Increasing inequality

Although the absolute number of people in poverty is declining and inequality between countries has declined somewhat over the past two decades, wealth inequality within countries is increasing. [1] This is particularly the case in countries and regions that enjoyed relatively low levels of inequality in 1990, such as Germany, Denmark and Sweden. In some countries in Latin America and Africa, however, income inequalities have actually been reduced. [2] Tackling wealth inequality is a key target in the [2015 Sustainable Development Goals](#) (SDGs).
Extreme poverty and the gap between the global rich and poor is likely to persist and potentially worsen over the next 30 years due to financial crises, fluctuations in food prices, natural disasters, violent conflict and the lack of effective government policies for fairer wealth distribution. The rapid growth of the global refugee and migrant populations has also resulted in a growing global underclass. Nevertheless, many stakeholders are waking up to the fact that unless economic growth is properly inclusive, it does not reduce poverty in a sustainable way, and can rather exacerbate it. Income inequality has a tendency to negatively impact subsequent economic growth and can result in a range of health, social and environmental problems. [3] It can also hinder the adoption of sustainable strategies and behaviours such as climate mitigation and adaptation. [4] There are also fears that technology such as automation and smart systems will exacerbate inequality by displacing jobs, especially in the workplace. Without large-scale government intervention (which currently seems unlikely) wealth polarisation is likely to continue. It is possible that these problems may intensify where economic growth is at its lowest (e.g. Europe).
With the popularity of books such as 'Capital in the 21st Century' by economist Thomas Piketty and increasing mass mobilisation around the issue as seen in the 2011 Occupy movement and protests in Brazil, US and Hong Kong, wealth inequality is a heated topic for public debate. How might economies and businesses around the world change their strategies and policies in order to achieve long-term economic growth while bettering the lives of the most impoverished in their populace?
Last updated: 4 March 2016
Footnotes:

1. [1] United Nations (2013). Inequality Matters Report.
2. [2] United Nations (2013). Inequality Matters Report.
3. [3] OECD (2014). Trends in Income Inequality and its Impact on Economic Growth
4. [4] World Bank (2016, Feb). Climate change complicates efforts to end poverty.

Implications

- Rising income inequality within countries means there is greater potential for social unrest. As we saw during recent uprisings in the developing world, the rise of social media has made it easier for people to organise protests, accelerate their speed and scale, shape the narrative of events and put pressure on the international community to act. Governments and companies are often the targets of public protests driven by social media (e.g. fast food workers in the US in 2014) and are expected to offer rapid and tangible responses, such as raising wages.
- Extremely impoverished people are at most risk from climate change, water scarcity, flooding, limited access to energy and land degradation. This is mainly because they have the fewest resources to adapt or recover quickly from shocks and they often live on the most vulnerable land that tends to be the most affordable, such as homes along creeks that flood or on hillsides prone to

landslides, or farmland with limited water access. [1] These issues will continue to have a disproportionate impact on the world's poorest people, and could form reinforcing feedback loops unless solutions to eradicate poverty and increase resilience are undertaken in earnest.
- The universal provision of basic social services in poor countries to enhance their resilience would have a major impact on global inequality. Countries like South Korea and Costa Rica [2] fully implemented such policies before attaining their current economic successes, while others such as Rwanda and Vietnam are starting to implement them, refuting the notion that only the wealthiest countries can afford to carry them out. [3]

Footnotes:

1. [13] World Bank (2016, Feb). Climate change complicates efforts to end poverty.
2. [14] These countries started putting in place measures of social insurance when their Gross Domestic Product (GDP) per capita was lower than India's and Pakistan's now. Source: UNDP (2014)
3. [15] UNDP (2014). Sustaining human progress: reducing vulnerabilities and building resilience, pg 17.

Current trajectory

- A 2016 report by Oxfam reports that 62 people now own as much wealth as 3.5 billion of the world's poorest people, who make up 50% of the world's population. The number of super-rich individuals has increased by 44% since 2010 and tax havens have helped corporations and such individuals stash away an estimated US$7.6 trillion, depriving governments of US$190 billion in tax revenue every year. [1]
- On the other hand, half the world's wealth (defined as the value of assets including property and stock market investments, but excludes debt) is now in the hands of just 1% of the population. According to Credit Suisse, a person needs only US$3,210 in savings to be in the wealthiest 50% of world citizens. About $68,800 secures a place in the top 10%, while the top 1% have more than $759,900. [2]

Footnotes:

1. [5] Oxfam (2016, Jan). An Economy For the 1%: How privilege and power in the economy drive extreme inequality and how this can be stopped
2. [6] The Guardian (2015). Half of world's wealth now in hands of 1% of population – report