GDP by the end of 2022 since the pandemic began. Most rolled back their support, with a few maintaining a fraction of it in 2021.²⁶ For these countries, the little fiscal space that was created during the first year of the pandemic was in large parts through donor support and suspension of debt service and lending from international financial institutions. The IMF has provided more than \$170bn to 90 countries²⁷ in the form of loans, many of which were initially low-conditionality-free emergency loans, but have shifted to higher conditionality based loan-based programmes since then.²⁸ The World Bank Group delivered \$204bn to support countries in their response.²⁹ Despite a significant and helpful IMF Special Drawing Rights (SDRs) issuance of \$650bn, because of the uneven distribution with just \$21bn of those resources going to low-income countries, it was not enough to prevent a collapse in spending in some countries in 2021. The quick rollback of measures in low- and middle-income countries indicates the financial strain that they found themselves in, especially as their tax revenues have not recovered and are still well below their pre-pandemic levels.

Social protection measures during the first year of the pandemic had an important impact on inequality and poverty in some countries. The massive stimulus packages implemented by the United States government led to a decrease in income inequality: median income rose by 4% between 2019 and 2020 and the share of income of the lowest quintiles increased, while that of the top 20% fell.³⁰ Similarly, the emergency assistance program in Brazil amounting to 4% of GDP in 2020 led to a decrease in the number of poor people from 23 million in 2019 to 9.8 million in September 2020. However, as the Government rolled back most of the support in 2021, poverty rose dramatically to supersede pre-pandemic levels and reach 27.7 million.³¹

The World Bank has warned that if external financing for health drops or does not increase, low- and lower-middle-income countries will find themselves unable to meet spending needs related to the ongoing pandemic, not to mention achieving universal health coverage.³² Education faces a similar risk as two-thirds of poor countries are already cutting education spending.³³ The rising borrowing costs, spike in food and energy prices, and the already strained fiscal purse for low-income countries is forcing them increasingly to seek IMF financing, which often comes with painful austerity measures.

THE GENDERED IMPACT AND RESPONSE TO THE PANDEMIC

The pandemic has increased women's economic vulnerabilities and gender-based violence, and reversed decades of progress on gender parity. This is even though women have been at the forefront of the COVID-19 responses. The pandemic increased the projected time it will take for women and men to be paid equally from 99 years to 135 years.³⁴ Women-dominated sectors such as hospitality and informal sectors were severely impacted by the pandemic, leading to loss of income and livelihoods held by women. In 2020 alone, it is estimated that women lost about \$800bn in earnings.³⁵ The lockdown measures saw a record increase in gender-based violence and unpaid work. And even among women, inequalities based on race, disability, and income have been

remarkable. Yet measures put in place to support women have been scanty and patchy, with just a few countries taking positive measures. Of more than 4,000 fiscal and economic, social protection, and labour market measures taken globally in response to the pandemic, just 13% have targeted women's economic empowerment and unpaid care work.³⁶ Of these, just 5.5% directly address unpaid care.

AUSTERITY-BASED RECOVERY WILL HEAVILY IMPACT THE POOREST AND MOST VULNERABLE PEOPLE

The modest increase in spending in low-income countries was very short-lived. Not only did countries roll back their COVID-19 fiscal measures in 2021, but budget cuts are already under way, jeopardizing the already insufficient spending on vital public services. While primary public expenditures in high-income countries continue to surpass their pre-pandemic level and are projected to sustain this pattern at least until 2024, this is not the case for low-income countries. Low- and middle-income countries have not only barely kept spending above pre-pandemic levels in 2021, but they are expected to cut spending (albeit dramatically less than in 2020) compared with pre-pandemic levels by 1% of GDP for low-income and least developed countries and 1.5% of GDP for middle-income countries by 2024.³⁷ Indeed, it is projected that 159 countries across the world will undergo austerity cuts in 2022, covering 85% of the world's population.³⁸

Much of this austerity trend is driven, on the one hand, by the collapse in tax revenues during the first years of the pandemic while governments failed to impose taxes on rich people and on windfall profits made during the pandemic, and, on the other hand, by the exacerbation of the debt burden on low-income countries. Debt servicing in African countries is almost three times as much as education spending, six times health spending, 22 times social spending, and 236 times more than climate adaptation spending.³⁹ Despite this, 40 African countries are projected to cut their spending by a cumulative 3.8% of GDP between 2023 and 2027, amounting to \$111.6bn.⁴⁰

The IMF and the World Bank, while advocating for enhanced spending during the pandemic, also clearly backed austerity as the main economic policy framework post-COVID-19. Although the IMF mobilized its conditionality-free emergency financing, it secured commitment from recipient countries to pursue fiscal consolidation, another term for austerity, when the crisis attenuates. Oxfam's analysis showed that during the first year of the pandemic, 85% of the 107 COVID-19 loans negotiated between the IMF and 85 governments indicate plans to undertake austerity measures once the health crisis abates.⁴¹ This recommendation materialized when the Fund dramatically scaled back emergency funding and returned to its traditional lending through conditional reforms. Oxfam found that 87% of IMF loan programmes during the second year of the pandemic included conditionalities stipulating an increase in indirect taxes, freezing public sector workers' wages, and lifting of subsidies, among other measures.⁴² Sudan, where nearly half of the population is living in poverty, has been required to scrap fuel subsidies which hit the poorest people hardest. The country was already reeling from international aid cuts, economic turmoil, and rising prices for everyday basics such as food and medicine before the war in Ukraine started.⁴³ Kenya and the IMF agreed a \$2.3bn loan programme in 2021, which includes a three-year public sector pay freeze and increased taxes on cooking gas and food.

The return to austerity combined with the reverberation of the war in Ukraine is a recipe for disaster. The World Bank estimated that the poverty rate in Tunisia increased by 1.1 percentage points in the first months of 2022 due to the surge of energy and food prices, which would have been worse without the existing subsidies on food and energy. However, with rocketing food and energy prices, poverty could increase by 2.2 percentage points in 2022 even with the existing subsidies.⁴⁴ Nevertheless, Tunisia is negotiating a new IMF loan programme that will likely require energy

subsidies to be scrapped and food subsidies phased out, which has been a longstanding demand by the Fund.⁴⁵ If this materializes the situation is likely to get much worse.

The World Bank has echoed the IMF in its COVID-19 lending. Prior actions in several of its Development Policy Operations (DPO) prescribed fiscal consolidation such as implementation of fiscal rule and discipline in Angola, Costa Rica, and Ecuador, among others.⁴⁶

For much of the pandemic and later the war in Ukraine, the IMF has discussed the importance of social spending to avoid social unrest and protect the most vulnerable.⁴⁷ In practice this has been translated into the Fund increasingly including social spending floor targets in its loan programmes to countries. Nevertheless, these social spending floors often end up maintaining already insufficient spending rather than scaling it up. For example, the Republic of Congo's spending on social protection constituted only 5.7% of total spending in 2021; however, the 3-year IMF loan programme only envisages a 10% increase in social protection and employment spending in 2022 compared with 2021,⁴⁸. Similarly, Kenya's loan programme only envisages a 2.4% increase in the social spending floor in 2022 compared with 2021 at a time when the country is underperforming in both health and social protection spending, which stand at 10.6% and 6.4% respectively of total spending.⁴⁹

But these social spending floors are frequently not achieved as countries face difficulties in meeting them while achieving their deficit targets conditioned – and prioritized in practice – in loan programmes. The Democratic Republic of Congo failed to meet the social spending floor of just 0.3% of the projected government expenditure set in its IMF loan programme for the first half of 2022.⁵⁰

These social spending floors do little to mitigate the impact of multiple crises or to reduce inequality. In 2020, as many countries scaled up their social protection systems in response to the pandemic, the IMF often encouraged countries to make these temporary and recommended, in over 60% of its reports, targeted social programmes as opposed to making them more universal.⁵¹ Mongolia significantly scaled up its social protection programmes in response to the pandemic by expanding the coverage of its Child Money Program and Food Stamp Program, as well as increasing the benefits fivefold for the former and twofold for the latter.⁵² These measures, among others, helped greatly mitigate the impact of the pandemic. Nevertheless, the IMF has called on the government to implement tighter fiscal policies, including fiscal consolidation. It has also cautioned against additional support, expressing fears that expanded Child Money Support is likely to fuel inflation if people choose to spend it.⁵³

DEBT CRISIS DRIVING AUSTERITY AND CROWDING OUT ANTI-INEQUALITY SPENDING

This austerity drive is further exacerbated by the global public debt crisis. Average public debt across the world rose by 13 percentage points between 2019 and 2021 to 97% of global GDP. The increase in debt was most marked where countries were able to borrow to fund anti-COVID-19 responses: this meant that debt in high-income countries rose by 16% to 120%; whereas for emerging market countries it rose by 11.5% to 66%; and for low-income countries it rose only 6.2% to 50%.⁵⁴

However, emerging market and especially lower-income country debts are much more expensive (with higher interest rates and shorter repayment periods) than those of OECD economies. As a result, their debt servicing burdens are much higher, crowding out the crucial spending on public services which can fight inequality. In 2021, average debt servicing (on external and domestic debt) reached 38% of government revenue and 27.5% of government spending across low- and middle-income countries. On average this amount exceeded the total amount of anti-inequality spending in these countries and was twice their level of education spending, four times their health spending, and nearly 12 times their social protection spending.⁵⁵

In the same year low- and middle-income countries transferred almost \$1 trillion in debt service to external creditors,⁵⁶ that is almost six times the total IMF COVID-19 financial assistance, and 1.5 times the recent SDR allocation.

The IMF warned that one-third of emerging economies and two-thirds of low-income countries are in or near debt distress.⁵⁷ According to analysis by DFI, more than two-thirds of low- and middle-income countries have very high debt service (over 15% of revenue) which is stopping them from spending more on fighting inequality. More than 30 countries have already been in deep economic crisis, defaulted on debts, and needed debt relief in the last five years, with the most recent prominent defaulter being Sri Lanka, which is in deep economic crisis. Still more are turning to the IMF to bail them out with loan packages which are generally based on austerity, in the hope of avoiding default (such as Egypt, Ghana, and Tunisia).⁵⁸

In response to the pandemic, the G20 in 2020 introduced a Debt Service Suspension Initiative (DSSI) for 73 low- and lower-middle-income countries. However, the initiative only postponed \$12.9bn of repayments,⁵⁹ allowing interest to continue to accumulate. It also excluded commercial and multilateral lenders which account for 66% of external public debt and 69% of debt service in DSSI-eligible countries,⁶⁰ as well as domestic creditors. As a result, 25 countries intended to benefit from the initiative did not take part mainly because they were not convinced that the relief on offer was worth the potential loss of access to new financing. The DSSI was ended prematurely in December 2021 on the grounds that peak impact of COVID-19 had passed. The IMF meanwhile was able to go further than DSSI and provide grants via a donor-supported trust fund to cancel \$965 million of debt service owed by the poorest 31 countries during 2020–21.⁶¹

The DSSI was intended to be complemented by a 'Common Framework' for debt restructuring for countries with unsustainable debt levels, which would allow all relevant creditors to provide comparable and comprehensive debt relief. However, while welcome in that it tries to coordinate all creditors, this has proved to be very disappointing in its delivery of debt relief. Private and multilateral creditors have largely not taken part in the initiative and it does not cover domestic debt. Many heavily indebted countries have therefore not applied for what seems like only part-relief and those applying have found that the process is extremely slow, taking at least a year.

This crisis is worsening as a result of the war in Ukraine. Interest payments on external debt for low- and middle-income countries as percentages of the government revenue had already more than doubled between 2010 and 2021 from 6.8% to 14.3%, the highest in two decades.⁶² Now in response to inflation, rich countries are hiking interest rates, further pushing up the borrowing costs of poorer countries. In addition, the recent appreciation of the US dollar because of interest rate increases by the US Federal Reserve is making dollar-denominated debts more expensive for low- and middle-income country budgets. The war in Ukraine is also pushing up the prices of energy and food imports for most of these countries, further weakening their fiscal and balance of payments positions.⁶³ What many low- and middle-income countries need is rapid and comprehensive cancellation of debt service or stock to give them more room to confront the food and fuel crises and spend more on fighting inequality.⁶⁴

2. FIGHTING INEQUALITY THROUGH PUBLIC SERVICES: WHAT PROGRESS IS BEING MADE?

The public services pillar of the CRI Index focuses on three sectors that are widely evidenced to have a substantial impact on inequality: education, health, and social protection.⁶⁵ As in the previous Index, we assess performance on three sets of indicators:⁶⁶ 1) public spending, 2) coverage (with equity), and 3) impact on reducing economic inequality.

COVID-19 has inevitably affected public policy and outcomes in these areas since the 2020 Index.⁶⁷ Lockdowns, job losses, school closures, and the public health crisis have put unprecedented pressure on governments to scale up investment in public services and social protection.

Families living in poverty, and especially women and racialized groups, are facing the greatest challenges. They have borne the brunt of paid work and income losses while also shouldering significant increases in unpaid care work responsibilities. These groups are also more likely to rely on public health systems that have been overwhelmed by COVID-19; a UN study found ongoing disruption to health services in 119 of 129 countries surveyed at the end of 2021.⁶⁸ Women and girls are paying a high price; in 2020 maternal deaths increased by 8–39% per month in middle-income countries as a result of reduced perinatal care due to COVID-19.⁶⁹ This can only have been exacerbated by disruptions to contraceptive services, significant increases in child marriages,⁷⁰ and unplanned early pregnancies.⁷¹

Women and marginalized groups are also more likely to be working on the front line in the fight against COVID-19, putting them at increased risk of contracting the virus. In South Asia for example, people from lower castes do the bulk of low-skilled but essential cleaning and sanitation work, often without adequate personal protective equipment,⁷² and globally, 70% of the health and social care workforce are women.⁷³ These same people are also picking up the bulk of additional care work caused by the pandemic, with great cost to their economic security, health, and well-being (see **box 3**).⁷⁴ Universal public services and a comprehensive care system could go a long way towards addressing these social inequalities and must be a priority for governments.

Box 3: The case for comprehensive transformative care systems

Care work – from daily domestic tasks, to looking after children, older people, and others with illnesses and disabilities – is the glue that holds our societies and economies together. It contributes trillions of dollars to the global economy every year.⁷⁵ Yet the vast majority of this work goes unpaid or underpaid⁷⁶ and care workers are systematically marginalized. Across the world, care work falls disproportionately on women, girls, and structurally exploited groups like indigenous people, migrants, and people of colour.⁷⁷ Women undertake more than three-quarters of unpaid care work and comprise two-thirds of the paid care workforce.⁷⁸ This is not an accident; it is the product of an exploitative and discriminatory economic system.

A fairer economic system requires proper investment in transformative care policies that redistribute resources like time, money, and public services, with the government as main duty-bearer. Transformative policies must also address gender and other power inequalities, guarantee the rights of caregivers and receivers, and be founded on dialogue with them. To achieve this, governments must shift fiscal policy towards prioritizing well-being over GDP growth and increasing taxation of the richest people to raise revenue for comprehensive care systems. While this is not yet the reality in most countries, there are some promising policy developments to be celebrated,⁷⁹ including:

- In Argentina, the National Ministry of Women, Genders and Diversity is promoting the care agenda as a public (as opposed to private/family) issue and building a comprehensive and federal care system. This includes the recognition of childcare work through the pension system; women are credited for each child cared for.⁸⁰
- In the Philippines, at least 28 local government units have enacted legislation that commits budget specifically for care-related services, like barangay day care centres, market roads, and community laundry areas.⁸¹
- In Hawaii, the Feminist Economic Recovery Plan for COVID-19 supports women’s economic independence through the redistribution of unpaid care work and mandates free childcare for essential workers, the majority of whom are women.⁸²

PUBLIC SERVICES PILLAR: OVERALL RESULTS

As we found in the 2020 Index, the top performers in this pillar are all high-income OECD countries, where public investment in essential services and social protection has long played an important role in reducing inequality. **Table 2.1** shows the top 10, but in fact the top 26 countries fall into this category.

Table 2.1: Top and bottom performers on public services

TOP 10	Rank	BOTTOM 10	Rank
Poland ⁸³	1	South Sudan	161
Finland	2	Nigeria	160
France	3	Chad	159
Japan	4	Afghanistan	158
Denmark	5	Niger	157
Ireland	6	Guinea	156
Germany	7	Guinea-Bissau	155
Belgium	8	Angola	154
Austria	9	Haiti	153
Slovenia	10	Yemen, Rep.	152

There are also some notable climbers and fallers in the public service rankings.

Occupied Palestinian Territory (OPT) has moved up 22 places, to rank 75th. This is thanks to the government increasing spending as a proportion of the budget in all three sectors between 2019 and 2021, and improvements in coverage, especially pensions. For a lower-middle-income country, with high levels of fragility, this progress is a welcome and promising sign. **Mozambique** is ranked

113th, but this is the best performance among low-income countries and represents a rise of 12 places since the 2020 Index. After a period of crippling debt, the government has managed to increase spending on public services and social protection, and now ranks 37th in the world on education spending.

By contrast, **Ghana** has moved down 25 places on public services, from 113th to 138th. Between 2019 and 2021 the percentage of spending allocated to education was slashed by 4 percentage points taking it down to 13.5%. In the same period, as COVID-19 cases and deaths were rising, and the pandemic was hitting the incomes of the poorest people hard, the government also cut health and social protection spending. In 2022, with the country on the brink of a full-blown debt crisis, more austerity measures were announced that threaten to further undermine investment in public services and social protection.⁸⁴

Right at the bottom of the public services pillar we see a cluster of poorer nations; the bottom 10 are all low-income and lower-middle-income countries, most of which are fragile or conflict affected. These countries are all among the lowest ranking countries on spending, equitable coverage, and on using public services to reduce inequality. **South Sudan** is at the very bottom of the pillar again; very low levels of education and health spending have seen further dramatic cuts, of 43% and 51% respectively between 2019 and 2020.

2.2 PUBLIC SPENDING ON EDUCATION, HEALTH, AND SOCIAL PROTECTION

A government’s level of investment in spending on education, health, and social protection is a clear indicator of its commitment to these sectors.

On average, since the 2020 Index, total spending on these three sectors has decreased by 0.8 percentage points, to 43.7% of total expenditure. Just over half of the countries included in both CRI 2020 and 2022 Indexes (87 of 157) have reduced the percentage spend on these sectors and only 19 have made an increase of more than 5 percentage points. Given that in most cases this covers the period of COVID-19 response, this is particularly concerning.

The highest and lowest performers are shown in **Table 2.2**. Half of those in the top 10 are high-income countries and the other half comprises a mix of upper- and lower-middle-income nations. **Costa Rica** ranks top, reflecting high levels of spending; its percentage spend on both health and education is among the highest in the world. **Chile**, in second place, has had a large fiscal stimulus package in response to the pandemic, including a large-scale cash transfer programme with 3 million recipients.⁸⁵

Table 2.2: Top and bottom spenders on public services

TOP 10	Rank	BOTTOM 10	Rank
Costa Rica	1	South Sudan	161
Chile	2	Nigeria	160
Iran	3	Timor-Leste	159
Uzbekistan	4	Afghanistan	158
Argentina	5	India	157
Denmark	6	Sri Lanka	156

Moldova	7	Uganda	155
Japan	8	Nepal	154
Ireland	9	Guinea-Bissau	153
Lithuania	10	Yemen, Rep.	152

Those at the bottom of the spending ladder are largely low- and lower-middle-income countries. These nations are falling far short of what is required to meet the needs of their citizens, or to tackle inequality through public services and social protection. Since the 2020 Index, six of them have cut social spending and in the remaining four cases there has been negligible change.

Uganda and **Guinea-Bissau** have fallen significantly in the public spending rankings since the 2020 Index to end up in the bottom 10.⁸⁶ Uganda has dropped 22 places, largely as a result of dramatic cuts to social protection spending, which has been slashed from 8.4% of total spending in 2019, to just 1.2% in 2021. Guinea-Bissau has fallen 13 places, mainly driven by cuts in education spending that have left it at just 9.3% of total spending, which is a long way from meeting internationally agreed benchmarks.⁸⁷

EDUCATION SPENDING

Box 4: Education budgets: casualties of the pandemic

The education crisis caused by COVID-19 around the world is well-known and is far from over. At the end of February 2022, schools were closed in six countries and there were partial closures in 42 more.⁸⁸ On average, girls in poorer countries missed 22% more days in school than boys in the first year of the pandemic.⁸⁹ Poor children have been disproportionately affected as distance learning favours students in better-off families with internet and digital devices. It has also failed to adequately account for learners with additional needs. UNESCO has estimated that 24 million learners will drop out of education for good as a result of the pandemic⁹⁰ and girls are expected to be particularly badly affected due to an increase in unwanted pregnancies, early marriage, gender-based violence, and unpaid care work.

Never has there been a stronger case for governments to protect and boost spending on education. Without this investment, a whole generation could be sacrificed, with girls and the poorest and most vulnerable people left furthest behind. Unfortunately though, education budgets have been casualties of the pandemic. The 2022 Education Finance Watch report found that education spending in low- and lower-middle-income countries had fallen to below 2019 levels.⁹¹

On average, since the 2020 Index, education budgets have been cut considerably from 14.8 to 14.0% of total expenditure. Just over two-thirds of countries included in both Indexes (104 of 157) have made cuts, while only 26 countries have increased by 1 or more percentage points.

Table 2.3: Biggest education budget raisers and cutters (% of budget)⁹²

Country	Increase %	Country/Region	Cut %
Kazakhstan	5.47	Morocco	-11.41
Vanuatu	4.92	Eswatini	-6.74

Algeria	4.78	Guatemala	-5.88
Rwanda	4.40	Hong Kong SAR, China	-5.03
Belarus	4.26	Djibouti	-4.89

As **Table 2.2** shows, some of these cuts have been very large indeed. **Guatemala** and **Eswatini** are two of the biggest cutters in COVID-19 times and are among the most unequal countries in the world. Guatemala dropped out of the top 10 spenders in the 2020 Index, down to 48th place, and Eswatini fell 67 places, from 12th to 79th. The very lowest education spender is **South Sudan**, which also made dramatic cuts in the same period, from 9.4 to 5.3% of expenditure.

There is a real risk that this is only the thin end of the austerity wedge, as countries come under pressure to prioritize ‘fiscal consolidation’ at all costs. Eswatini, for example, is among the countries recently advised by the IMF to cut wage bills⁹³ and in 2021–22 it spent 58.6% of its tax revenue on debt servicing.⁹⁴ South Sudan also has a heavy debt servicing burden, at 72.2% of its tax revenue.⁹⁵

There are some signs of hope though. Two low-income countries are ranked among the top 10 education spenders in this year’s Index; **Burkina Faso** in 5th place and **Ethiopia** ranking 9th. **Rwanda** has also seen impressive progress, thanks to the government’s longstanding commitment to education; between 2019 and 2021 the government increased education spending from 10.8 to 15.2% of the budget, moving them up the education ranks 60 places (to 68th).

HEALTH SPENDING

On average, health budgets have increased slightly since the 2020 Index, from 10.9 to 11.1% of total expenditure. However, 69 of the 157 countries included in both CRI 2020 and 2022 Indexes cut their health budget, while 36 increased it by more than 1 percentage point. This is clearly inadequate in the context of a global pandemic and unprecedented pressure on health systems everywhere.

In some countries, the cuts have been significant; **Table 2.4** shows the worst offenders. As in the case of education spending, **Eswatini** made the second largest cuts, from 15.9% of expenditure in 2019 (above the minimum Abuja Commitment level) to just 9.9% in 2021. Again, it seems likely that this is the effect of pandemic-fuelled austerity hitting already resource-constrained countries.

Table 2.4: Biggest health budget raisers and cutters

Country	Increase %	Country	Cut %
Cyprus	6.90	Seychelles	-7.71
Maldives	6.17	Eswatini	-5.48
Honduras	3.96	Kyrgyz Republic	-4.06
Morocco	3.92	Slovak Republic	-3.76
Central African Republic	3.81	Djibouti	-3.35

It is also notable that **India** features among the lowest performers on health spending again; it has dropped a further two places in the rankings, to 157th (or 5th lowest in the world) and made small cuts between 2019 and 2021 – at a time of unprecedented health need and crisis. Given the wide

criticism of the government’s woeful response to COVID-19 and the great need for healthcare improvements, it is disappointing to see that things are still moving in the wrong direction.

Some countries deserve credit for significantly scaling up investment in health in recent years though. **Cyprus** has registered the greatest increase since the 2020 CRI, more than doubling health spending from 6.2 to 13.1% of total expenditure⁹⁶ and in 2019 the government committed to Universal Health Coverage. Our data does not take into account the government’s full pandemic response (as the latest data is from 2020), but these changes put the country in a stronger position to respond to COVID-19.⁹⁷

It is also worth highlighting progress made in the **Central African Republic**; the country is the biggest health budget raiser among low-income countries and the fifth biggest overall. Between 2019 and 2021, the government increased health spending from 10.6 to 14.9% of expenditure, bringing it very close to the Abuja Commitment minimum of 15%. In one of the most unequal countries in the world, with some of the worst health and human development indicators, this additional investment is crucial, even if it is not very clear if this amount is produced by the humanitarian appeal funds (very likely) or the national country budget (which could be more sustainable). Similarly, Nepal increased the share of its health budget by more than half during the pandemic, though its health budget is still low at 7.8% of total spending.

Long-term investment in free public health systems, including a well-trained and paid public sector workforce, is critical to achieving universal and equitable health coverage. It is also vital to protect countries and especially poor and vulnerable people from future health crises. In 2020, **Vietnam’s** government drew widespread praise for the country’s very low numbers of COVID-19 cases and deaths; by the end of the year, there had been fewer than 1,500 cases, and only 35 recorded deaths.⁹⁸ This was no coincidence; it was the result of sustained investment in the public health system following the 2003 SARS outbreak. Between 2003 and 2018, health expenditure increased from \$22 to \$152 per capita.⁹⁹ In contrast, Oxfam and DFI research has found that many countries in Africa are already scaling back ‘emergency’ health spending, with just a handful (**Benin, Ghana, Mali, Rwanda, Senegal, and Togo**) investing in health systems and preparedness beyond 2021.¹⁰⁰ This is the kind of investment that governments must prioritize now in the wake of COVID-19.

SOCIAL PROTECTION SPENDING

On average, social protection budgets have been cut slightly since the 2020 Index, falling from 18.8 to 18.6% of total expenditure. This should be of great concern, given the huge demand for a range of welfare benefits since the start of the pandemic.

Table 2.5: Biggest social protection budget raisers and cutters

Country	Increase %	Country	Cut %
China	13.50	Yemen, Rep.	-15.35
Uzbekistan	12.57	Honduras	-14.19
Malaysia	12.28	Tanzania	-13.39
Algeria	11.20	Zambia	-12.92
Ecuador	8.93	Panama	-11.78

Almost half of the countries for which comparable data is available (77 of 157) have cut social protection spending as a proportion of expenditure since the 2020 Index. Over a decade or so, **Zambia** has cut from 17 to 4% of total expenditure (by 2021). This is a wholly inadequate response in

a country where 60% of citizens reported lost income and work as a result of COVID-19¹⁰¹ and worryingly, 93% of respondents to an Afrobarometer survey in Zambia reported they had not received any government support during the pandemic.¹⁰²

On the brighter side, 51 of the 157 countries included in both the 2020 Index and this new Index have increased social protection spending by more than 1 percentage point. **Uzbekistan** is among the biggest budget raisers (see **Table 2.4**). Between 2018 and 2020, the government increased spending on social protection from 25.5 to 38.1% of expenditure, moving it up the ranks from 54th to 16th highest spender. This does not fully capture the government's full response to the pandemic, which has been considerable. It increased the number of low-income families and people with disabilities receiving cash benefits, expanded coverage of the country's child benefit (for example, by increasing the upper age limit from 14 to 18), and made permanent pension increases.¹⁰³

Mongolia is another of the biggest budget raisers. It increased spending from 21.27 to 29.24% of expenditure between 2018 and 2020, which boosted it 21 places up the social protection spending rankings. The government significantly scaled up social protection in response to COVID-19; they expanded the well-regarded (and near-universal) Child Money Program and the Food Stamp Program, and increased the amount paid out in benefits by 400% and 100% respectively.¹⁰⁴

HOW ARE COUNTRIES PERFORMING ON COVERAGE?

EDUCATION COVERAGE

This indicator measures completion rates in secondary education for the poorest quintile. It gets to the heart of whether a country's education system is reaching the poorest citizens, which is fundamental to ensuring that everyone's right to education is satisfied and that education tackles inequality and boosts social mobility.

The education coverage numbers used in the CRI 2022 track the pre-COVID-19 period and show precious little progress since CRI 2020. Average global coverage for the poorest children rose only slightly from 38.9 to 40%. **Argentina, Armenia, and Mongolia** stand out as countries which were making major progress on getting the poorest children to complete secondary education during the pre-COVID-19 period, with Argentina and Armenia reaching more than 70% coverage, and Mongolia more than doubling coverage to reach 50%.

The secondary school completion rate varies from an impressive 92% in **South Korea**, to just 0.09% in the **Central African Republic**. Unfortunately, far too many countries are failing the poorest children; in this year's Index, 40 countries achieve a secondary completion rate of less than 10% for the poorest quintile.

Since the start of the COVID-19 crisis, some governments have made commendable efforts to reach children in poorer and marginalized communities during recent school closures and to get learners – especially girls – back into school. **Sierra Leone** built on the radio learning programme introduced during the Ebola crisis, disseminating lessons through 12 community radio stations.¹⁰⁵ **Togo** achieved 98% re-enrolment at primary and lower-secondary levels, through 'back-to-school' media campaigns and community-level mobilization.¹⁰⁶ **Kenya's** government convened an inter-ministerial taskforce to tackle low re-enrolment rates and after a community-based campaign they also managed to get 96% of students back in education.¹⁰⁷ A number of African countries have also taken action to help ensure pregnant students and adolescent mothers can return to school.¹⁰⁸ Measures like these to encourage girls back into education will be crucial in tackling gender inequality.

HEALTH COVERAGE

As in the 2020 Index, this indicator comprises two components.

First, the proportion of the population with access to essential health services. Overall, there was little progress here in the pre-COVID-19 period tracked by CRI 2022 sources, rising on average by only 0.4 percentage points to 64.7% between 2017 and 2019. Also, in many countries, coverage remains worryingly low. In the worst performing 35 countries (all low- or lower-middle-income), more than 50% of people remain uncovered. In three countries (**Chad, South Sudan, and the Central African Republic**) two-thirds do not have access to essential health services.

Second, the proportion of the population suffering from catastrophic expenditure on health (defined as more than 10% of household expenditure). In this index, the global average stands at 8.3% which represents very little change between 2017 and 2019. In 51 countries, more than 10% of the population are facing catastrophic spending on health. Shockingly, in 11 of these nations, it is more than 20% of the population. This is a major driver of poverty and financial ruin, and also means far too many people do not seek out healthcare when they need it.

Thailand is the best performing upper-middle-income country on health coverage, and the only one in the top 20. It ranks 8th overall, taking both coverage and out-of-pocket expenditure into account. The country has made considerable progress since committing to Universal Health Coverage in 2002 and has achieved access to essential health services for 83% of the population. All citizens are entitled to essential preventive, curative, and palliative health services at all stages of their life.¹⁰⁹ Thailand also maintains a very low level of catastrophic spending on health, at just 1.9%, which ranks it among the top 20 performers. **El Salvador** is the highest ranking lower-middle-income country (at position 32). The government has been committed to Universal Health Coverage since 2010 and provides free primary health services and a publicly funded health insurance system. More than three-quarters of the population has access to health services and just 1.7% suffer catastrophic out-of-pocket spending.

SOCIAL PROTECTION COVERAGE

The pandemic has increased the need for countries to prioritize a Universal Social Protection Floor that offers protection for all, from a range of risks through different life stages. Owing to a lack of reliable data covering the full range of social protection indicators though, as in the 2020 Index, this indicator uses pension coverage as a proxy for overall social protection coverage.

Our analysis shows that 39 countries have achieved full coverage, meaning 100% of the population that are of pensionable age have access to a pension. The majority of these are high-income countries, but six are lower-middle-income countries (**Bolivia, Eswatini, Kyrgyz Republic, Mongolia, Timor-Leste, and Uzbekistan**). **Bolivia** achieved universal pension coverage, thanks in large part to a non-contributory pension that benefits 80% of pensioners and helped end the exclusion of informal workers.

Unfortunately, many countries are failing to ensure that all elderly people have access to this important social benefit. In 67 countries, fewer than half of the elderly population are covered and in the worst performing 26 countries less than 10% are covered.

2.4 IMPACT: HOW HARD ARE PUBLIC SERVICES WORKING TO FIGHT INEQUALITY?

The potential for public services and social protection to reduce economic inequality, in rich and poor countries alike, is widely evidenced. When a government provides free health and education

they essentially increase the disposable income of all people, but benefit the poorest people most.¹¹⁰ Universal and large-scale social protection benefits have also been found to have a significantly redistributive effect.

As in the 2020 Index, public services are reducing inequality in every country in the index – but by widely varying degrees. The majority of the highest performers are high- and upper-middle-income countries. Poland ranks top in this indicator, reducing inequality by 77% through its public services. Ukraine and Kiribati stand out as two lower-middle-income countries where public services are reducing inequality very substantially. Most of the poor performers are lower-income countries where spending is small in relation to GDP – South Sudan ranks lowest, reducing inequality by only 0.5 percentage points. But Hong Kong SAR, China, Jordan, and Barbados stand out as wealthier countries where spending is reducing inequality only marginally.

This shows that high spending alone does not guarantee that public services will have a strong redistributive effect and combat inequality. Governments must also ensure spending is progressive and should avoid policies that could undermine this, like health and education user-fees, which hit the pockets of the poorest people hardest, increasing income inequality. Governments must also invest in universal or large-scale social protection benefits; small-scale and/or temporary measures are not enough to act as a redistributive tool.

Since the 2020 index, the estimated average impact of anti-inequality spending on reducing inequality has risen slightly, from 18.4 to 19.4%. Impact on inequality has increased in 84 countries and fallen in only 34. This reflects two factors: overall, while social spending may have fallen as a percentage of the total budget, in many countries it did not fall as a percentage of GDP or people's income because GDP and income collapsed even more; and for some countries, new specific studies or modelling methods have changed the calculations upwards. Strong upward movers since CRI 2020 include the Maldives, Timor-Leste, and Cyprus due to spending increases, and South Africa, Türkiye, Zambia, and China due to new studies of impact by CEQ or OECD. Those falling considerably – because spending has fallen even faster than GDP – include the Seychelles, Kyrgyz Republic, Yemen, and Djibouti.

3. TAX POLICY TO FIGHT INEQUALITY

HOW THE CRI INDEX ASSESSES TAX POLICY

The CRI Index 2020 has not changed the indicators used to assess tax policy compared with previous versions.¹¹¹ The indicators used ask about policy, implementation, and impact:

1. **Policy:** Are the main taxes (personal income tax, corporate income tax, and value added tax or general sales tax) progressive, i.e. with their burden falling more on those who can afford to pay? This indicator also assesses whether a country uses harmful tax practices, behaving like a tax haven and undermining tax collection in their own and other countries.
2. **Implementation:** How successfully does the country collect its main different types of taxes?
3. **Impact:** What is the impact of the tax collected on income inequality (measured by the Gini coefficient)?

THE CRI INDEX 2022 TAX PILLAR RESULTS

OVERALL TAX PILLAR RESULTS

Table 3.1 shows the best and worst tax performers in the CRI Index 2022, as well as those countries which have most improved or worsened their performance since the last index in 2020. Australia comes top due to new anti-tax-avoidance rules and the removal of a harmful tax regime, which offset the negative effects on its score of cutting its CIT rate from 27.5% to 26%, and because it has managed largely to maintain tax revenue levels during the pandemic. However, it could do much more to make its tax system more progressive, by raising its VAT threshold, reversing its CIT rate cut, reducing tax exemptions for high earners and corporations, and introducing wealth taxes.

North Macedonia is at the bottom, reflecting its increasing dependence on indirect tax revenues and very low income taxes. Among other poor performers, the Bahamas and Vanuatu lack income taxes, Oman has no PIT, and Bahamas, Liberia, and Panama have harmful tax practices or indicators that suggest they engage in harmful tax competition.

In terms of improvers, the picture is dominated by the removal of specific harmful tax practices previously considered harmful by the OECD or the EU and by the introduction of anti-avoidance rules, causing rises in Morocco,¹¹² St Vincent and the Grenadines, the UK, Czechia, Estonia, and Latvia. As for domestic policy changes, two countries stand out: Bhutan for introducing a neutral general sales tax (GST) to replace regressive sales taxes and increasing its top PIT rate, resulting in higher tax revenue;¹¹³ and the Maldives for introducing a progressive PIT.¹¹⁴

Collapses in tax collection and productivity explain most of the top fallers (in Benin, Bolivia, Costa Rica, Fiji, Georgia, Guyana, and Malta these reflected COVID-19; in Afghanistan and Yemen also armed conflict; and in Algeria, Congo, and Bolivia¹¹⁵ global oil and gas price falls). Angola stands out because its fall reflected largely regressive policy changes – putting VAT on food and cutting CIT, which more than offset a rise in its top PIT rate. In Georgia and Malta new incidence studies show that tax systems were less progressive; and in Benin, Costa Rica, Malta, and Yemen HTP scores worsened.

Table 3.1: The best and worst tax performers in the 2022 CRI Index

Top 10		Bottom 10		Biggest risers		Biggest fallers	
Australia	1	Oman	152	Morocco	116	Afghanistan	-109
Lesotho	2	Congo, Rep.	153	Bhutan	104	Malta	-89
South Africa	3	Panama	154	St. Vincent & Grenadines	93	Guyana	-88
China	4	Vanuatu	155	Zimbabwe	79	Fiji	-71
Canada	5	Liberia	156	Maldives	73	Georgia	-68
Kiribati NEW	6	OPT	157	Tajikistan	67	Angola	-58
New Zealand	7	South Sudan	158	Latvia	64	Benin	-55
Korea, Rep.	8	Serbia	159	Czechia	63	Bolivia	-55
Djibouti	9	Bahamas	160	Estonia	62	Yemen	-53
Germany	10	North Macedonia	161	United Kingdom	47	Costa Rica	-48

TAX PROGRESSIVITY ON PAPER - (INDICATOR T1)

The 2022 CRI Index continues to assess tax progressivity by focusing on the three main types of taxes generating global revenue: personal income tax, consumption taxes such as VAT or general sales tax, and corporate income tax. Together these taxes account for the vast bulk of tax revenue in most countries and therefore have a substantial impact on inequality. However, the CRI does not yet cover the full tax system, particularly excluding taxes which fall heavily on rich people such as net wealth taxes, capital gains taxes, inheritance taxes, and property taxes. The assessment also does not cover more temporary windfall taxes on rich people and corporations which the IMF, OECD and others have recommended countries to use in their COVID-19-response (see **Box 5**).

Box 5: Key additional progressive taxes – wealth, windfall, and solidarity

252 men own more wealth than the 1 billion women and girls in Africa and Latin America and the Caribbean. This grotesque inequality is the product of a highly unequal economic system that has allowed the world's richest 1% to capture nearly 20 times more wealth than the bottom 50% since 1995.¹¹⁶ Taxing wealth is a vital tool to ensure more equal distribution and can be achieved (as past CRI reports have discussed) through taxes on net wealth, property, capital gains, and inheritance. However, most governments do not use wealth taxes enough: in over 100 countries only about 4% of their revenue comes from wealth taxes, compared with 44% from regressive consumption taxes.¹¹⁷ Any government which wants to use taxes to reduce inequality needs to enhance its wealth taxes.

In addition, as the world's elite gathered in May 2022 in Davos for the first time since the pandemic struck there was cause for them to celebrate. Billionaires had seen their fortunes increase as much in 2020–21 as they did in 23 previous years, with the fortune of the 10 richest men doubling. While millions were being pushed into poverty by rising food prices, 62 new food billionaires had been created and large corporations posted record profits.¹¹⁸ For the world's 1,000 biggest corporations, profits were up nearly 70% in 2020–21 compared with before the pandemic.¹¹⁹

The unprecedented gains at the top amid so much hardship have led to increasingly vocal calls for solidarity taxes on rich people and windfall taxes on the excess profits of corporations, which have also been used by governments in many past crises. The **International Monetary Fund (IMF)**,¹²⁰ the **United Nations (UN)**,¹²¹ and the Organisation for **Economic Co-operation and Development (OECD)**¹²² have all urged governments to use these taxes to fund support for citizens during and after the pandemic.

An increasing number of governments have enacted new wealth taxes, solidarity taxes, and windfall taxes on energy companies, especially in Latin America (see **Box 6**).¹²³ Such taxes on the wealthiest and profiteers should be introduced urgently by any government serious about reducing inequality.

INDICATOR T1A: PROGRESSIVITY OF PERSONAL INCOME TAX

The 2022 CRI Index continues to calculate personal income tax progressivity based on the rates and thresholds used by each country compared to per capita GDP.¹²⁴ Most of the countries with the most progressive personal income tax systems on paper continue to be low- and lower-middle-income, led by CAR, Togo, the Maldives, and Pakistan. At the other end of the scale, 16 countries (mostly in Eastern Europe and Central Asia) have regressive ‘flat tax’ systems, charging the same percentage to all taxpayers regardless of the ability of the wealthy to pay more. However, since the last CRI, the number of countries with no PIT has fallen to four (the Bahamas, Bahrain, Oman, and Vanuatu) because the Maldives introduced a progressive income tax.

In 2020–21, 21 countries raised PIT top rates while 11 cut them. **Table 3.2** shows the top PIT raisers and cutters. Angola, Costa Rica, and New Zealand increased top rates most, while Armenia cut them most, switching to a flat tax system, and Barbados and Croatia also cut heavily. Most of the cuts were announced pre-COVID-19, while rises have been announced since, indicating a degree of post-COVID-19 shift to more progressive policies. Overall, the average top PIT rate has increased slightly faster than in CRI 2020, rising by 0.2 percentage points compared with 0.1 (and by 0.5 percentage points since 2021).

Table 3.2: Personal income tax top rates – the raisers and cutters

Top 10 raisers, percentage points		Top 10 cutters, percentage points	
Maldives	+15	Armenia	-14
Costa Rica	+10	Barbados	-11.5
New Zealand	+8	Croatia	-7.1
Angola	+8		
Bhutan	+5	Sri Lanka	-6
Chile	+5		
Lithuania	+5	Sweden	-5
Malawi	+5	Zimbabwe	-5
South Sudan	+5	Mali	-3
Türkiye	+5	Netherlands	-2.25
Fiji	+5	Greece	-1

Box 6: Latin America’s new anti-inequality tax policies

Globally, movement towards more progressive taxes is patchy, but the picture looks brighter in Latin America. Latin America is the most unequal global region in terms of wealth concentration, its tax collection remains low, and revenue has often not translated into better public services.

Since 2020, mass protests have taken to the streets in Chile, Costa Rica, and Ecuador against tax reforms which were increasing the burden on the poorest people and the middle class, while protecting exemptions for the richest people and large corporations.¹²⁵ As a result, in 2020 and 2021 respectively, Chile and Costa Rica increased their top PIT rates, as shown in **Table 3.2**. More importantly, a series of more progressive governments has been elected across the region and are introducing bolder measures to mobilize tax revenues progressively:

- Argentina’s Fernandez government in 2020 introduced a one-off wealth tax to pay for COVID-19 spending, with progressive rates at between 2% and 5.25%.¹²⁶ In 2021, it cancelled its predecessor’s intention to cut CIT from 30% to 25%, and introduced a ‘tiered’ system where small companies pay only 25% but larger companies pay up to 35%.¹²⁷ In 2022 it is proposing a windfall tax on companies earning excessive profits of more than AR\$1bn as a result of the war in Ukraine.¹²⁸
- Bolivia’s Arce government introduced a permanent wealth tax at the end of 2020, with progressive rates of between 1.4% and 2.4% on wealth above 4 million dollars and announced a 5% refund of VAT to the poorest citizens.¹²⁹
- Chile’s Boric government has presented a draft bill for a tax reform that proposes to introduce a new top PIT rate of 43%, increase capital gains tax to match income tax, introduce a wealth tax of 1–1.8% on the largest fortunes, and increase royalties on copper mining companies in order to increase tax collection by 4.1% of GDP (or 20% of current tax levels).¹³⁰

The lessons from Latin America are clear: to avoid spiralling protests, governments need to ensure tax reforms place the burden clearly on rich people and large corporations, and that tax revenues bring major improvements in the provision of public services.

INDICATOR T1B: PROGRESSIVITY OF CORPORATE INCOME TAX

Corporate income tax (CIT) is generally a progressive tax in that it is charged on profits which would otherwise be paid out as dividends or profits to relatively wealthy company owners. The countries with the highest CIT rates are Guyana (40%) and Argentina, Chad, Japan, Jordan, Malta, and Zambia (all 35%). At the other end of the scale, three countries (Bahamas, Bahrain, and Vanuatu) continue to have no CIT,¹³¹ and a further 11 countries have rates below 15%.

The downward trend in average corporate tax rates has accelerated considerably since the 2020 CRI Index, with a fall of 0.4 percentage points (compared to 0.2 between CRI 2018 and 2020). No fewer than 22 countries cut their rates, while only 5 increased them. Table 3.3 shows the changes of the largest cutters (Tunisia, Greece, Angola, the Philippines, and Sierra Leone) as well as the raisers. Since the cut-off date for the 2022 CRI, Australia and Indonesia have introduced further cuts of 2% and 1% respectively, and Türkiye has eliminated 2% of a ‘temporary’ rise to fund its COVID-19 response.

Table 3.3: Corporate income tax – top increasing and cutting countries

Top increasers, percentage points		Top cutters, percentage points	
Argentina	+5	Tunisia	-10
Uzbekistan	+3	Greece	-6
Türkiye	+3	Angola	-5
Japan	+1	Philippines	-5
Germany	+0.11	Sierra Leone	-5
		Bangladesh	-5
		Belgium	-4.58
		Lao PDR	-4
		Sri Lanka	-4
		Indonesia	-3

An international agreement between nearly 140 countries reached at the OECD in October 2021 seeks to introduce a global minimum corporate tax of 15%. This was a step in the right direction but remains woefully insufficient, especially for low-income countries, as two-thirds of the additional revenues will be captured by rich economies: OECD countries are likely to increase their corporate tax revenues by as much as 19%, while low-income countries will gain only 1%. In particular, the

agreement on 15% minimum tax is unlikely to address the race to the bottom on corporate taxation rates, as all but three non-OECD countries have CIT rates at 15% or above,¹³² and loopholes included in the deal could allow companies to continue to pay below 15% in many instances.¹³³

INDICATOR T1C: PROGRESSIVITY OF VAT

VAT is usually a regressive tax, so higher rates exacerbate inequality. However, around 140 countries take measures to make VAT less regressive in its impact, by exempting all or most basic foodstuffs which poor people consume, or by applying a lower rate on them (127), or by setting a high sales registration threshold so that smaller traders do not pay VAT or charge it to their poorer customers (60). For the 40 countries which take both these steps, VAT is likely to be having a neutral impact on inequality, so they are given ‘adjusted’ rates of zero. On the other hand, 22 countries do nothing to mitigate the regressive impact of VAT and could introduce both of these measures: six countries (Denmark, Hungary, Lithuania, Ukraine, Estonia, and Bulgaria) – three more than in 2020 – now have rates above 20% with no mitigating anti-regressive measures.

VAT is also very effective in collecting revenue, which is why it has become more widespread in recent decades. However, since 2020, only Afghanistan and Oman have introduced VAT. Sixteen other countries in the CRI continue to have general sales taxes or goods and services taxes.¹³⁴

As shown in **Table 3.4**, relatively few countries have made their VAT or sales taxes more regressive or progressive since CRI 2020. Only China and Jamaica have cut VAT rates, though Afghanistan and Bhutan’s sales tax reforms are progressive, and Albania has raised its threshold sharply. On the other hand, Japan and Nigeria increased rates, Angola ended food exemptions, five countries failed to increase thresholds to keep up with GDP, and Oman introduced VAT with a low threshold. Four other countries changed rates, but due to food exemptions and high thresholds, will not have worsened inequality. Overall, the average global rate tracked by the CRI fell marginally from 15.7% to 15.6%.

Table 3.4: Major VAT positive and negative developments during 2020–22

VAT made less regressive ¹³⁵		VAT made more regressive	
Bhutan	Replaced multiple taxes with general sales tax – exempts food and has high registration threshold (July 2022)	Angola	Ended food exemptions
Albania	Raised VAT threshold	Guyana, Serbia, South Africa, Tunisia, Ukraine	Failed to raise thresholds to keep up with GDP growth
Jamaica	Cut rate by 1.5% and raised threshold		
Afghanistan	Switched from sales tax to VAT and raised rate by 8% but exempted food and high threshold	Japan	Increased rates by 2% (not on food)
China	Reduced overall VAT by 3% and VAT on food	Oman	Introduced 5% VAT (food exempt but threshold low)
Neutral impact of VAT changes			
Bahamas	Increased VAT by 4.5% but food exempt and threshold high		
Botswana	Increased VAT by 2% but food exempt and high registration threshold		
Nigeria	Increased VAT by 2.5% but also raised threshold sharply		
Sri Lanka	Cut rate from 15% to 8% but food already exempt and threshold high		

INDICATOR T1D: HARMFUL TAX PRACTICES

The CRI includes as a negative indicator the degree to which a country adopts and implements harmful tax practices (HTP), attracting corporate profits to be declared in their countries and thereby eroding the global tax base and ability to fight inequality.¹³⁶

The CRI has seen an overall improvement in HTP scores since 2020 with 71 countries improving their HTP scores and 42 worsening. The average score has improved from 1.7 to 1.4 out of 9, and the number of countries with no harmful tax practices has risen from 26 to 29. Overall, Hong Kong SAR, China comes bottom, followed by Barbados and Singapore, and five EU member states (Cyprus, Ireland, Luxembourg, Malta, and the Netherlands) in the bottom 10.

However, this positive trend in HTP scores may not reflect a decline in use of harmful tax practices globally. It is mainly due to better data availability and compliance with some international standards which are no longer sufficient to curb tax avoidance. The HTP economic sub-indicators which measure levels of royalties, interest and dividends entering and/or leaving countries, show that an increased number of countries have disproportionate flows compared with their GDP: for example, Luxembourg has levels of dividends entering and exiting which exceed 150% of its GDP. This is a strong signal that countries are using aggressive tax practices to attract companies' profits or conduct them to other offshore centres which are not detected using the OECD and the EU criteria tracked by the HTP indicator. Other sources are indicating that there is strong reason to worry that tax avoidance by corporations has been increasing during the pandemic.¹³⁷ In future editions of the CRI, we will develop this indicator further to track other harmful practices. Developing this type of indicator to track more current harmful tax practices is even more crucial in light of the G20/OECD-led deal to redesign the taxation of large corporations in a digitalized economy (see indicator T1b above).

TAX COLLECTION (INDICATOR T2)

This indicator looks at tax 'productivity' – the percentage of tax which each country is collecting compared to what it should collect if its tax rate applies to all relevant components of GDP. It therefore reflects some elements of tax policy (such as exemptions and loopholes) as well as the degree of administrative success in collecting taxes and reducing tax avoidance in each country. This calculation is applied to the three main types of tax across the world: CIT, PIT, and VAT.

The COVID-19 pandemic resulted in a large average fall in tax productivity across the world during 2020–21. It fell by 6.3%, meaning that tax collection fell by much more than GDP. This was particularly true for VAT and sales taxes, where productivity fell by 12%; and CIT, where it fell by 7%, whereas PIT productivity stayed broadly the same as pre-COVID-19.

However, the falls in tax productivity hit countries very differently so this indicator has seen huge changes in scores and rankings. As shown in Table 3.5, the biggest fallers were those countries hit by other factors in addition to COVID-19 – such as political instability in Afghanistan, Guyana, Haiti, and Lebanon; oil price falls and economic crises in Congo and Algeria; and natural hazards in Haiti. Countries dependent on tourist revenues (such as Fiji) were also very hard hit. On the other hand, the biggest risers mainly reflected the fact that more recent data showing tax rises were available for 2021 or 2022 (Zimbabwe, Timor-Leste, Botswana, DRC, Eswatini, Barbados), that the year used for CRI 2020 had been one of economic downturn in the country (Zimbabwe, Timor-Leste) or that revenue data had been older in CRI 2020 and therefore rises reflected pre-COVID-19 revenue increases (Barbados, Cambodia). Bhutan was the only country in the top risers where tax reforms led to a big increase in collection (in 2021).¹³⁸

Table 3.5: Tax productivity: Biggest risers and fallers

Biggest risers		Biggest fallers	
Zimbabwe	+73%	Afghanistan	-69.6%
Burundi	+41%	Congo, Rep.	-64.0%
Timor-Leste	+35%	Lebanon	-60.3%
Bhutan	+30%	Haiti	-48.7%
Botswana	+24%	Fiji	-43.5%
DR Congo	+21.6%	Guyana	-43.3%
Eswatini	+20.1%	Sao Tome and Principe	-42.7%
Lithuania	+18.6%	Malawi	40.3%
Barbados	+18.3%	Bolivia	-34.8%
Cambodia	+18.3%	Yemen, Rep.	-34.7%

TAX IMPACT ON GINI - (INDICATOR T3)

This indicator stays the same as in the previous CRI reports, measuring the degree to which countries' tax policies and collection are reducing or increasing inequality. Countries which are collecting far more VAT and other indirect taxes than direct taxes and are not modifying the indirect taxes to make them inequality-neutral (by exempting small traders and products consumed by those with low incomes) are likely to be increasing inequality. On the other hand, countries which are collecting mostly progressive income taxes will be reducing inequality.

Overall, tax systems are supposed to be a powerful means of reducing inequality, collecting more from those who can afford it most. However, during the pandemic, national tax systems continued to be slightly regressive, increasing inequality on average within countries by around 1.5%. Only 63 countries' tax systems are reducing inequality, while 97 are increasing it. This reflects the continuing dependence of many countries on VAT revenues and their very low collection of progressive income taxes.

As in the previous CRI, tax systems have continued to become marginally less regressive, as countries make PIT more progressive and VAT systems less regressive (see T1 above) and collect more of the progressive income taxes (see T2 above). They are estimated to have become less regressive in 96 countries and more regressive in only 58 between CRI 2020 and CRI 2022.

As shown in **Table 3.6** below, the countries with the most inequality-reducing tax systems on income are Ireland, Kenya, Tanzania, Lesotho, and Argentina, countries with a wide range of income levels, showing that countries from rich to poor can use tax systems successfully to reduce inequality. On the other hand, those with the least progressive systems are Serbia, Bulgaria, North Macedonia, Moldova, and Azerbaijan, all of which have income tax systems which apply the same flat rate to all incomes or have only 5–8 percentage point differences between bottom and top rates. They are therefore making virtually no effort to ensure that the wealthiest taxpayers bear more of the national tax burden.

Table 3.6: Countries with most progressive and regressive tax impact

Countries reducing inequality most			Countries increasing inequality most		
	Change in Gini	% Change to pre-tax Gini ¹³⁹		Change in Gini	% Change to pre-tax Gini
Ireland	-0.0595	-12.9	Serbia	+0.1509	+31.5
Kenya	-0.0512	-8.5	Bulgaria	+0.1143	+21.2
Tanzania	-0.0431	-7.1	N. Macedonia	+0.1050	+24.4
Lesotho	-0.0423	-6.8	Moldova	+0.0733	+15.3
Argentina	-0.0405	-7.1	Azerbaijan	+0.0639	+13.3

4. FIGHTING INEQUALITY THROUGH LABOUR RIGHTS AND WAGES

INTRODUCTION

The labour pillar measures, firstly, three areas of **labour rights policy** through which governments can fight inequality: respect for labour rights; legal protection for women workers; and minimum wages. It then looks at the **coverage of labour rights** by tracking the proportion of the population that does not legally benefit from these rights. Finally, **the impact on wage inequality** (of policies and coverage) is analysed.

Below we look at each of these areas in more detail, focusing on trends since CRI 2020 and wherever possible, exploring the impact of COVID-19. Almost all the data in the labour pillar is from the post-COVID-19 era: information on policies is largely from 2022, the coverage and impact indicators from 2021; however, the sub-indicator on respect of labour and union rights (L1a) remains unchanged, because the data source has not been updated.

LABOUR RIGHTS PILLAR

Table 4.1 Index ranking for the labour pillar

Top 10		Bottom 10	
Slovak Republic	1	Nigeria	161
Denmark	2	South Sudan	160
Norway	3	CAR	159
Slovenia	4	Zimbabwe	158
Finland	5	Burundi	157
Sweden	6	Niger	156
Iceland	7	Guinea	155
Czech Republic	8	Uganda	154
Belgium	9	Sierra Leone	153
Malta	10	Ethiopia	152

All the top performers are high-income European countries with strong polices, low unemployment and vulnerable employment, and low wages inequality. Slovak Republic comes top, moving up from 4th position, due to small improvements across a number of indicators. But recent reports of collective bargaining being stalled are concerning (see section L1A). At the bottom are a group of low- and lower-middle-income countries in sub-Saharan Africa, with high levels of vulnerable employment and weak labour rights.

Table 4.2 shows the big movers since the CRI 2020. Tajikistan tops the list of upward movers, mainly due to a large decrease in vulnerable employment. Moldova and Occupied Palestinian Territory (OPT) have both moved upwards sharply to become the two top performing lower-middle-income countries. Moldova has made improvements on women’s rights through a new law more explicitly covering rape in marriage, by introducing paternity leave and more generous parental leave, as well as big reductions in vulnerable employment. OPT has dramatically improved its minimum wage.

Some countries have shifted from ‘bad’ to ‘not so bad’: Egypt, for instance, moved up from 148th to 76th, by extending the public sector minimum wage to the whole economy; Cambodia has gone from 114th to 101st due to improvements in wage inequality; and Haiti to 136th from 149th due to a new law on sexual harassment.

Table 4.2. Top risers and fallers on labour index

Risers		Fallers	
Tajikistan	+29	Lesotho	-27
Egypt, Arab Rep.	+28	Botswana	-23
Jordan	+28	Honduras	-23
Bahamas	+25	South Africa	-23
Barbados	+24	Zimbabwe	-23
Occupied Palestinian Territory	+20	DRC	-22
Solomon Islands	+20	Cabo Verde	-21
Moldova	+16	Costa Rica	-21
Cambodia	+14	Argentina	-20
Haiti	+14	Bulgaria	-20

All of the major falls are caused by increases in unemployment, vulnerable employment, and income inequality – resulting from the pandemic and broader economic crises – rather than backward moves on policies. They are led by a cluster of Southern African countries, but also include Honduras, Cabo Verde, Costa Rica, Argentina, and Bulgaria.

LABOUR POLICY - LI

The ranks for the labour policy indicator are in **Table 4.3**. The bottom 10 overlap with six of the bottom ranking countries in CRI Index 2020 – Uzbekistan, Nigeria, Belarus, China, Bangladesh, and Oman.

Table 4.3. Labour policy indicator: top and bottom ranking

Top 10		Bottom 10	
Occupied Palestinian Territory ¹⁴⁰	1	Tonga	161
Mozambique	2	Uzbekistan	0
Liberia	3	Nigeria	159
Kiribati	4	Iran	158
Timor-Leste	5	Belarus	157
Chad	6	China	156
Slovak Republic	7	Bangladesh	155
Denmark	8	Tuvalu	154
Slovenia	9	Oman	153
Togo	10	Botswana	152

The bottom 10 also includes three of the four new countries introduced into the Index: Tonga, Iran, and Tuvalu. Iran has the worst possible score on union and labour rights (as independent trade unions are banned) and a very poor score on legally protecting the rights of women. Tonga and Tuvalu both score badly on protecting the rights of women.

The top 10 has some newer and older entries. OPT (covered above) is at the top and is also new into the top 10. Mozambique, in the same position as last time, does well on the policy indicator as it has

progressive ‘on paper’ laws, even if these cover very few workers in reality (due to high levels of vulnerable workers). Liberia has risen four places due to its new sexual harassment law. Slovak Republic and Slovenia have both increased minimum wages considerably. Kiribati, the only other new country, comes into the top 10, performing well overall on labour policies.

RISERS AND FALLERS

Among the risers, Barbados stands out for enacting a suite of new protections for women in the workplace – introducing new laws on equal pay, sexual harassment, and rape. Other countries introduced less comprehensive changes: Nepal extended its maternity leave and gave new paternity leave entitlements; Samoa and the Central African Republic introduced new minimum wage rates; and Angola, Haiti and Jamaica introduced new sexual harassment laws.¹⁴¹

At the other end of the spectrum, most of the movement is triggered by the minimum wage indicator. In Guyana, DRC, Mauritania, Zambia, Côte d’Ivoire, and Yemen, the minimum wage has not been raised for a number of years and is failing to keep up with GDP per capita growth. In Paraguay, the minimum wage has been reduced to reflect the lowest paid workers (cattle farm workers) and India has been reclassified as having no minimum wage (see LIC below).

Table 4.4. Risers and fallers on labour policy indicators

Risers		Fallers	
Barbados	+69	Paraguay	-42
Samoa	+64	Guyana	-38
Bahamas	+46	Türkiye	-22
Central African Republic	+39	Congo, Dem. Rep.	-21
Nepal	+35	Mauritania	-20
Haiti	+28	India	-19
Jamaica	+28	Zambia	-18
St. Lucia	+27	Côte d’Ivoire	-17
Angola	+26	Yemen, Rep.	-17
Uruguay	+26	Brazil	-17

L1A. LABOUR AND UNION RIGHTS

This indicator looks at what governments are doing to support labour and union rights through legislation and implementation. This has not been updated by Penn State University so no trend analysis is carried out.¹⁴² In the absence of new data, this indicator does not reflect the latest developments, but the ITUC have noted an increase in the suppression of workers’ rights since COVID-19 and a number of countries already doing poorly on the policy indicator have registered a further deterioration of rights, i.e. Bangladesh and Belarus (see **Box 7**). In other countries, an ongoing deterioration would mean they would score significantly worse in terms of their policy commitments to workers’ rights: in Brazil, the recently approved labour reform has reduced financing for unions,¹⁴³ ITUC noted that the situation of workers in Brazil has continued to worsen since the adoption of a new labour law in 2017, and now the entire collective bargaining system has collapsed.¹⁴⁴

Even our top performing country on the labour pillar, Slovak Republic, saw tripartite negotiations halted as a result of COVID-19,¹⁴⁵ and thus, may have scored more poorly with updated data.

Box 7: ITUC Global Labour Rights Index

Key findings of the 2021 ITUC Global Rights Index, which ranks 149 countries on the degree of respect for union rights, were:

text

- 87% of countries violated the right to strike
- 79% of countries violated the right to collectively bargain
- 74% of countries excluded workers from the right to establish and join a trade union
- The number of countries that impeded the registration of unions increased from 89 in 2020 to 109 in 2021.
- Bullet

The top and bottom performers in the ITUC 2021 Index are shown below, alongside the worst and best scores from the Penn State University (PSU) 2018 Index (used in the 2020 CRI). While not directly comparable it gives a sense of where some of the most significant movement has been. The following are also important trends among CRI countries:

The following countries were classified as ‘no guarantee of rights due to the breakdown of the rule of law’: Central African Republic, OPT, South Sudan, and Yemen.

Countries with improved ratings: Greece, Bolivia, Mexico, North Macedonia, and Panama.

Countries with worsened ratings: Togo, Myanmar, Haiti, Jordan, Malaysia, El Salvador, Hungary, Belgium, Canada, and Slovakia.

Rights dismantled due to new repressive laws: Honduras, India, Indonesia, Slovakia, and Uruguay.

ITUC Global Index 2021 scores		PSU Union Rights Index (2018 scores)	
Worst places for union rights in 2021	Bangladesh, Belarus, Brazil, Egypt, Honduras, Philippines, Türkiye, Zimbabwe, Myanmar	Worst possible score	Belarus, China, Djibouti, Egypt, Iran, Lao PDR, Uzbekistan,
Rating 1 ('best' rating = sporadic right violations) ¹	Austria, Denmark, Finland, Germany, Iceland, Ireland, Italy, the Netherlands, Norway, Sweden, Uruguay	Top 10	Iceland, Norway, Slovak Republic, Cyprus, Luxembourg, Ireland, Slovenia, Austria, Cabo Verde, Sweden

¹ Collective labour rights are generally guaranteed. Workers can freely associate and defend their rights collectively with the government and/or companies and can improve their working conditions through collective bargaining. Violations against workers are not absent but do not occur on a regular basis.

L1B. WOMEN'S RIGHTS

This indicator scores countries according to whether they have legislation in place on equal pay for equal work, against discrimination in the workplace, and to protect workers against rape and sexual harassment. It also assesses the length and levels of statutory pay provided to encourage balanced parental leave for both parents.

There have been considerable improvements on women's rights legislation scores since the last CRI. In some cases, this reflects new legislative changes, whereas in others it reflects an ever-closer focus on the issues and engagement with governments to clarify legal frameworks, resulting in improving (and more positive) assessments by our sources.¹⁴⁶

Due to these improvements in policy and information, the good news is that:

- Only 7 countries have no laws on both equal pay and non-discrimination in hiring: 145 countries have equal pay laws and 154 have non-discrimination laws.

- 137 countries have sexual harassment laws, with 7 having introduced new laws since the last CRI and 2 more currently passing laws through parliaments. Only 22 countries have no laws.

In these areas, those without legislation are outliers and the key issue is now enforcement of the laws. Ongoing gender pay gaps in countries with decades long equal pay and non-discrimination acts (and continuing high levels of unprosecuted sexual harassment) show how complex this will be.

On the other hand, there has been virtually no progress on improving rape laws in recent years. A total of 91 countries have ‘good’ anti-rape laws (although many still require the victim to prove violence rather than defining rape as lack of consent), but 70 have inadequate legislation which excludes marital rape or allows the rapist to escape prosecution by marrying the victim. There needs to be much more progress on improving laws, as well as a focus on improving reporting and conviction rates.

The most notable riser is Barbados, which has introduced non-discrimination, equal pay, and improved rape laws since 2019. On the other hand, Afghanistan’s ranking has collapsed because women’s rights have crumbled under the Taliban. Reports suggest that women are now restricted from working outside the home¹⁴⁷ and Sharia law has been re-enacted, meaning rape laws are thoroughly inadequate.

Parental leave policies have improved sharply since CRI 2020. Paternity and/or parental leave has been introduced or increased in 17 countries and 6 countries have introduced or increased maternity leave. This has been boosted by a number of countries (Greece, Belgium, Luxembourg, Malta, and Moldova) introducing new or increased paternity leave to align with the EU ‘work-life balance’ directive.¹⁴⁸ Disappointingly four countries (Lesotho, Papua New Guinea, Tonga, and the United States) continue to deny parents paid leave and 58 countries still fall short of the ILO convention of minimum 14 weeks of maternity leave.¹⁴⁹

L1C. FAIR MINIMUM WAGES

This indicator assesses the relative generosity of minimum wages set by governments (or unions and employer organizations), by measuring the minimum wage as a proportion of per capita GDP – both to measure this against average income and to reflect the labour earnings share of GDP (see **Box 8**).

Table 4.5. Countries with no national minimum wage

Bahrain	Oman
Cambodia	Singapore
Ethiopia	South Sudan
India	St. Lucia
Jordan	Tonga
Lebanon	Tuvalu

Since the 2020 Index, 116 countries have updated their national minimum wages and overall, rates exist in 93% of countries. Only 12 have no national minimum rate. Some of these have partial rates but exclude certain categories of workers – often the workers who are most at risk of low pay. For instance, in Jordan, the minimum wage excludes domestic workers. In other systems they are set regionally, such as in India where the federal rate does not cover all states¹⁵⁰ and there is a complex web of minimum wage setting, leaving one in three waged workers not covered by a minimum wage.¹⁵¹

Table 4.6. Minimum wages as % GDP – top 10 and bottom 10

Top 10		Bottom 10	
OPT	196%	Eswatini	16%
Mozambique	154%	Guyana	15%
Chad	144%	Botswana	15%
Liberia	141%	Kazakhstan	15%
Congo, Dem. Rep.	141%	Bangladesh	9%
Afghanistan	141%	Burundi	5%
Guinea-Bissau	139%	Zimbabwe	4%
Madagascar	130%	Rwanda	3%
Honduras	121%	Georgia	1%
Vanuatu	121%	Uganda	0% ¹⁵²

The adequacy of the rate is crucial for reducing inequality. A number of European countries have increased theirs to align with the new EU ‘decent standard of living’ directive – which sets guidelines of 60% of the median wage and 50% of the average wage.¹⁵³ OPT has the most generous minimum wage per capita rate in the CRI, significantly raising this since 2020. In some cases, this may also be a reflection of the GDP per capita being low in some top 10 countries and may only apply to formal workers, but these countries set strong minimum wage rates. At the other end of the scale, many more countries have not been increasing wages in line with increases in per capita GDP and have used the pandemic as an excuse to freeze minimum wages during 2020 and even 2021.¹⁵⁴ Overall, the average minimum wage across the globe has fallen from 51% to 47% of per capita GDP between 2019 and 2022 – and there is a wide range of rates (see top and bottom 10 in **Table 4.6**).

COVERAGE OF LABOUR RIGHTS -L2

This indicator measures the percentage of the population not covered by labour rights – combining unemployed workers and vulnerable workers¹⁵⁵ with no formal labour contract. In the bottom 10 are a series of sub-Saharan African countries with very high levels of vulnerable workers – some of the worst performers do relatively well on the policy indicators above, but these only apply to a small fraction of the labour force.

Table 4.7. Labour coverage indicator: top and bottom ranks and % not covered by labour rights

L2. Top 10		% not covered	L2. Bottom 10		% not covered
Belarus	1	7.5	Niger	161	94.4
Germany	2	7.8	Central African Republic	160	94
Norway	3	8.5	Guinea	159	91.8
United States	4	9.5	South Sudan	158	91.3
Denmark	5	9.8	Chad	157	90.8
Russian Federation	6	9.9	Sierra Leone	156	88.7
Japan	7	10.7	Benin	155	88.6
Hong Kong SAR, China	8	10.9	Burundi	154	87.2
Luxembourg	9	11.3	Burkina Faso	153	87.1
Singapore	10	11.8	Ethiopia	152	85.7

Unemployment has grown since the start of the COVID-19 pandemic: currently the global unemployment rate is 6.2%, well above the pre-pandemic rate of 5.4%.¹⁵⁶ Across the CRI Index countries unemployment is also up – to an average of 8.2 from 6.9% in 2020. But this also hides large spikes in some countries. For instance, the Republic of Congo saw unemployment go from 9 to 23%. South Africa, the country with the highest pre-COVID-19 unemployment rate in the CRI, saw this grow further – a third of its population are unemployed. Some of the largest movement in ranks are a result of sharp increases in unemployment; Panama’s unemployment tripled to 12% and Lebanon’s rose from 6 to 14%.

At the same time, overall average proportions of vulnerable workers dropped marginally from 37.3 to 36.5%. Some countries stand out as being heavily impacted by sharp increases in worker vulnerability. Lesotho, for instance, has seen the most dramatic swelling of numbers – from 16 to 52% – and has dropped the furthest in this indicator. The garment industry has collapsed in the wake of the pandemic and with it, a massive loss of many formalized jobs.¹⁵⁷

Table 4.8. Labour coverage indicator: top fallers and risers

Top 10 raisers	Positions moved	Top 10 fallers	Positions moved
Tajikistan	+35	Lesotho	-49
Moldova	+29	Panama	-24
Fiji	+24	Lebanon	-20
St. Lucia	+15	Djibouti	-18
Romania	+13	Guinea-Bissau	-18
Cyprus	+11	Sao Tome and Principe	-16
Singapore	+11	Kenya	-14
Armenia	+8	Paraguay	-13
Greece	+8	Botswana	-13
Guatemala	+8	Costa Rica	-13

At the other end (and more positively) Tajikistan is reaping the benefits of a strong government focus on increasing the quantity of formal jobs – through expansion and regulation of the service sector and aluminium and cotton export sectors.¹⁵⁸ Moldova shows a similar trend, also supported by deliberate government actions.¹⁵⁹ Both have risen up the ranks as a result.

However, increasing unemployment, or some of the observed changes in vulnerability rates, do not capture the full impact of COVID-19, since many who left the labour force have not re-joined and even more have reduced hours. Among OECD countries there is a large and rapidly growing recorded rate of ‘missing workers’ – by mid-2021, 14 million more people were registered as inactive, compared with only 8 million more unemployed.¹⁶⁰ It is also the poorest people who have been hit hardest by these trends; in the USA and UK, for instance, significant job losses and increases in inactivity occurred for the poorest workers, while wealthier jobs were largely unaffected. It is also widely recognized that workers with no formal labour rights have been hit hardest by COVID-19 – the most vulnerable informal workers have been particularly impacted, exposing the urgency in the need to extend the coverage of labour rights. Without concerted effort to halt these trends this will exacerbate inequality.

MEASURING IMPACT ON THE WAGE GINI -L3

This final indicator aims to measure whether anti-inequality labour policies and their level of coverage are reducing wage income inequality, helping to close the gap in pre-tax wages between rich and poor people.

For this, we use ILO estimates of the Gini coefficient for wages which measures labour market inequality (partly driven by the above policies and coverage, but also by market factors). This works in the same way as the Gini coefficient for income, i.e. the higher the coefficient, from 0 to 1, the more unequal wages are across income levels.

Table 4.9. Labour indicator measuring impact on wage inequality

Top 10		Gini of wage coefficient	Bottom 10		Gini of wage coefficient
Jordan	1	0.22	Liberia	157 ¹⁶¹	0.84
Slovak Republic	2	0.24	Niger	156	0.84
Myanmar	3	0.26	Central African Republic	155	0.82
Finland	4	0.28	Zimbabwe	154	0.82
Czech Republic	5	0.28	Congo, Dem. Rep.	153	0.81
Belgium	6	0.29	Chad	152	0.8
Slovenia	7	0.29	Uganda	151	0.8
Denmark	8	0.29	Côte d'Ivoire	150	0.78
Malta	9	0.3	South Sudan	149	0.76
Sweden	10	0.3	Guinea	148	0.76

Those at the bottom of this indicator all have coefficients around the 0.8–0.7 range (i.e. very high levels of wage inequality). Most are sub-Saharan African countries, reflecting very high levels of vulnerable and informal labour and failure to enforce labour rights even in the formal sector. It will be virtually impossible for governments to reduce such high levels of market-produced inequality without strong policy actions to reduce informal and vulnerable employment and to enforce legislation on minimum wages. At the other end, wages are more equal in OECD countries where vulnerable and informal employment are much lower and labour rights are more strongly enforced in the formal sector.

Box 8: Labour share of national income and inequality tracking

There has been a steady shift in how national income is distributed over the last 30 years, away from labour (wages, salaries, and benefits) and in favour of capital (dividends, interest, and profits). This matters for inequality as income from capital disproportionately benefits richer people. Indeed, data shows that a higher capital share is associated with higher income inequality.¹⁶²

It is difficult to get a cross-country picture over time, but most studies agree that the overall trend is that workers are losing their relative share of the pie. This global pattern is largely driven by high-income nations – nearly all OECD countries have seen their labour share decline since the 1990s.¹⁶³ But this is not only confined to high-income nations. One study of 151 countries, drawn from across country income groups, showed a general decline in the labour share, with two-thirds of countries seeing a reduction of the share of labour from 1990 up to 2010.¹⁶⁴ The ILO is also tracking these trends as part of the SDG monitoring of the goal to reduce extreme inequality – with data available for 189 countries between 2004 and 2019. Their data shows, globally, that this has fallen from around 57 to 52% in that period. Europe and North America are largely driving the overall decline, but around half of all countries have also seen declines.¹⁶⁵

Data is not yet available post-COVID-19, but initial evidence suggests an acceleration of previous trends – at least in the rich world. Certainly, in the rich world, capital appears to be accumulating an even larger share of the pie, following a brief fall during the 2020 lockdowns when the share of capital plummeted as GDP collapsed but wages continued to be paid (often with government subsidies).¹⁶⁶ This follows observed patterns from recent economic shocks: that there is a temporary drop in capital share before long-term trends re-assert themselves and the share of GDP going to labour is further diminished.¹⁶⁷ It is also in line with the sharp fall in minimum wages as a percentage of per capita GDP (tracked by indicator L1C above, which, in itself, aims to show the policy choice that governments can make to stop the labour share from further failing). The CRI team will continue to monitor trends and data availability to see if this powerful indicator of growing inequality for workers can be integrated in future.

CONCLUSION AND RECOMMENDATIONS

The explosion of the COVID-19 pandemic and the health, social, and economic crises that ensued have supercharged poverty and inequality. The world witnessed sharp increases in poverty for the first time in decades, while the wealth of the richest people and corporate profits soared. The pandemic should therefore have been a wakeup call to national and global leaders to introduce policies to tackle inequality aggressively, but as this report has shown, with some notable exceptions, governments have shamefully continued with 'inequality as usual'.

In 2022, recovery from the pandemic has been side-lined by a new crisis, triggering a sharp rise in food and energy prices, and deepening food security, budget, and debt problems for many low- and middle-income countries. A debt crisis is looming large across much of the Global South and in the absence of adequate debt relief, many countries are being forced into austerity which will undermine anti-inequality spending. At the same time, corporates, especially in the food and energy sectors, are reaping enormous windfall profits. Simultaneously the huge increase in wealth of the richest people across the world during COVID-19 remains virtually untouched by any increase in taxation.

The citizens of the world did not endure the pandemic to see it followed by austerity. Governments all over the world, supported by international financial institutions and global funding, need to implement policies which will reduce inequality and protect the incomes of the poor from recession and inflation.

HALTING AND REVERSING THE INEQUALITY EXPLOSION: RECOMMENDATIONS FOR GOVERNMENTS

The top priority is for governments to take urgent actions to radically reduce inequality:

1. **Produce National Inequality Reduction Action Plans.** This means rejecting austerity and focusing on enhancing the incomes of the poorest people by increasing anti-inequality spending, making tax more progressive and increasing workers' rights and pay, and investing much more in annually monitoring progress on reducing inequality and the impact of policies. The plans should include the following:
2. **Tax policies:**
 - a. Make corporate and personal income taxes more progressive, by setting top rates for large companies and the richest individuals at higher levels.
 - b. Dramatically reduce tax exemptions, incentives, and allowances for large companies and individuals.
 - c. Introduce 'solidarity taxes' on the richest people and 'windfall taxes' on a permanent basis on all companies making excessive profits, especially from the current oil and food price rises.
 - d. Ensure that VAT and general sales tax (GST) exempt basic food products and set high registration thresholds to exclude small traders, to reduce their burden on people living in poverty.
 - e. Introduce taxes on the stock of wealth (including wealth held offshore) for the richest corporations and individuals.

- f. Increase the rates and progressivity of other taxes, such as those on capital gains, property, inheritance, and financial transactions and income.
- g. Ensure multinational corporations pay their fair share of taxes by reducing harmful tax practices and strengthening measures against tax avoidance.
- h. Strengthen the capacity of national revenue authorities to collect tax and curb illicit financial flows by ending secrecy through a global asset registry, improved exchange of information on offshore wealth holdings, and more efficient country-by-country reporting on corporate activities.

3. Public services:

- a. Scale up spending on free publicly provided education, aiming in low- and middle-income countries to reach the Incheon target of 20% of government budgets, with special emphasis on high-quality secondary education for the poorest people.
- b. Dramatically increase spending on public healthcare to ensure that citizens can access high quality healthcare and to protect them better in future pandemics. Special emphasis is needed on providing free comprehensive primary healthcare for all.
- c. Enact universal social protection programmes going beyond pensions to ensure protection for the working poor, children, people living with disabilities, unemployed people, unpaid carers, and other vulnerable groups – and to protect citizens much more comprehensively against future pandemics and the climate crisis.
- d. End user fees on education and health services to ensure that they are free at the point of use, reverse privatization policies, and make contributions to contributory social protection systems more progressive, to reduce the burden on poor people.
- e. Accelerate progress to universal coverage of secondary education, healthcare, and social protection by focusing spending on the poorest, most marginalized citizens.

4. Workers' rights and wages:

- a. Ensure that people have rights to unionize, strike, and bargain collectively, whether in informal, formal, or unpaid work by introducing and respecting all laws needed to comply with ILO conventions.
- b. Introduce and improve enforcement of laws for women's rights on equal pay, non-discrimination, and sexual harassment.
- c. Legislate to include marital rape in anti-rape laws across all countries and to define rape based on lack of consent rather than evidence of violence.
- d. Increase equal paid parental leave that is available to all genders to at least 18 weeks paid at 100% of prior salary, in line with ILO recommendations, to redistribute the time, costs, and responsibility for unpaid care work between women and men, and from households to the state.
- e. Increase minimum wages to match per capita GDP, and thereafter establish annual reviews to increase them in line with inflation. Invest far more in national structures enforcing labour legislation, including minimum wages and women's rights.
- f. Set up systems to ensure that the informal sector complies with minimum regulatory requirements on working conditions and pay.
- g. Establish systems to gradually incorporate informal and vulnerable workers (and their micro-insurance arrangements) into social protection systems.

RECOMMENDATIONS FOR THE INTERNATIONAL COMMUNITY

To support governments, the international community needs to take five urgent actions:

1. Enhance **global monitoring** of progress on reducing income and wealth inequality under Sustainable Development Goal (SDG) 10 and of the introduction of key tax, spending, and labour policies designed to achieve this, setting targets for measures which will allow all countries to reach post-fiscal Gini coefficients of 0.25 by 2030.¹⁶⁸
2. Mandate the **IMF and World Bank** to ensure that all country programmes and policy advice avoid austerity and focus on reducing inequality and contain specific urgent measures to make tax, public services, and labour policies achieve this more effectively.
3. Enhance **emergency concessional and conditionality-free financing** provided by the international financial institutions (IFIs) to help countries protect their populations from rising energy and food prices. The institutions should do all they can to maximize re-allocation of the **IMF Special Drawing Rights (SDRs)** issued in 2021 from high- to lower-income countries, in ways which minimize debt and conditionality. The IMF should issue a further \$650bn SDRs, reallocated to target low- and middle-income countries to enhance their ability to spend progressively.
4. Provide comprehensive **debt reduction** to all countries, including cancelling all debt payments due to public and private lenders in 2023 and 2024, in order to reduce their debt servicing to low levels and ensure that they have enough financing to achieve the SDGs for universal healthcare, education, and social protection.
5. Significantly increase **aid to low- and lower-middle-income countries**, focused on supporting anti-inequality spending on education, health, and social protection, including by establishing a global fund for social protection which supports lower-income countries to provide social protection for all by 2030. This could be funded by introducing solidarity taxes in high-income countries on wealth, income, financial transactions, and carbon emissions, with part of the revenue going to lower-income countries.

ANNEX: CRI INDEX RANKINGS

Table A1: CRI 2022 Country/Region Ranking

Country/region	Public services ranking	Tax ranking	Labour ranking	CRI ranking
Norway	12	15	3	1
Germany	7	10	11	2
Australia	24	1	40	3
Belgium	8	26	9	4
Canada	28	5	26	5
Japan	4	19	29	6
Denmark	5	57	2	7
New Zealand	22	7	35	8
Slovenia	10	68	4	9
Finland	2	90	5	10
Czechia	13	52	8	11
France	3	70	14	12
Luxembourg	14	56	12	13
United Kingdom	15	34	37	14
Iceland	30	48	7	15
Estonia	25	42	17	16
Ireland	6	84	16	17
Israel	33	33	15	18
Austria	9	76	19	19
Sweden	11	103	6	20
Poland	1	129	21	21
Croatia	16	88	13	22
Portugal	23	69	24	23
Korea, Rep.	37	8	57	24
Slovakia	27	128	1	25
Belarus	26	28	56	26
South Africa	38	3	76	27
United States	18	74	45	28
Italy	20	71	41	29
Netherlands	19	109	23	30
Switzerland	32	99	25	31
Argentina	29	29	68	32
Latvia	40	73	27	33
Ukraine	21	100	44	34
Lithuania	31	107	32	35
Russian Federation	46	50	43	36
Malta	43	118	10	37
Chile	39	41	60	38
Spain	45	87	33	39
Maldives	71	12	54	40
Kiribati	78	6	62	41
Hungary	36	143	18	42
Seychelles	82	63	28	43
Kyrgyz Republic	58	31	63	44

Greece	17	149	39	45
Mongolia	56	23	81	46
Tajikistan	65	35	64	47
Namibia	34	20	106	48
Tunisia	83	24	65	49
China	52	4	111	50
Kazakhstan	41	122	55	51
Costa Rica	42	94	72	52
Cyprus	44	148	20	53
Jordan	99	65	36	54
Mauritius	55	106	48	55
Romania	61	139	22	56
Lesotho	91	2	103	57
Uruguay	49	124	52	58
El Salvador	94	43	59	59
Belize	95	38	61	60
Uzbekistan	35	49	108	61
Bulgaria	47	144	46	62
Moldova	62	142	30	63
Tuvalu	54	17	112	64
Azerbaijan	90	21	89	65
Mexico	50	86	87	66
Barbados	66	127	51	67
Cabo Verde	85	58	78	68
Guyana	73	126	50	69
Thailand	60	39	100	70
Bolivia	48	113	85	71
Georgia	53	72	90	72
Botswana	64	13	123	73
Türkiye	69	114	71	74
Ecuador	79	40	91	75
Albania	70	102	79	76
Brazil	51	112	84	77
Armenia	67	123	66	78
Singapore	80	132	53	79
Samoa	88	125	58	80
St. Vincent and the Grenadines	104	61	75	81
Antigua and Barbuda	84	145	42	82
Algeria	86	53	96	83
Paraguay	77	116	80	84
Malaysia	89	119	67	85
Hong Kong SAR, China	76	151	47	86
Egypt, Arab Rep.	111	80	70	87
St. Lucia	101	110	73	88
Trinidad and Tobago	72	140	69	89
Serbia	59	159	31	90
Morocco	120	22	97	91
Vietnam	102	37	104	92
Kenya	109	11	125	93
Cambodia	126	18	99	94

Peru	81	67	109	95
Fiji	68	137	82	96
Honduras	124	45	88	97
Occupied Palestinian Territory	75	158	38	98
Jamaica	92	105	95	99
Myanmar	141	79	74	100
Indonesia	112	44	105	101
Philippines	106	104	92	102
North Macedonia	63	161	34	103
Iran	57	130	115	104
Guatemala	118	108	83	105
Bahamas, The	74	160	49	106
Bangladesh	136	47	101	107
Solomon Islands	107	60	122	108
Zambia	117	14	139	109
Djibouti	130	9	135	110
Sri Lanka	128	85	93	111
Nepal	116	36	126	112
Dominican Republic	103	147	77	113
Sao Tome and Principe	98	117	107	114
Timor-Leste	110	111	102	115
Bhutan	114	27	140	116
Senegal	115	62	119	117
Togo	127	25	131	118
Malawi	142	75	98	119
Mozambique	113	59	128	120
Lebanon	108	150	86	121
Eswatini	96	134	114	122
India	129	16	151	123
Panama	93	154	94	124
Rwanda	135	46	132	125
Pakistan	151	77	113	126
Yemen, Rep.	152	66	120	127
Ghana	138	54	133	128
Mali	143	32	147	129
Tanzania	145	30	146	130
Angola	154	83	118	131
Gambia, The	131	101	127	132
Papua New Guinea	146	64	130	133
Tonga	87	141	138	134
Burkina Faso	123	78	143	135
Mauritania	134	131	116	136
Bahrain	97	146	129	137
Afghanistan	158	115	117	138
Zimbabwe	119	55	158	139
Vanuatu	100	155	121	140
Benin	122	97	149	141
Congo, Dem. Rep.	133	96	144	142
Lao PDR	144	95	141	143
Ethiopia	132	81	152	144

Burundi	121	93	157	145
Congo, Rep.	125	153	110	146
Oman	105	152	136	147
Cameroon	147	92	150	148
Niger	157	51	156	149
Chad	159	89	148	150
Guinea-Bissau	155	138	124	151
Uganda	150	91	154	152
Sierra Leone	137	120	153	153
Central African Republic	149	82	159	154
Cote d'Ivoire	140	133	145	155
Madagascar	148	136	137	156
Guinea	156	98	155	157
Haiti	153	135	134	158
Nigeria	160	121	161	159
Liberia	139	156	142	160
South Sudan	161	157	160	161

REGIONAL RANKING

ASIA

Despite a period of sustained economic growth, Asia is facing a crisis of extreme inequality, which is undermining growth and preventing poverty eradication. COVID-19 has driven the number of Asians living in poverty to 1.4 billion, and increased inequality by 8%.¹⁶⁹ At the same time, Asia's billionaires have increased their wealth by US\$1.8 trillion.¹⁷⁰ The top 1% hold almost 25% of Asia's wealth. The latest CRI report finds that OECD Asian countries outperform other Asian countries in reducing inequality, followed by North and Central Asia, with South Asia lagging.¹⁷¹ Several lower-income countries (Kyrgyz, Mongolia, and Tajikistan) perform very well, showing that reducing inequality is a political choice not a matter of wealth.

Table A2: East Asia and the Pacific

Country/region	Public services ranking	Tax ranking	Labour ranking	Regional CRI ranking
Australia	24	1	40	1
Japan	4	19	29	2
New Zealand	22	7	35	3
Korea, Rep.	37	8	57	4
Kiribati	78	6	62	5
Mongolia	56	23	81	6
China	52	4	111	7
Tuvalu	54	17	112	8
Thailand	60	39	100	9
Singapore	80	132	53	10
Samoa	88	125	58	11
Malaysia	89	119	67	12
Hong Kong SAR, China	76	151	47	13
Vietnam	102	37	104	14
Cambodia	126	18	99	15

Fiji	68	137	82	16
Myanmar	141	79	74	17
Indonesia	112	44	105	18
Philippines	106	104	92	19
Solomon Islands	107	60	122	20
Timor-Leste	110	111	102	21
Papua New Guinea	146	64	130	22
Tonga	87	141	138	23
Vanuatu	100	155	121	24
Lao PDR	144	95	141	25

Table A3: South Asia

Country	Public services ranking	Tax ranking	Labour ranking	Regional CRI ranking
Maldives	71	12	54	1
Bangladesh	136	47	101	2
Sri Lanka	128	85	93	3
Nepal	116	36	126	4
Bhutan	114	27	140	4
India	129	16	151	6
Pakistan	151	77	113	7
Afghanistan	158	115	117	8

EUROPE AND CENTRAL ASIA

Table A4: Europe and Central Asia

Country	Public services ranking	Tax ranking	Labour ranking	Regional CRI ranking
Norway	12	15	3	1
Germany	7	10	11	2
Belgium	8	26	9	3
Denmark	5	57	2	4
Slovenia	10	68	4	5
Finland	2	90	5	6
Czechia	13	52	8	7
France	3	70	14	8
Luxembourg	14	56	12	9
United Kingdom	15	34	37	10
Iceland	30	48	7	11
Estonia	25	42	17	12
Ireland	6	84	16	13
Austria	9	76	19	14
Sweden	11	103	6	15
Poland	1	129	21	16
Croatia	16	88	13	17
Portugal	23	69	24	18
Slovakia	27	128	1	19
Belarus	26	28	56	20
Italy	20	71	41	21

Netherlands	19	109	23	22
Switzerland	32	99	25	23
Latvia	40	73	27	24
Ukraine	21	100	44	25
Lithuania	31	107	32	26
Russian Federation	46	50	43	27
Malta	43	118	10	28
Spain	45	87	33	29
Hungary	36	143	18	30
Kyrgyz Republic	58	31	63	31
Greece	17	149	39	32
Tajikistan	65	35	64	33
Kazakhstan	41	122	55	34
Cyprus	44	148	20	35
Romania	61	139	22	36
Uzbekistan	35	49	108	38
Bulgaria	47	144	46	39
Moldova	62	142	30	40
Azerbaijan	90	21	89	41
Georgia	53	72	90	42
Türkiye	69	114	71	43
Albania	70	102	79	44
Armenia	67	123	66	45
Serbia	59	159	31	46
North Macedonia	63	161	34	47

SUB-SAHARAN AFRICA

Sub-Saharan Africa is an extremely unequal region. The income share of the richest 10% is 55.8%, while that of the poorest 50% is just 9.1%. The region contains seven of the ten most unequal countries in the world. In this edition of the CRI Index, the bottom 10 countries are all in Sub-Saharan Africa. The region is doing especially badly in reducing inequality through public services, decent jobs and tax collection. But it does well on progressive tax policies on paper. Spending and coverage of social services are very low, and the region has 10 of the bottom countries in the labour pillar, majorly because of the high level of precarious employment and extreme wage inequality. Without accelerated efforts to reduce inequality, it will be impossible to end extreme poverty in Africa by 2030.

Table A5: Sub-Saharan Africa

Country	Public services ranking	Tax ranking	Labour ranking	Regional CRI ranking
South Africa	38	3	76	1
Seychelles	82	63	28	2
Namibia	34	20	106	3
Mauritius	55	106	48	4
Lesotho	91	2	103	5
Cabo Verde	85	58	78	6
Botswana	64	13	123	7
Kenya	109	11	125	8
Zambia	117	14	139	9

Sao Tome and Principe	98	117	107	10
Senegal	115	62	119	11
Togo	127	25	131	12
Malawi	142	75	98	13
Mozambique	113	59	128	14
Eswatini	96	134	114	15
Rwanda	135	46	132	16
Ghana	138	54	133	17
Mali	143	32	147	18
Tanzania	145	30	146	19
Angola	154	83	118	20
Gambia, The	131	101	127	21
Burkina Faso	123	78	143	22
Mauritania	134	131	116	23
Zimbabwe	119	55	158	24
Benin	122	97	149	25
Congo, Dem. Rep.	133	96	144	26
Ethiopia	132	81	152	27
Burundi	121	93	157	28
Congo, Rep.	125	153	110	29
Cameroon	147	92	150	30
Niger	157	51	156	31
Chad	159	89	148	32
Guinea-Bissau	155	138	124	33
Uganda	150	91	154	34
Sierra Leone	137	120	153	35
Central African Republic	149	82	159	36
Cote d'Ivoire	140	133	145	37
Madagascar	148	136	137	38
Guinea	156	98	155	39
Nigeria	160	121	161	40
Liberia	139	156	142	41
South Sudan	161	157	160	42

MIDDLE EAST AND NORTH AFRICA

The Middle East and North Africa (MENA) is the most unequal region in the world in terms of income inequality. The 2021 pre-tax income share of the top 10% is 58.1%, while that of the bottom 50% is just 8.8%.¹⁷² Despite the wave of uprisings in 2011, little was done to reduce inequalities. MENA is the only region in the world where extreme poverty has increased during the past decade.¹⁷³ The region is also marked by high levels of conflict and displacement; confrontations are ongoing in Syria and Yemen, and the fragile situation in countries across the region was worsened by the COVID-19 pandemic and the war in Ukraine.

MENA shows a low performance on the CRI Index, with some notable disparities however among countries. Tax collection and social spending markers are low. Decades of debt, austerity and regressive taxation have left millions without access to basic services or social protection. Social spending in MENA is not aimed at universal social protection, but rather at cash transfers, targeted social assistance, earnings-related social insurance schemes, and food and fuel subsidies.¹⁷⁴ The region is also characterized by low levels of public expenditure on education and health, and high levels of out-of-pocket health expenditure. This was emphasized recently by the COVID-19 pandemic, which is expected to leave a dire socioeconomic impact on future generations. This is

added to low performance on labour rights policies, in a region marked by shrinking civic space and classified by the International Trade Union Confederation (IUTC) Global Rights Index as the worst region in the world for working people.¹⁷⁵

Table A6: Middle East and North Africa

Country/region	Public services ranking	Tax ranking	Labour ranking	Regional CRI ranking
Tunisia	83	24	65	1
Jordan	99	65	36	2
Algeria	86	53	96	3
Egypt, Arab Rep.	111	80	70	4
Morocco	120	22	97	5
Occupied Palestinian Territory	75	158	38	6
Iran	57	130	115	7
Djibouti	130	9	135	8
Lebanon	108	150	86	9
Yemen, Rep.	152	66	120	10
Bahrain	97	146	129	11
Oman	105	152	136	12

LATIN AMERICA AND THE CARIBBEAN

Latin America and the Caribbean (LAC) Even with a pandemic and a cost-of-living crisis, only 25% of the countries in LAC have improved their progressive social expenditure. Worst, many of those countries have already turned to austerity, along with most of the countries of the region. Informality, weak labour rights and unfair wages remain a pattern in the region, with only 33% of the countries in the region improving in the labour pillar. However, there are alternatives to recovery with countries better committing to reducing inequality. They could adopt more progressive tax policies, following the example of 16% LAC countries, prioritizing new wealth tax and windfall taxes, and building a wave of hope and opportunities in the region.

Table A7: Latin America and the Caribbean

Country	Public services ranking	Tax ranking	Labour ranking	Regional CRI ranking
Argentina	29	29	68	1
Chile	39	41	60	2
Costa Rica	42	94	72	3
Uruguay	49	124	52	4
El Salvador	94	43	59	5
Belize	95	38	61	6
Mexico	50	86	87	7
Barbados	66	127	51	8
Guyana	73	126	50	9
Bolivia	48	113	85	10
Ecuador	79	40	91	11
Brazil	51	112	84	12
St. Vincent and the Grenadines	104	61	75	13
Antigua and Barbuda	84	145	42	14
Paraguay	77	116	80	15
St. Lucia	101	110	73	16

Trinidad and Tobago	72	140	69	17
Peru	81	67	109	18
Honduras	124	45	88	19
Jamaica	92	105	95	20
Guatemala	118	108	83	21
Bahamas, The	74	160	49	22
Dominican Republic	103	147	77	23
Panama	93	154	94	24
Haiti	153	135	134	25

OECD COUNTRIES

Table A8: OECD

Country	Public services ranking	Tax ranking	Labour ranking	OECD CRI ranking
Norway	12	15	3	1
Germany	7	10	11	2
Australia	24	1	40	3
Belgium	8	26	9	4
Canada	28	5	26	5
Japan	4	19	29	6
Denmark	5	57	2	7
New Zealand	22	7	35	8
Slovenia	10	68	4	9
Finland	2	90	5	10
Czechia	13	52	8	11
France	3	70	14	12
Luxembourg	14	56	12	13
United Kingdom	15	34	37	14
Iceland	30	48	7	15
Estonia	25	42	17	16
Ireland	6	84	16	17
Israel	33	33	15	18
Austria	9	76	19	19
Sweden	11	103	6	20
Poland	1	129	21	21
Portugal	23	69	24	22
Korea, Rep.	37	8	57	23
Slovakia	27	128	1	24
United States	18	74	45	25
Italy	20	71	41	26
Netherlands	19	109	23	27
Switzerland	32	99	25	28
Latvia	40	73	27	29
Chile	39	41	60	30
Spain	45	87	33	31
Hungary	36	143	18	32
Greece	17	149	39	33

Costa Rica	42	94	72	34
Mexico	50	86	87	35
Türkiye	69	114	71	36

RANKING BY INCOME GROUP

High-income OECD countries: After years of narrowing, economic inequality in OECD countries has been on the rise in the last three decades. Income inequality is at its highest level for the past half a century year. The income of the richest 10% is ten times higher than that of the poorest 10%. In the CRI 2022 index, all 10 top performers are high-income OECD countries. These countries have strong welfare states that they developed after World War 2. Spending on social services is very high because they have a wealthier corporation and people to tax. And they do well on labour rights coverage because most workers are in formal employment. However, none is anywhere near doing enough in reducing inequality.

Table A9

Low-income countries	Public services ranking	Tax ranking	Labour ranking	Global Rank	Rank by income
Togo	127	25	131	118	1
Malawi	142	75	98	119	2
Mozambique	113	59	128	120	3
Rwanda	135	46	132	125	4
Yemen, Rep.	152	66	120	127	5
Mali	143	32	147	129	6
Gambia, The	131	101	127	132	7
Burkina Faso	123	78	143	135	8
Afghanistan	158	115	117	138	9
Congo, Dem. Rep.	133	96	144	142	10
Ethiopia	132	81	152	144	11
Burundi	121	93	157	145	12
Niger	157	51	156	149	13
Chad	159	89	148	150	14
Guinea-Bissau	155	138	124	151	15
Uganda	150	91	154	152	16
Sierra Leone	137	120	153	153	17
Central African Republic	149	82	159	154	18
Madagascar	148	136	137	156	19
Guinea	156	98	155	157	20
Liberia	139	156	142	160	21
South Sudan	161	157	160	161	22

Lower-middle-income countries	Public services ranking	Tax ranking	Labour ranking	Sum of CRI ranking	Rank by income
Ukraine	21	100	44	34	1
Kiribati	78	6	62	41	2
Kyrgyz Republic	58	31	63	44	3
Mongolia	56	23	81	46	4
Tajikistan	65	35	64	47	5

Tunisia	83	24	65	49	6
Lesotho	91	2	103	57	7
El Salvador	94	43	59	59	8
Belize	95	38	61	60	9
Uzbekistan	35	49	108	61	10
Cabo Verde	85	58	78	68	11
Bolivia	48	113	85	71	12
Samoa	88	125	58	80	13
Algeria	86	53	96	83	14
Egypt, Arab Rep.	111	80	70	87	15
Morocco	120	22	97	91	16
Vietnam	102	37	104	92	17
Kenya	109	11	125	93	18
Cambodia	126	18	99	94	19
Honduras	124	45	88	97	20
Occupied Palestinian Territory	75	158	38	98	21
Myanmar	141	79	74	100	22
Indonesia	112	44	105	101	23
Philippines	106	104	92	102	24
Iran	57	130	115	104	25
Bangladesh	136	47	101	107	26
Solomon Islands	107	60	122	108	27
Zambia	117	14	139	109	28
Djibouti	130	9	135	110	29
Sri Lanka	128	85	93	111	30
Nepal	116	36	126	112	31
Sao Tome and Principe	98	117	107	114	32
Timor-Leste	110	111	102	115	33
Bhutan	114	27	140	116	34
Senegal	115	62	119	117	35
Eswatini	96	134	114	122	36
India	129	16	151	123	37
Pakistan	151	77	113	126	38
Ghana	138	54	133	128	39
Tanzania	145	30	146	130	40
Angola	154	83	118	131	41
Papua New Guinea	146	64	130	133	42
Mauritania	134	131	116	136	43
Zimbabwe	119	55	158	139	44
Vanuatu	100	155	121	140	45
Benin	122	97	149	141	46
Lao PDR	144	95	141	143	47
Congo, Rep.	125	153	110	146	48
Cameroon	147	92	150	148	49
Cote d'Ivoire	140	133	145	155	50
Haiti	153	135	134	158	51
Nigeria	160	121	161	159	52
Upper-Middle-Income Countries	Public services ranking	Tax ranking	Labour ranking	Sum of CRI ranking	Rank by income

Belarus	26	28	56	26	1
South Africa	38	3	76	27	2
Argentina	29	29	68	32	3
Russian Federation	46	50	43	36	4
Maldives	71	12	54	40	5
Namibia	34	20	106	48	6
China	52	4	111	50	7
Kazakhstan	41	122	55	51	8
Costa Rica	42	94	72	52	9
Jordan	99	65	36	54	10
Mauritius	55	106	48	55	11
Romania	61	139	22	56	12
Bulgaria	47	144	46	62	13
Moldova	62	142	30	63	14
Tuvalu	54	17	112	64	15
Azerbaijan	90	21	89	65	16
Mexico	50	86	87	66	17
Guyana	73	126	50	69	18
Thailand	60	39	100	70	19
Georgia	53	72	90	72	20
Botswana	64	13	123	73	21
Türkiye	69	114	71	74	22
Ecuador	79	40	91	75	23
Albania	70	102	79	76	24
Brazil	51	112	84	77	25
Armenia	67	123	66	78	26
St. Vincent and the Grenadines	104	61	75	81	27
Paraguay	77	116	80	84	28
Malaysia	89	119	67	85	29
St. Lucia	101	110	73	88	30
Serbia	59	159	31	90	31
Peru	81	67	109	95	32
Fiji	68	137	82	96	33
Jamaica	92	105	95	99	34
North Macedonia	63	161	34	103	35
Guatemala	118	108	83	105	36
Dominican Republic	103	147	77	113	37
Lebanon	108	150	86	121	38
Panama	93	154	94	124	39
Tonga	87	141	138	134	40
High-Income countries	Public services ranking	Tax ranking	Labour ranking	Sum of CRI ranking	Rank by income
Norway	12	15	3	1	1
Germany	7	10	11	2	2
Australia	24	1	40	3	3
Belgium	8	26	9	4	4
Canada	28	5	26	5	5
Japan	4	19	29	6	6
Denmark	5	57	2	7	7

New Zealand	22	7	35	8	8
Slovenia	10	68	4	9	9
Finland	2	90	5	10	10
Czechia	13	52	8	11	11
France	3	70	14	12	12
Luxembourg	14	56	12	13	13
United Kingdom	15	34	37	14	14
Iceland	30	48	7	15	15
Estonia	25	42	17	16	16
Ireland	6	84	16	17	17
Israel	33	33	15	18	18
Austria	9	76	19	19	19
Sweden	11	103	6	20	20
Poland	1	129	21	21	21
Croatia	16	88	13	22	22
Portugal	23	69	24	23	23
Korea, Rep.	37	8	57	24	24
Slovakia	27	128	1	25	25
United States	18	74	45	28	26
Italy	20	71	41	29	27
Netherlands	19	109	23	30	28
Switzerland	32	99	25	31	29
Latvia	40	73	27	33	30
Lithuania	31	107	32	35	31
Malta	43	118	10	37	32
Chile	39	41	60	38	33
Spain	45	87	33	39	34
Hungary	36	143	18	42	35
Seychelles	82	63	28	43	36
Greece	17	149	39	45	37
Cyprus	44	148	20	53	38
Uruguay	49	124	52	58	39
Barbados	66	127	51	67	40
Singapore	80	132	53	79	41
Antigua and Barbuda	84	145	42	82	42
Hong Kong SAR, China	76	151	47	86	43
Trinidad and Tobago	72	140	69	89	44
Bahamas, The	74	160	49	106	45
Bahrain	97	146	129	137	46
Oman	105	152	136	147	47

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- ¹³⁶ The CRI indicator covers only HTPs relating to corporate tax dodging, which represents about two-thirds of global tax abuse. For discussion of individual tax dodging and how countries are performing in preventing this, see the State of Tax Justice report 2021 at <https://taxjustice.net/reports/the-state-of-tax-justice-2021/> and the Financial Secrecy Index at <https://fsi.taxjustice.net/>
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- ¹³⁹ Source for pre-tax Gini coefficients: World Inequality Lab data at <https://wid.world/data/>
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- ¹⁶⁹ World Bank (2022), *Global Economic Prospects*, January. This is calculated based on an average increase in the Gini coefficient of disposable income of 0.03, which represents 8% of average national pre-COVID inequality in Asia
- ¹⁷⁰ <https://patrioticmillionaires.org/wp-content/uploads/Annual-Wealth-Tax-Factsheet.pdf>
- ¹⁷¹ Throughout this report, the regions referred to cover the following countries (unless data are not available for a particular indicator): North and Central Asia – China, Hong Kong SAR China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, Uzbekistan; OECD countries – Australia, Korea, Japan and New Zealand; Pacific – Fiji, Kiribati, Marshall Islands, Micronesia, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu; South Asia – Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka; Southeast Asia – ASEAN members (Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar Philippines, Singapore, Thailand and Vietnam) plus Timor-Leste
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For more information on the Commitment to Reducing Inequality Index, actions you can take to fight inequality across the world, and to see the underlying data and methodology for the report, please see <http://www.inequalityindex.org>

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

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COVER PHOTO: Buildings on the waterfront in Colombo, Sri Lanka. In the last decade, economic inequality in Sri Lanka has been on the rise. Now engulfed in economic and political turmoil, Sri Lanka has fallen 17 positions in this year's CRI Index. It cut taxes on corporations and the richest people during the pandemic. Photo by Nazly Ahmed on Flickr. Licensed under CC BY-NC-SA 2.0.

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