

# **THE COMMITMENT TO REDUCING INEQUALITY INDEX**

**Measuring and Motivating:  
Using data to incentivise progressive policies to  
tackle economic inequality**

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JUST  
**8** BILLIONAIRES OWN THE SAME  
WEALTH AS THE POOREST  
3.6 BILLION PEOPLE

DEMAND AN ECONOMY THAT WORKS  
FOR EVERYONE, NOT JUST THE FEW

[WWW.OXFAM.ORG.UK/EIGHT](http://WWW.OXFAM.ORG.UK/EIGHT)

**EVEN  
IT UP**



OXFAM



1. Why an index?
2. What are we measuring?
3. Findings

Even it up



# Commitment to Reducing Inequality Index

- Shift debate

FROM	TO
Inequality is too high	Inequality is not inevitable
We must fight inequality	How to do it

- Advocate for race to the top
- Hold governments accountable
  - Measure policies
  - Measure their implementation
  - Measure their direct impact on inequality
  - Measure annually

# Commitment to Reducing Inequality Index

- Annual index, report, methodology, database, digital online tool available at:

<http://inequalityindex.org/>

- 157 countries
- 7,000 data points
- Input from 82 Oxfam offices
- Input from external experts at IMF, World Bank, ILO, OECD, CEQ

# Three policy pillars

## SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION

### 1. SOCIAL SPENDING AS % OF TOTAL SPENDING

- Education spending
- Health spending
- Social protection spending

### 2. INCIDENCE OF SPENDING ON INEQUALITY (GINI COEFFICIENT)

- Education spend % GDP\*incidence coefficient
- Health spend % GDP\*incidence coefficient
- Social protection % GDP incidence coefficient

## PROGRESSIVITY OF TAX POLICY

### 1. PROGRESSIVITY OF TAX STRUCTURE

- Personal income tax minimum and maximum rates + thresholds
- Corporate income tax rate
- VAT rate, exemptions + thresholds

### 2. INCIDENCE OF TAX ON INEQUALITY (GINI COEFFICIENT)

- VAT Revenue % GDP
- CIT Revenue % GDP
- PIT Revenue % GDP
- Excise Revenue % GDP
- Customs Revenue %GDP

### 3. TAX COLLECTION

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

### 4. HARMFUL TAX PRACTICES

- Harmful tax practices
- Anti-tax avoidance rules
- Evidence of negative impact

## LABOUR RIGHTS AND MINIMUM WAGES

### 1. WORKERS AND LABOUR UNION RIGHTS

- Government efforts to protect workers in law and in practice

### 2. WOMEN'S LEGAL RIGHTS AT WORK

- Laws on equal pay for equal work
- Laws against gender discrimination
- Laws against rape
- Laws against sexual harassment
- Parental leave

### 3. MINIMUM WAGE

- Minimum wage in local currency
- Per capita GDP

*All indicators deflated by:*

- % of informal jobs
- % unemployment

Commitment to Reducing Inequality Index [CRI]

$$\frac{(\sqrt{\text{Progressivity of spending} \times \text{progressivity of tax}} \times 2 + \text{Progressivity of labour})}{3}$$

# Standardise to a 0-1 scale

$$\text{Standardised Score} = \frac{(x - \text{MIN}x)}{(\text{MAX}x - \text{MIN}x)}$$

## Choice of approach

- A) Use Sample MIN/MAX  
Highest score in sample gets 1  
Lowest score in sample gets 0
- B) Fixed MIN/MAX based on fixed parameters  
Eg target 10% spending on education as the 'MAX'  
No score necessarily gets 0, or 1



### JRC STATISTICAL AUDIT OF COMMITMENT TO REDUCING INEQUALITY INDEX

Michaëla Sotgiu and Béatrice d'Hambres

European Commission, Joint Research Centre (JRC), Competence Centre on Composite Indicators and Scoreboards (COIN)

Conceptual and practical challenges are inevitable when trying to summarise with a single composite indicator the commitment of countries to reducing inequality. The summary and section 5 of the Commitment to Reducing Inequality index report discuss in detail the conceptual framework, while the selection of indicators, data quality aspects and methodological choices for grouping country-level data across 8 main indicators, 3 pillars and an overall index are presented in the Methodology Annex.

The statistical audit presented below constitutes the first collaboration between Odense and the European Commission's Joint Research Centre (JRC), specifically the Competence Centre on Composite Indicators and Scoreboards. The statistical assessment carried out by JRC aims to contribute to ensuring the transparency and reliability of the Commitment to Reducing Inequality (CRI) index and thus to enable policymakers to derive more accurate and meaningful conclusions, and to potentially guide choices on priority setting and policy formulation.

Statistical soundness should be regarded as a necessary but not a sufficient condition for a sound index, since the correlations underpinning the majority of the statistical analyses carried out herein "need not necessarily represent the real influence of the individual indicators on the phenomenon being measured".<sup>1</sup> The development of any index must thus be nurtured by a dynamic iterative dialogue between the principles of statistical and conceptual soundness. In that respect, prior to undertaking the present statistical assessment, Odense and JRC engaged in previous discussions during spring 2017. An earlier version of the CRI index was assessed by the JRC in March–April 2017. Fine tuning suggestions, aimed at setting the foundation for a balanced index, were taken into account by Odense and Development Finance International research teams for the final computation of the CRI scores and rankings.

The JRC assessment of the CRI index presented in this appendix has focused on two main issues: the statistical coherence of the structure, and the impact of key modelling assumptions on the CRI scores and ranks.<sup>2</sup> In particular, the JRC analysis complements the reported country rankings for the CRI index with estimated confidence intervals, in order to better appreciate the robustness of these

<sup>1</sup> OECD & JRC (2008).

<sup>2</sup> The JRC analysis was based on the recommendations of the OECD & JRC (2006) Handbook on Composite Indicators, and on more recent research from the JRC. The JRC auditing studies of composite indicators are available at <https://ec.europa.eu/jrc/en/composite> (all audits were conducted upon request of the index developers).

# Spending

## SPENDING ON HEALTH, EDUCATION AND SOCIAL PROTECTION

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- Health spend % GDP\*incidence coefficient
- Social protection % GDP incidence coefficient



# Incidence of social spending



- Average global coefficients for 96 countries
- For 30 OECD countries, complemented by national studies of impact of social protection spending on Gini
- For 31 countries, national coefficients based on CEQ's studies

Table 1: Global coefficients for each sector

Sector	Education	Health	Social protection
Coefficient	-0.0013	-0.0070	-0.0014

$$= (Educ\%GDP \times -0.0013) + (Health\%GDP \times -0.0070) + (Soc\ Pr\ \%GDP \times -0.0014)$$

# Top/ bottom 10 countries for social spending

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

# Tax

## PROGRESSIVITY OF TAX POLICY

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- Harmful tax practices
- Anti-tax avoidance rules
- Evidence of negative impact



# Incidence of different tax types

- Country specific data from OECD (31), the CEQ (31),25 the EU (6) or national sources (2)
- Average global coefficients used for 87 countries

Table 2: Global coefficients for each tax

Tax	PIT	CIT	VAT	Customs	Excise	SSCs
Coefficient	-0.001	0.000	0.005	0.002	0.003	0.007

$$= (PIT\%GDP \times -0.001) + \dots$$

# Tax collection: tax productivity and tax effort

## Tax productivity

Based on prevailing tax rate, how well does the government do at collecting the taxes that are due?

$$= \left( \frac{VAT_{collected\$}}{Consumption\$ \times VAT_{rate}} \right)$$

$$= \left( \frac{VAT_{as\%GDP}}{Cons\%GDP \times VAT_{rate}} \right)$$

$$= \left( \frac{PIT_{collected\$}}{GDP\$ \times PIT_{rate}} \right)$$

$$= \left( \frac{PIT_{as\%GDP}}{PIT_{rate}} \right)$$

# Tax collection: tax productivity and tax effort

## **Tax effort** (based on CERDI and IMF studies)

Based on economic fundamentals, how well does the government do at collecting the taxes that are due?

‘Potential’ tax revenue is a function of:

- GDP per capita [+ve]
- Trade openness (imports plus exports) [+ve]
- Agriculture as a share of economy [-ve]
- Education level (Public expenditure on education) [+ve]
- Income inequality (Gini) [-ve]
- Inflation (CPI) [not sig]
- Corruption (CPI) [-ve]

*Source:* Understanding Countries' Tax Effort; by Ricardo Fenochietto, Carola Pessino; IMF Working Paper

# Harmful Tax Practices

## TOP COUNTRIES IN TAX RANKING BEFORE HTP INDICATOR

Malta
South Africa
Luxembourg
Australia
Belgium
Georgia
Netherlands
Denmark
Germany
Canada

## TOP COUNTRIES IN TAX RANKING AFTER HTP INDICATOR

Australia
Denmark
South Africa
Georgia
Belgium
Germany
Malawi
Finland
Austria
Norway

WORLD NEWS    OCTOBER 10, 2018 / 11:32 AM / A MONTH AGO

## Oxfam rejects Singapore defense of low taxes

Jack Kim

2 MIN READ



# Top/ bottom 10 countries for tax policy

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

# Labour

## LABOUR RIGHTS AND MINIMUM WAGES

### 1. WORKERS AND LABOUR UNION RIGHTS

- Government efforts to protect workers in law and in practice

### 2. WOMEN'S LEGAL RIGHTS AT WORK

- Laws on equal pay for equal work
- Laws against gender discrimination
- Laws against rape
- Laws against sexual harassment
- Parental leave

### 3. MINIMUM WAGE

- Minimum wage in local currency
- Per capita GDP



# Data on women's rights and gender equality

[HOME](#)[ABOUT](#)[COUNTRY PROFILES](#)[DATA](#)[SIGI RESEARCH](#)

## Information about variables and data sources for the 2014 SIGI

The following table sets out the variables and data sources for the SIGI.

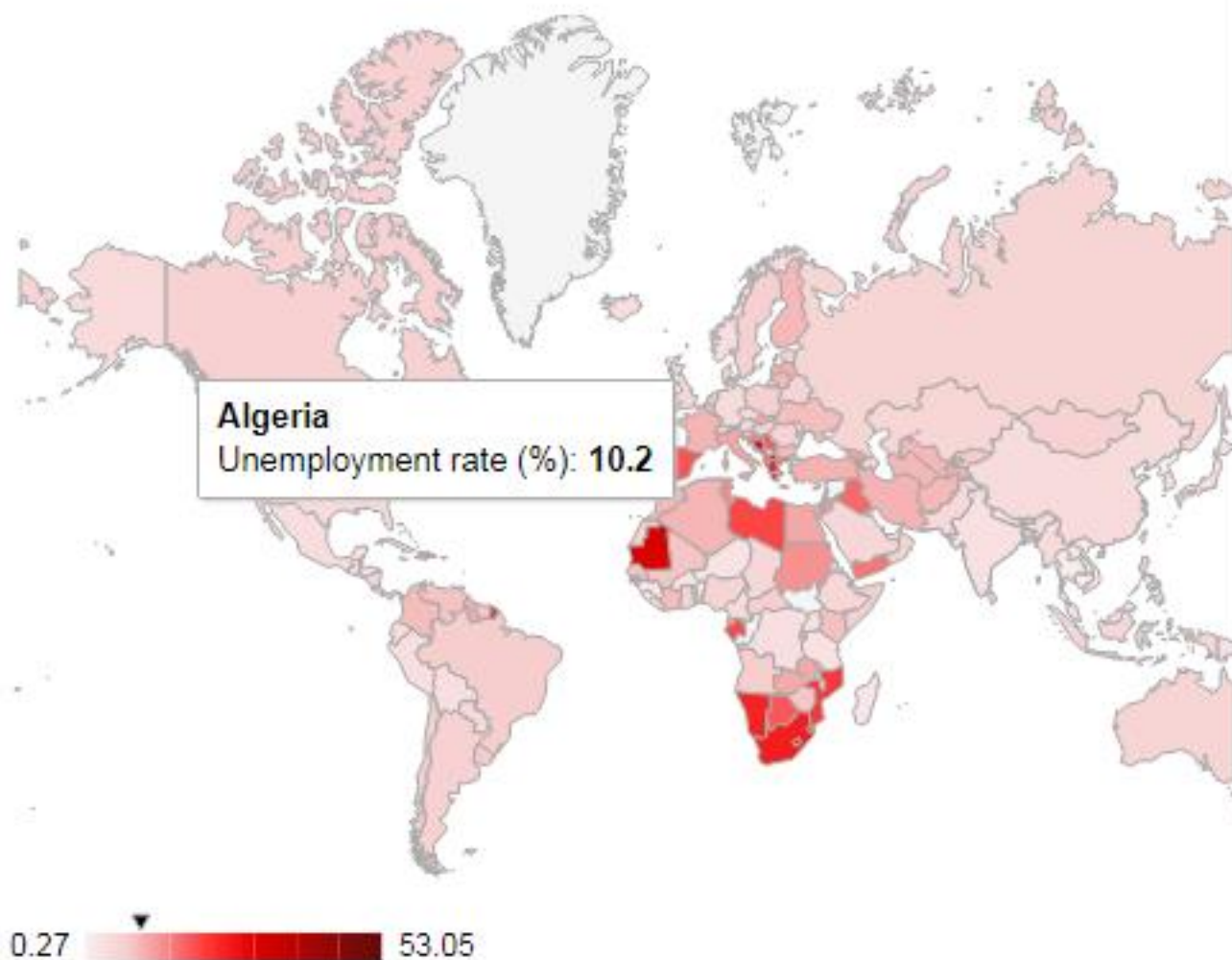
Discriminatory Family Code	EXPAND ALL ▾
Restricted physical integrity	EXPAND ALL ▾
Son bias	EXPAND ALL ▾
Restricted resources and assets	EXPAND ALL ▾
Restricted civil liberties	EXPAND ALL ▾

Q

☒ on this site ☐ all OECD sites



# Deflator for unemployment and informal work



Source: ILO , [http://www.ilo.org/global/about-the-ilo/multimedia/maps-and-charts/WCMS\\_442905/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/multimedia/maps-and-charts/WCMS_442905/lang--en/index.htm)

# Top/ bottom 10 countries for labor rights

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

# Top 10 countries

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

# Bottom 10 countries

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

# Key findings

- **The vast majority of countries are doing much less than they could: three quarters are doing less than half of what the best do**
- **Nobody is doing everything they could, even the top performer**  
*Denmark 1<sup>st</sup> but 126<sup>th</sup> in tax progressivity; Germany 2<sup>nd</sup> but 142<sup>nd</sup> in education spending*
- **You don't have to be rich to make progressive policy choices**  
*Poorer countries are outperforming much richer countries in a number of areas (Namibia, Ethiopia)*  
*More than one in 5 of the countries in the top 50 are middle income countries (e.g. Namibia, Costa Rica, Tunisia, Georgia).*  
*8 of the 47 high income countries that feature in the index fall well outside the top 50 ranks (Bahrain, Singapore)*
- **Positive stories: South Korea and Indonesia**

## Main trends between CRI 2017 and CRI 2018


- Only comparison in some indicators' performance
- Small increase in average % of social spending (from 43.15% to 43.22% of total spend), driven by education and health.
- Mixed progress in taxation: small decrease in CIT, small increase in PIT but weaker collection rates.
- Mixed progress in labour: less legal violations but no legislation improvements with some exceptions in parental leave (Bhutan, India) and minimum wages (Indonesia, S.Korea).

# Challenges and next steps

- Data gathering
- Huge investment is needed in data on inequality and on policy measures [SDG 10'S targets and indicators]
- The relationship between CRI and inequality outcome measures is complex
- Trade off between methodology and data improvement and over-time comparability
- Comprehensiveness vs simplicity
- Disalignment btwn a country's ranking and its policy debate
- Launch at Annual Meetings 2018: 1<sup>st</sup> inequality ministerial meeting to build a coalition of champions

# Change since 2017: Personal Income Tax

## BIGGEST INCREASES IN TOP RATE OF PERSONAL INCOME TAX



Mongolia	+15%
Guyana	+10%
Uruguay	+6%
Austria	+5%
Central African Republic	+5%
Bangladesh	+5%
Jamaica	+5%
Sierra Leone	+5%
South Africa	+5%
Tonga	+5%
Trinidad and Tobago	+5%
Greece	+3%
Malaysia	+3%
Zambia	+2.5%
Singapore	+2%

## BIGGEST DECREASES IN TOP RATE OF PERSONAL INCOME TAX



Chile	-5%
Republic of Congo	-5%
Croatia	-3%
Egypt	-2%

# Change since 2017: Corporate Income Tax

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

\*small companies

# Change since 2017: Education spending

## TOP 10 – INCREASED SPENDING (%)

Georgia  
Saint Lucia  
Guinea  
Saint Vincent and the Grenadines  
Dominican Republic  
Liberia  
Uruguay  
São Tomé and Príncipe  
Bhutan  
Cameroon

+5.96  
+5.85  
+5.46  
+4.66  
+4.40  
+4.06  
+3.62  
+3.07  
+3.03  
+3.01

## BOTTOM 10 – REDUCED SPENDING (%)

Democratic Republic of Congo  
Singapore  
Vanuatu  
Sierra Leone  
Namibia  
Kyrgyz Republic  
Zambia  
Zimbabwe  
Samoa  
Mali

-8.76  
-5.61  
-5.52  
-5.12  
-3.95  
-3.71  
-3.70  
-3.61  
-3.29  
-3.26

# Change since 2017: Health spending

## TOP 10 – INCREASED SPENDING (%)

Kazakhstan	+4.14
Colombia	+4.11
Lithuania	+3.71
Georgia	+3.45
Lebanon	+3.29
São Tomé and Príncipe	+3.25
Indonesia	+3.22
Thailand	+3.20
Niger	+2.99
Jamaica	+2.86

## BOTTOM 10 – REDUCED SPENDING (%)

Samoa	-9.76
Democratic Republic of Congo	-4.82
Saint Vincent and the Grenadines	-3.64
Barbados	-2.94
Australia	-2.81
Benin	-2.63
Vanuatu	-2.45
Djibouti	-2.37
The Gambia	-2.15
Singapore	-2.06

# Change since 2017: Social protection spending

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

# Measuring and Motivating:

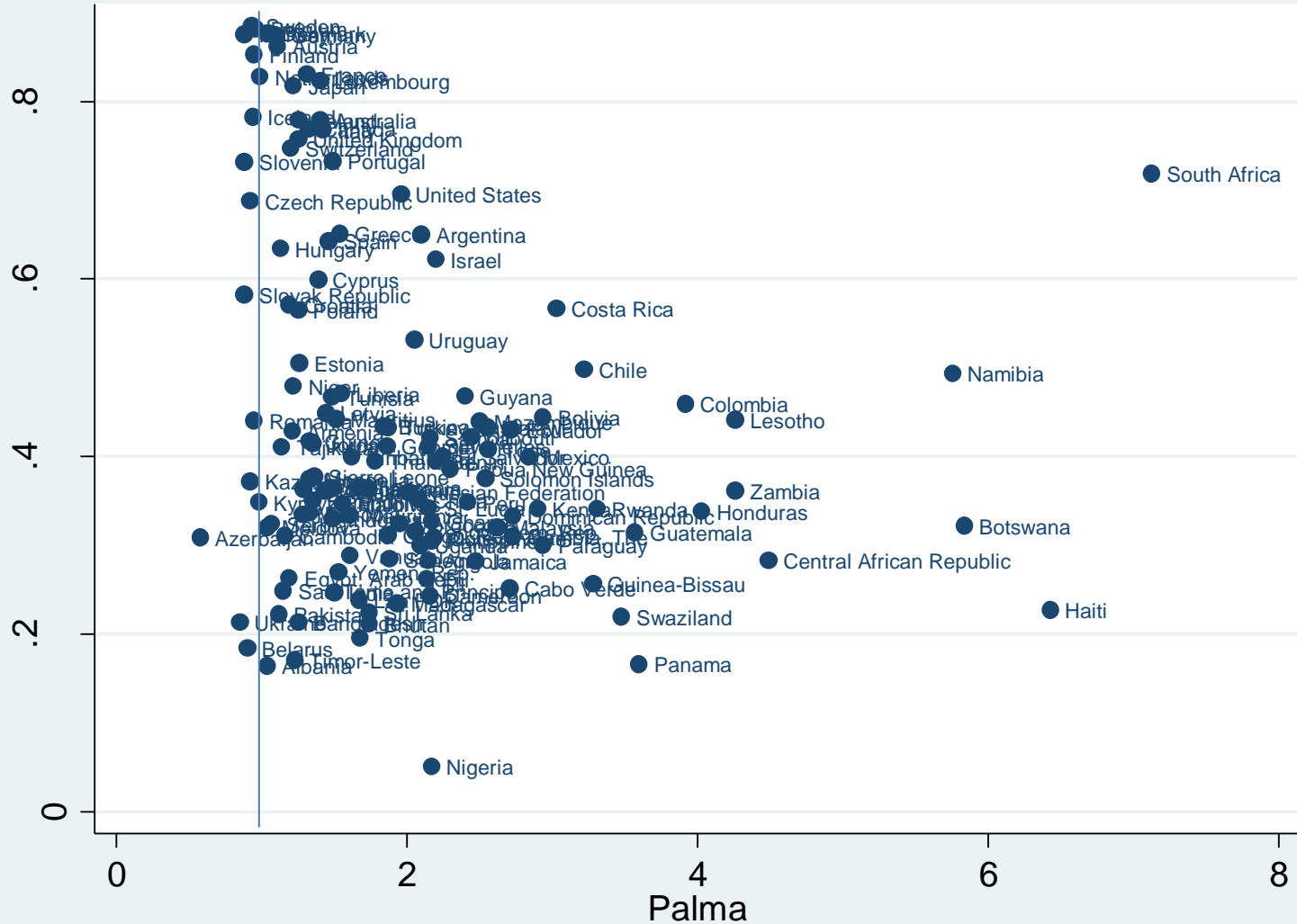
## Using data to incentivise progressive policies

ADDITIONAL SLIDES

Didier Jacobs  
Senior Policy Advisor  
Oxfam America



# Complex relationship with level of income inequality



# For PIT: The Adapted Kakwani Score

$$T.1A = \log \left( \frac{(TopRateTax - LowestRateTax)}{(TopThreshold - LowestThreshold)} \times TopTaxRate \times MinThreshold \right)$$

Term measures rate of change of the tax rate as income levels increase

Threshold measured as a ratio of GDP/capita

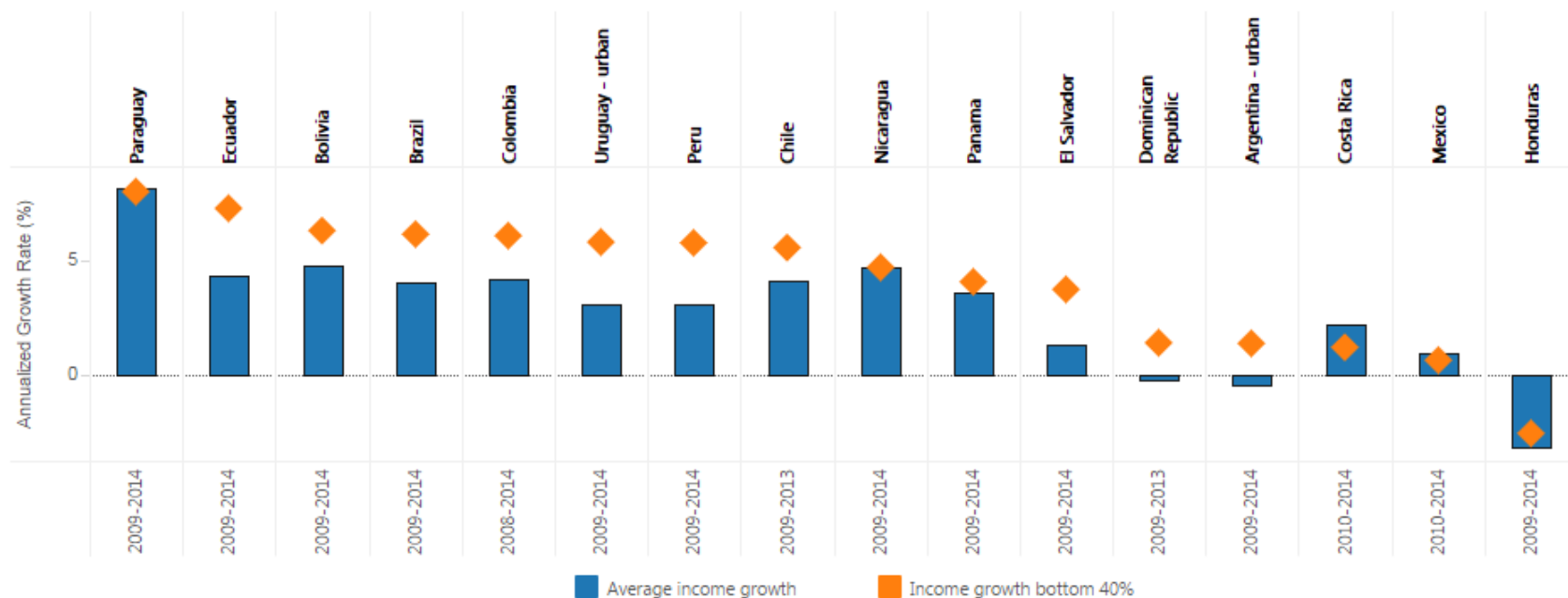
$$TaxThreshold = \left( \frac{ThresholdLCU}{GDPperCap} \right)$$

	MIN Threshold (\$)	MIN Threshold ratio	MIN Tax rate	MAX Threshold (\$)	MAX Threshold ratio	MAX Tax rate
Country X	10,000	0.40	20%	100,000	4.00	30%
Country Y	50,000	2.00	20%	200,000	8.00	60%

	DIFF rates (%)	DIFF thresholds	KAKWANI	KAKWANI.2	KAKWANI.3	RESCALED
Country X	10	3.60	278%	1	0.33	0.00
Country Y	40	6.00	667%	4	8.00	1.00

# Measuring inequality outcomes (SDG 10)

$$\text{Shared prosperity} = \frac{\Delta \text{incomes of poorest 40\%}}{\Delta \text{incomes of mean}} \geq 1$$



**Source:** LAC Equity Lab tabulations of SEDLAC (CEDLAS and the World Bank) and World Development Indicators (WDI).

**Note:** Since the numbers presented here are based on SEDLAC, a regional data harmonization effort that increases cross-country comparability, they may differ from official statistics reported by governments and national statistical offices. The nearest year is used for countries in which data are not available in a particular year. In cases where data are unavailable for a given country in a given year, values have been interpolated using WDI data to calculate regional measures. *Updated April 2016*

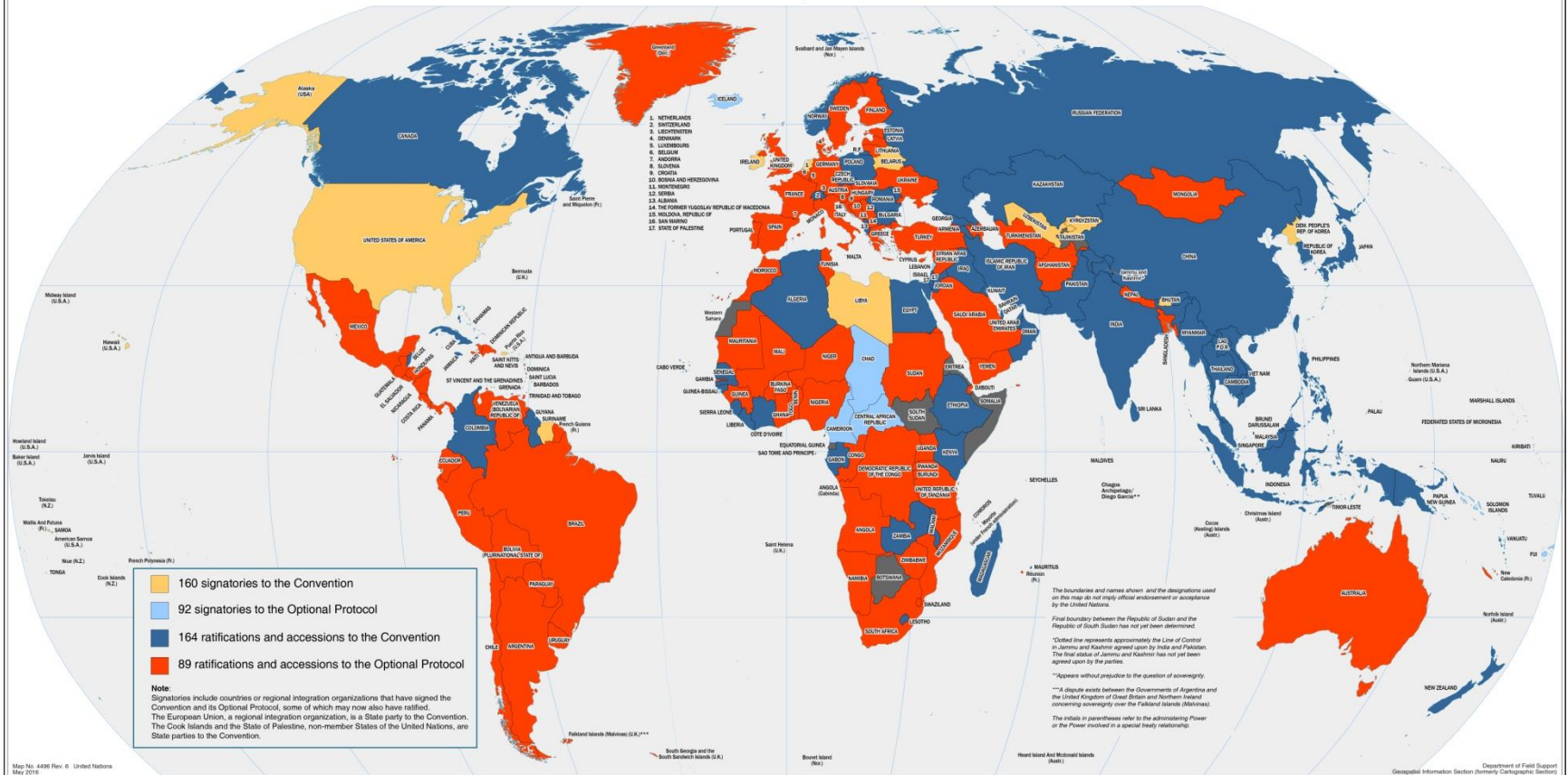
# Measuring policies – in law



## CRPD and Optional Protocol Signatures and Ratifications

Not Signed
  Signed Convention
  Signed Convention & Protocol
  Ratified Convention
  Ratified Convention & Protocol

As of 11 May 2016



# Measuring policies – in practice

## Disability in Britain: then and now

Scope  
About disability



60%

of disabled people think **public attitudes have improved** in the last twenty years <sup>13</sup>

1994

2014

### Attitudes



47%

of disabled people had sometimes been **bullied** at school <sup>1</sup>

38%

of disabled people were **called names** <sup>2</sup>

59%

of disabled people were often **stared at** because of their disability <sup>3</sup>

38%

of disabled children worry about being **bullied** <sup>7</sup>

17%

of disabled people have been **bullied** <sup>7</sup>

30%

of disabled people have been **stared at** because of their disability <sup>3</sup>

### Work



51%

of disabled people felt that they had been **refused a job interview or a job** because of their disability, even though they were qualified to do it <sup>4</sup>

42%

of disabled people felt that they had **lost out on a job** "every time" or "a lot of the time" because of the way employers perceived their impairment <sup>10</sup>

### Leisure



34%

of disabled people had been **turned away from or refused a service in a public place**, such as a cinema (22%), restaurant, café or pub (17%), or sporting event (11%) <sup>5</sup>

49%

Half of disabled people (49%) have **experienced discrimination in shops**, and 31% when attending leisure activities, such as cinemas and theatres <sup>11</sup>

### Money



39%

of disabled people **worried about having enough money to make ends meet** and 75% of disabled people could not afford to buy the most suitable equipment and/or aids <sup>6</sup>

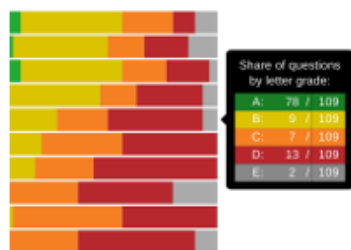
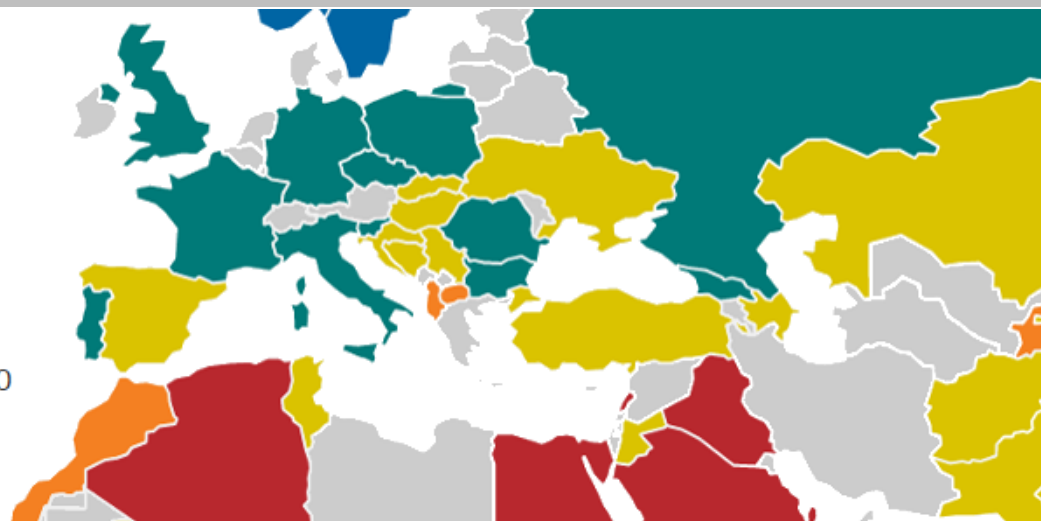
49%

Half (49%) of disabled people **use credit cards or loans to pay for everyday items** including clothing and food. Disabled people are three times more likely to draw on doorstep loans <sup>12</sup>

**Sources:** [1–6] Disabled in Britain: A World Apart, a survey of 1568 disabled people, carried out by BMRB International for Scope. [7] Chamberlain, Tamsin, George, Nalla, Golden, Sarah, Walker, Fiona and Benton, Tom (2010) Tellus4 national report (PDF). London: Department for Children, Schools and Families (DCSF). [8] Scope poll of 1,014 UK disabled adults, run by Opinium Research between 7–17 June 2013. [9] Scope poll of 1,014 UK disabled adults, run by Opinium Research between 7–17 June 2013. [10] Scope survey of 1,069 disabled adults and parents of disabled children in the UK, run between 28 August – 16 September 2013. [11] Scope poll of 676 UK disabled adults, run by ComRes in 2011. [12] A report for Scope by Ipsos Mori, Disabled people and financial wellbeing, scopesblog.files.wordpress.com/2013/07/disabled-people-and-financial-wellbeing.pdf. [13] Opinium Research carried out an online survey of 1,005 UK disabled adults from the 7 to 11 of July 2014.

# Increasing available data on spending

The **Open Budget Survey** is a comprehensive analysis and survey that evaluates whether governments give the public access to budget information and opportunities to participate in the budget process at the national level. The Survey also assesses the capacity and independence of formal oversight institutions. The IBP works with civil society partners in 100 countries to collect the data for the Survey.



To easily measure the commitment to transparency, IBP created the **Open Budget Index** from the Survey.

2012 Survey		2015 Survey	
Country	Rank	Country	Rank
NZ	1	New Zealand	1
ZA	2	Sweden	2
GB	3	South Africa	3
SE	4	Norway	4
NO	5	United States	5
FR	6	Brazil	6
US	7	France	7
KR	8	United Kingdom	8
CZ	9	Romania	9

The **Open Budget Index** allows for comparisons among countries and across years.

	2015	2017
1	b	a b c d e
2	a	a b c d e
3	a	a b c d e
4	a	a b c d e
5	a	a b c d e

Use the **2017 calculator** to predict the outcome of the next survey and see where transparency can improve.

Argentina	27	d	a	d
Brazil	71	a	a	b
Chile	23	d	a	d
Czech Republic	42	a	a	c
Dominican Republic	23	d	a	c
Ecuador	27	d	a	d

In addition to assessing public access to budget information and the capacity and independence of formal oversight institutions.

# Social protection spending can boost the incomes of the poorest

## What is social protection?

“the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society.’

ODI, (2001), “SOCIAL PROTECTION CONCEPTS AND APPROACHES: IMPLICATIONS FOR POLICY AND PRACTICE IN INTERNATIONAL DEVELOPMENT”

## What's included in social protection spending?

In the EU-28 in 2015, expenditure on social protection stood at 19.2 % of GDP, 40.6 % of total expenditure.

- 'old age' = 10.3 % of GDP (pension payments)
- 'survivors' = 1.4 % of GDP (social benefits in cash or in kind)
- 'Sickness and disability' = 2.8 % of GDP (social payments in the operation of social insurance schemes)
- 'family and children' = 1.7 % of GDP,
- 'unemployment' = 1.4 % of GDP
- 'Housing' = 0.5 % of GDP (payments to households to help with the cost of housing as well as of social housing schemes)

EUROSTAT, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Government\\_expenditure\\_on\\_social\\_protection](http://ec.europa.eu/eurostat/statistics-explained/index.php/Government_expenditure_on_social_protection)

## Social protection and inequality

“In OECD countries, social protection schemes tend to be much larger and have been shown to reduce inequality by as much as 30%.”

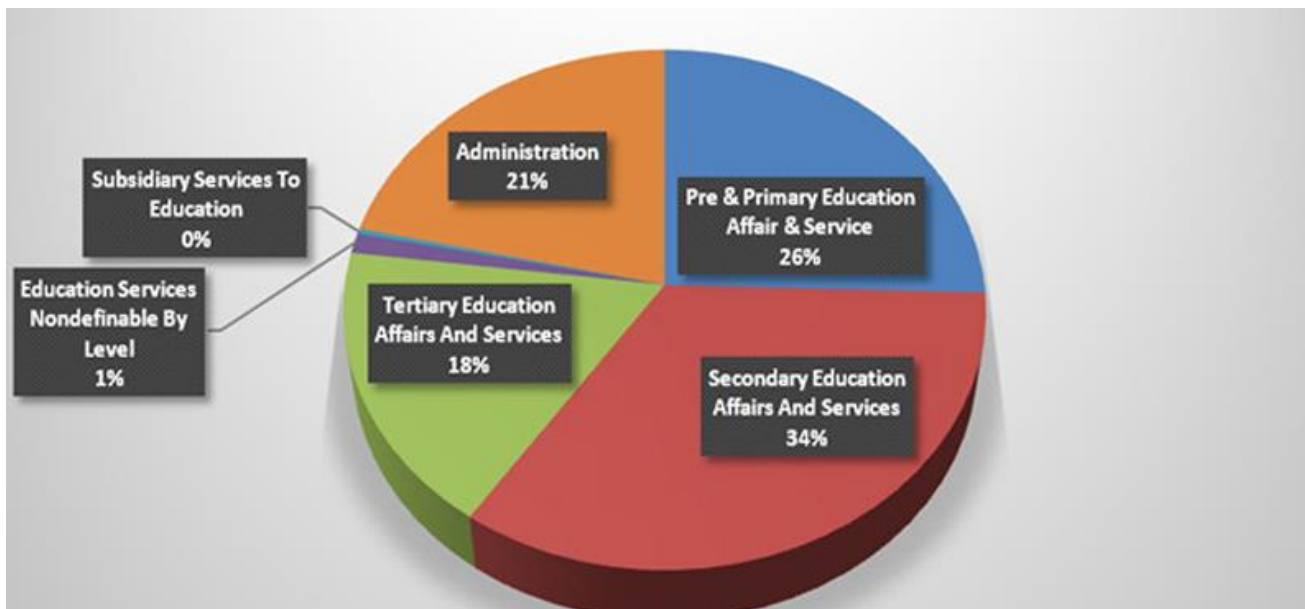
OECD, 2011, “In It Together”

# The *type* of social protection, health and education spending matters

## Impact of social spending can be limited if not well targeted

*Bolivia spends five times more than Peru, but because funds are not targeted to the poor, the amount of redistribution is limited and only slightly higher than Peru.*

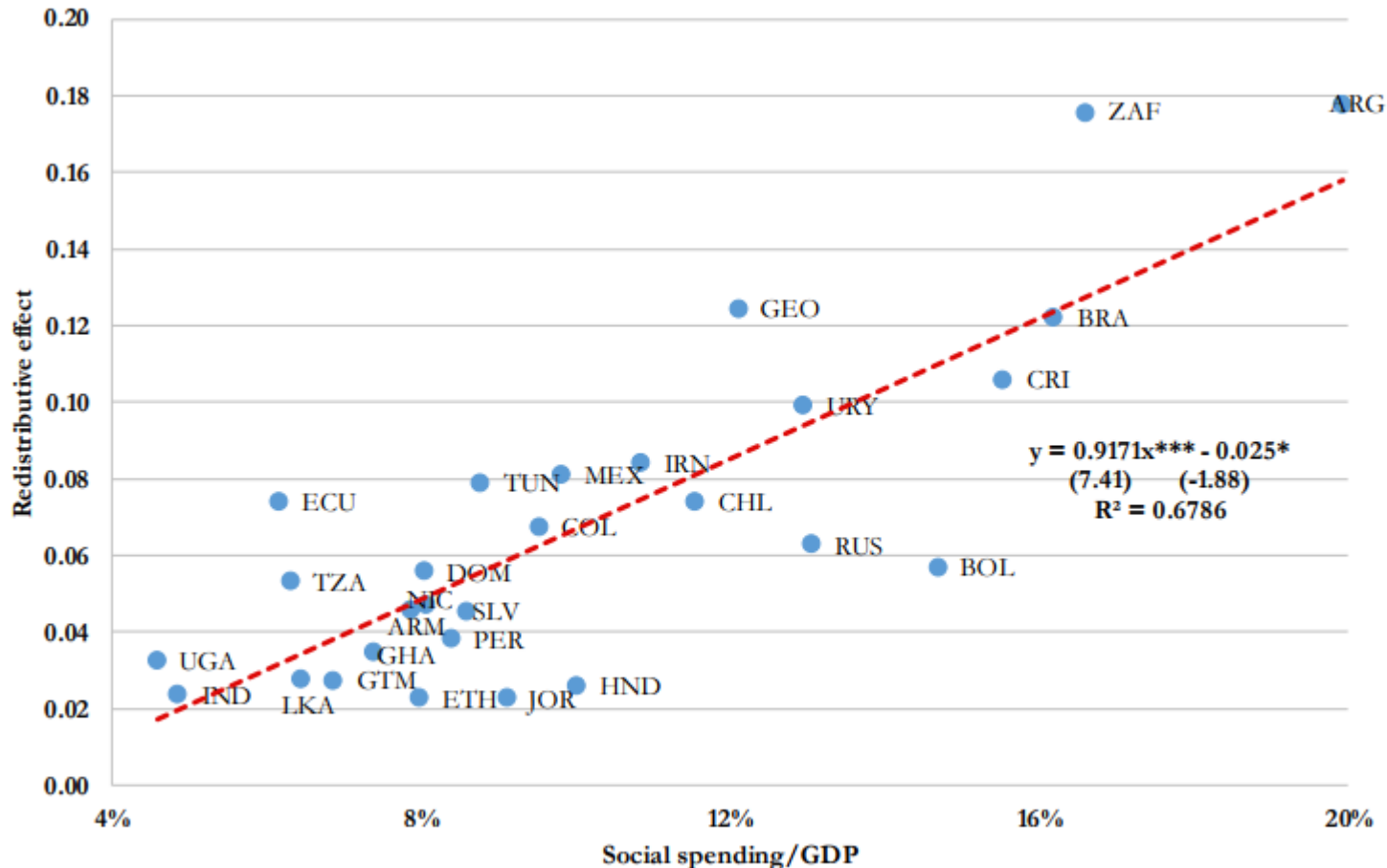
N. Lustig et al. (2011). *Fiscal Policy and Income Redistribution in Latin America: Challenging the Conventional Wisdom*. Tulane University Working Paper 1124.



Sindh education budget 2017/2018.

# Incidence of social spending

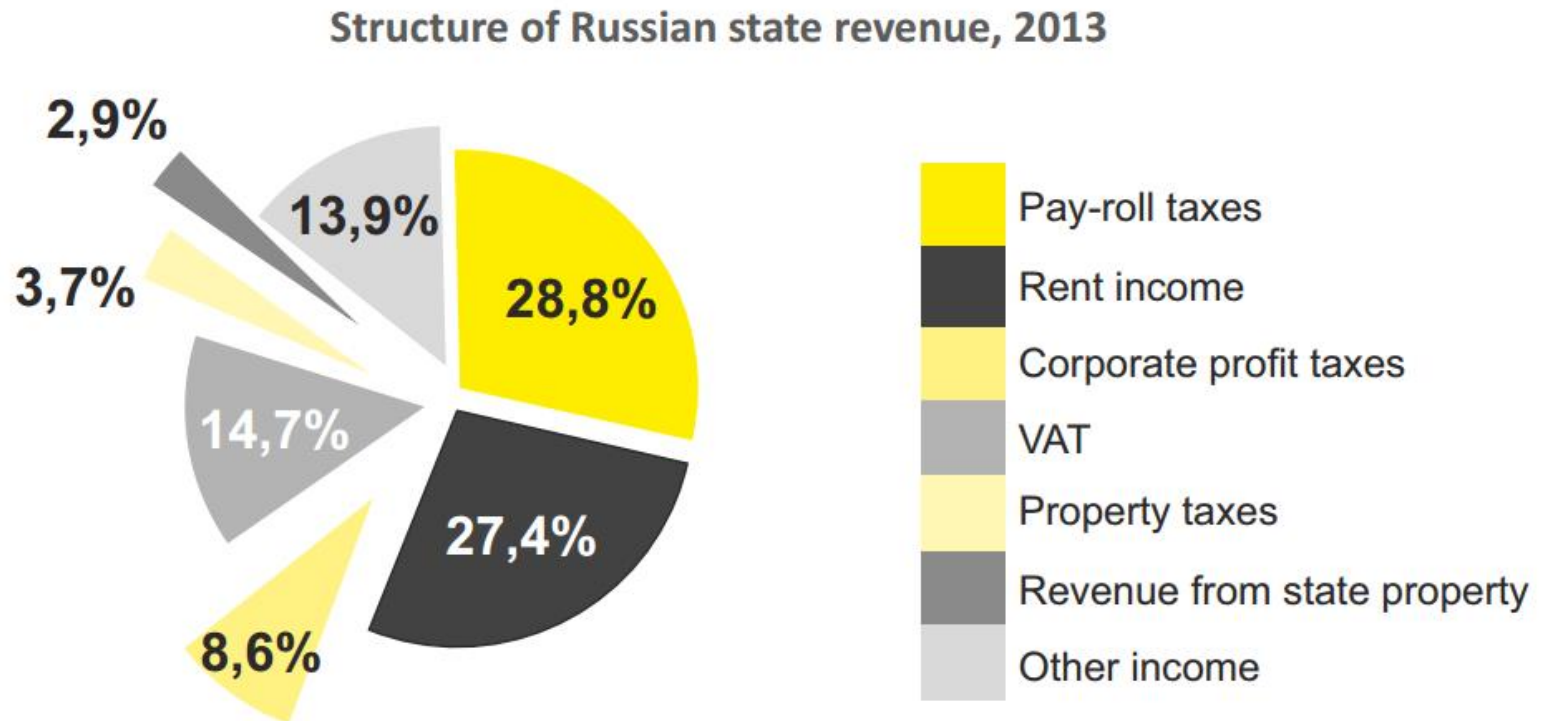
## CEQ Analysis: Social spending as % GDP vs redistributive effect



Source: CEQ study on Uganda, November 2016

[http://www.commitmentoequity.org/publications\\_files/Uganda/CEQ\\_WP53\\_Jellema%20Lustig%20Haas%20Wolf\\_Nov23\\_2016\\_XR.pdf](http://www.commitmentoequity.org/publications_files/Uganda/CEQ_WP53_Jellema%20Lustig%20Haas%20Wolf_Nov23_2016_XR.pdf)

# Tax types

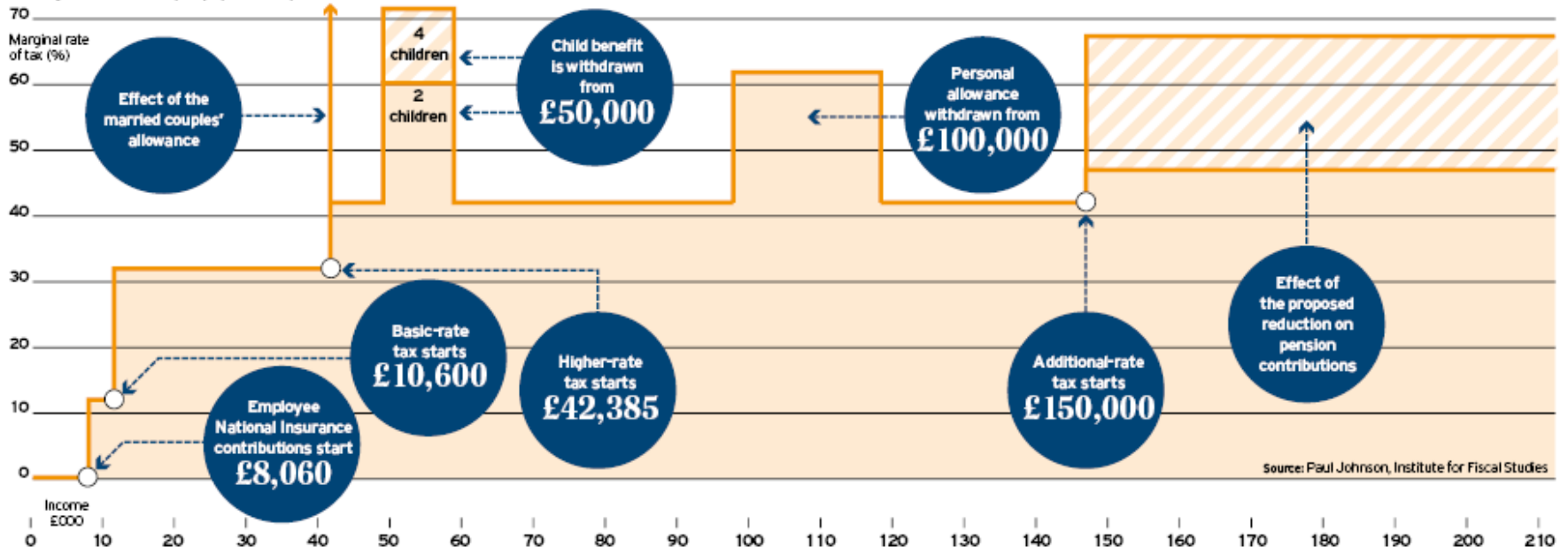


Source: Adapted from Vedomosti

# Personal Income Tax

## How tax rates rise and fall

The highest rate of tax you pay for every £1 earned



<http://www.telegraph.co.uk/finance/personalfinance/tax/11544301/The-chart-that-shows-there-are-12-rates-of-income-tax.html>

# Corporate Income Tax



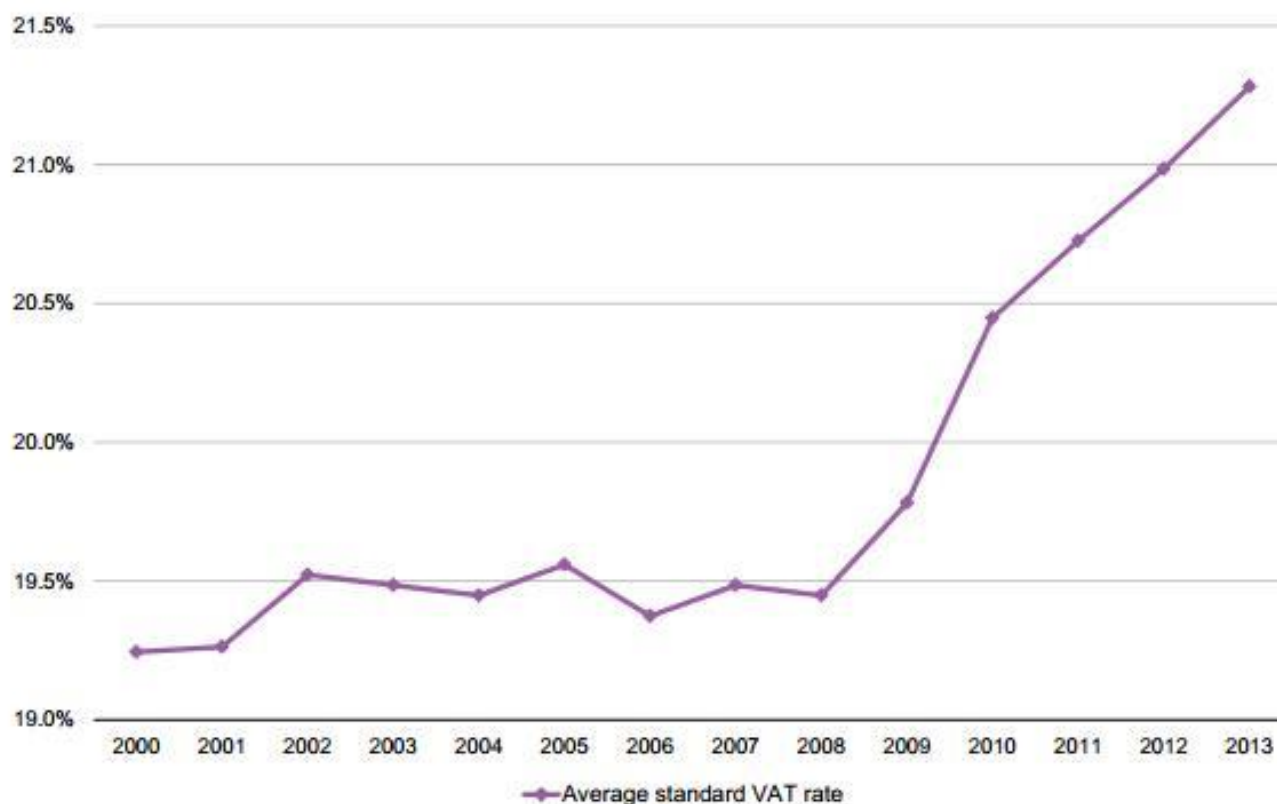
The skyline of Singapore, which Oxfam has found to be the fifth worst corporate tax haven in the world. Photo: Singapore Travel Guide.

## TAX BATTLES

The dangerous global Race to the Bottom on Corporate Tax

# VAT

**Graph 10:** Development of average standard VAT rate, EU-27



Source: Commission services

# Tax is a powerful redistributive mechanism... depending how it is designed



## MAKE TAX FAIR

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### FAIR TAX MONITOR

The Fair Tax Monitor (FTM) is a unique evidence-based advocacy tool that identifies the main bottlenecks within tax systems and provides strong evidence for advocacy work at national and international level. The tool allows for a comparison of tax policies and practices in different countries, using a standardized methodology and unified research approach thanks to jointly developed common research framework. The 2016 pilot edition relies on data and analyses presented in the country reports from Bangladesh, Pakistan, Senegal and Uganda.

#### Common Research Framework

 [download](#)

#### FTM Composite Report 2016

 [download](#)

#### FTM Methodology and Results

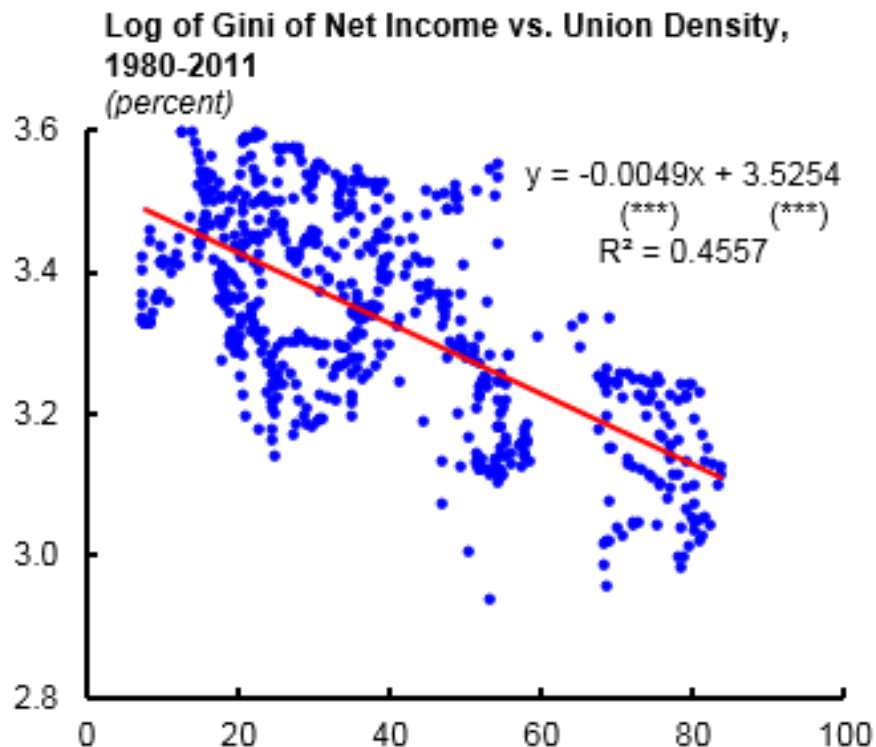
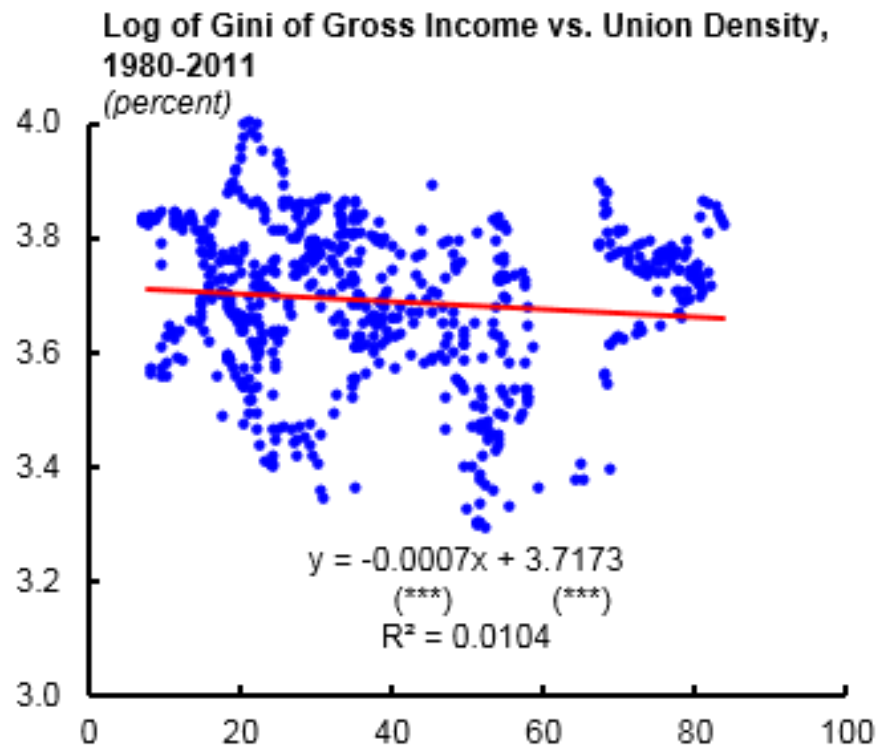
 [download](#)

# Collect data on tax rates

**Quick compare**  
**Compare rates for**  
**two countries**

Country	Headline CIT rate (%)	Country	Headline CIT rate (%)
Albania	15	Algeria	19% for manufacturing activities; 23% for building activities, public works, and hydraulics, as well as tourist and thermal activities, excluding travel agencies; 26% for all other activities.
Angola	30	Antigua and Barbuda	25
Argentina	35	Armenia	20
Aruba	25	Australia	30% (27.5% for 'small business' entities)
Austria	25	Azerbaijan	20
Bahrain	46 for oil corp.'s; 0 for other corp.'s	Barbados	25
Belarus	18	Belgium	33.99 (i.e. 33% + 3% surcharge)

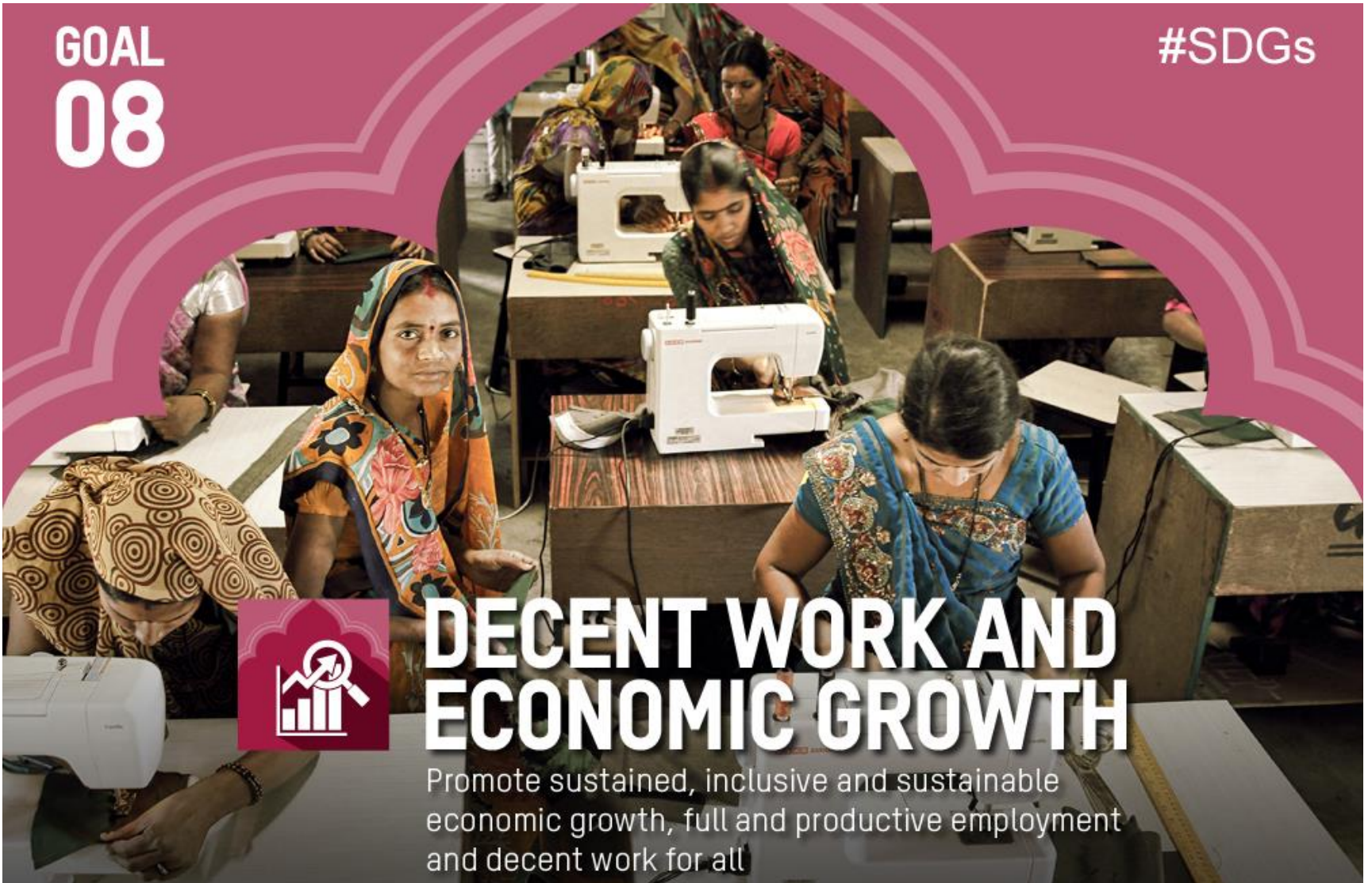
# Labour union rights



# Multiple dimensions to fair pay and decent work

GOAL  
08

#SDGs



## DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

## Women's rights and gender equality

**WOMEN**  
**Like men,**  
**only cheaper.**



# Wage setting

Who  
benefits  
if BC  
raises the  
minimum  
wage to  
\$15?

## STEREOTYPE

Teenager  
Works part-time after school  
Lives with parents  
Earning extra spending money  
Works in small  
mom-and-pop business



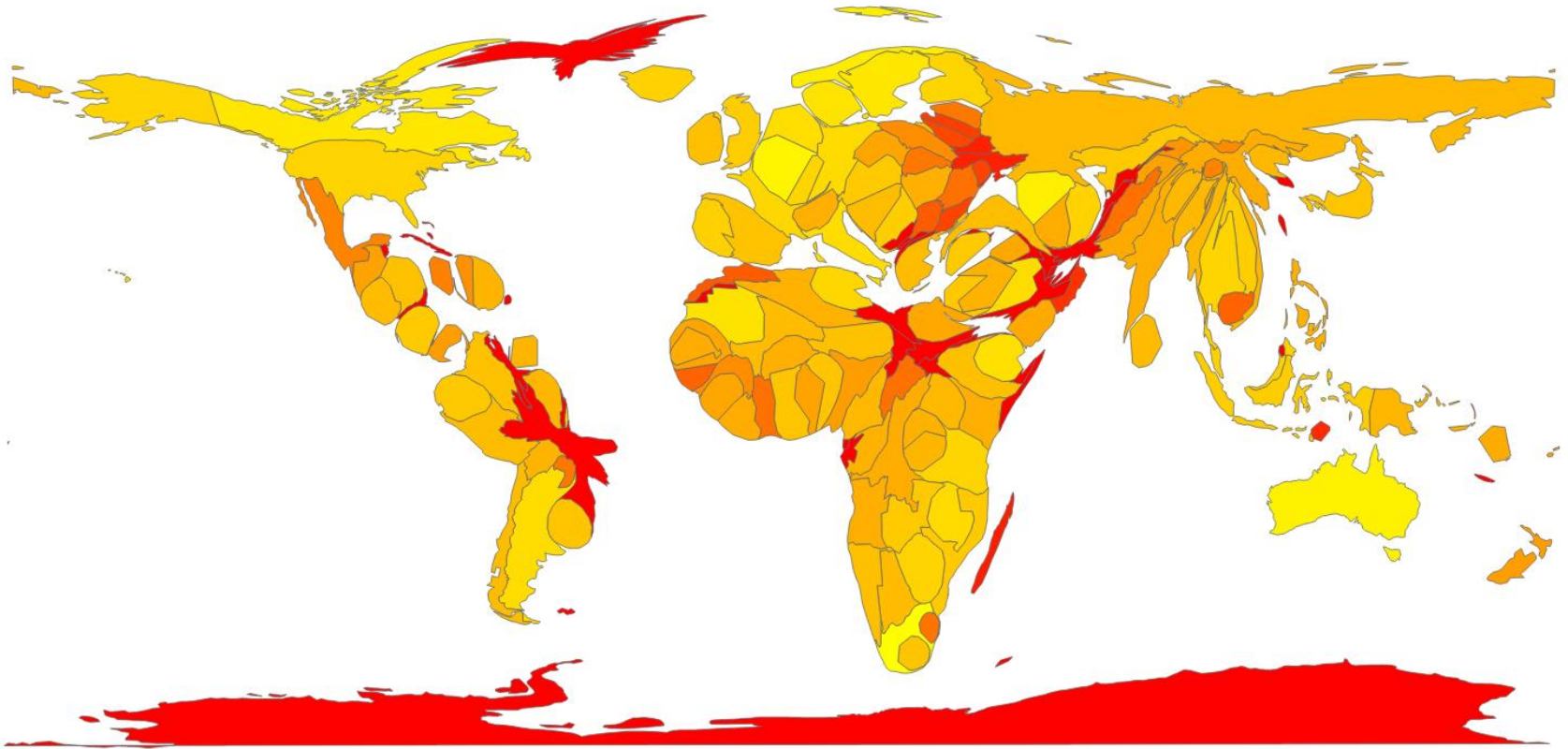
## REALITY

82% are not teenagers,  
they are 20 or older  
39% are 35 or older  
60% are women  
58% work full-time  
68% do not live at home  
with their parents  
51% work for large  
corporations (100+ employees)



Raising the minimum wage to \$15 will put money in the pockets of workers who really need it and reduce inequality. [tinyurl.com/increasemw](http://tinyurl.com/increasemw)

### 3. Overall Key Findings and Messages

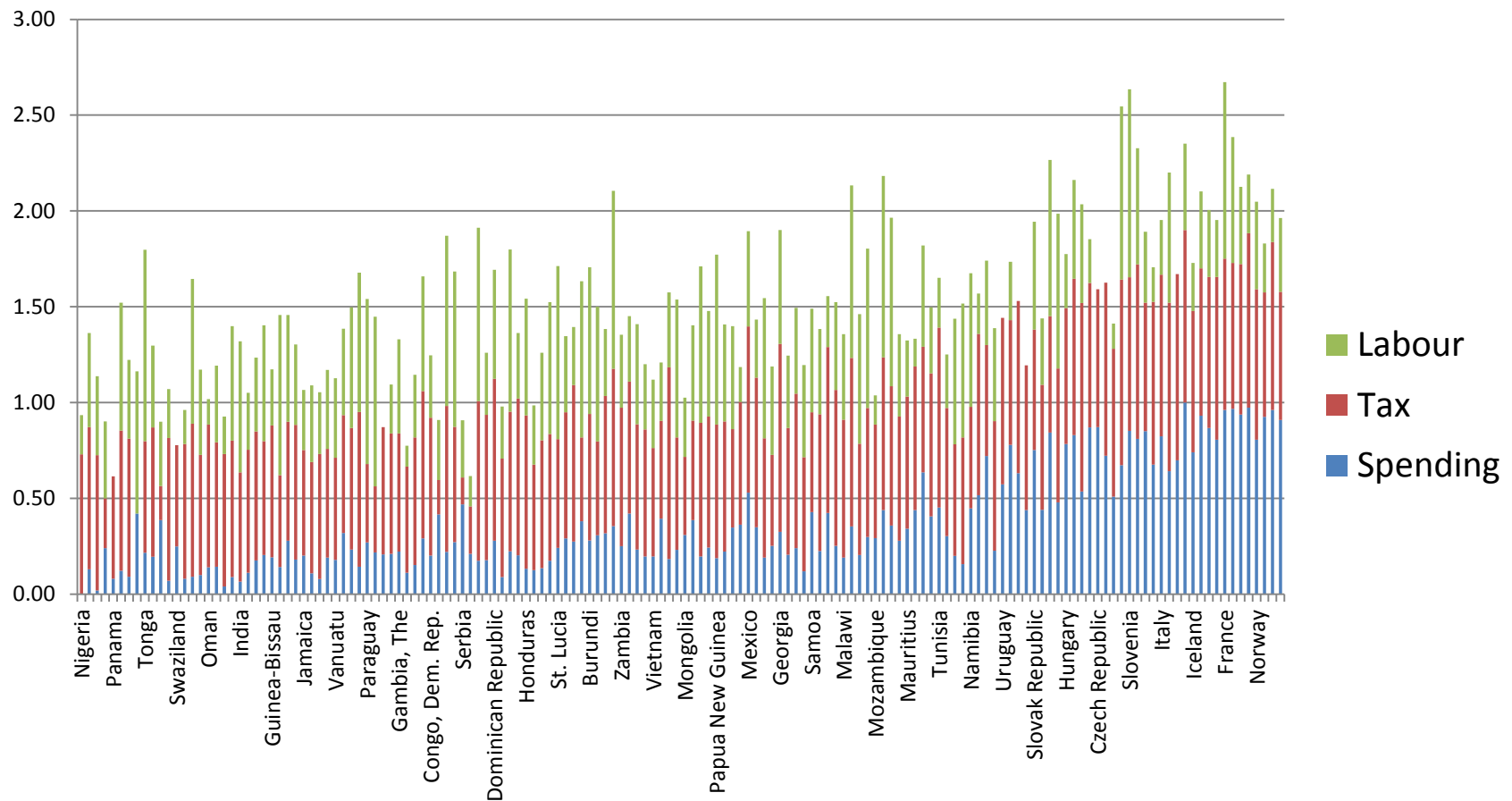


**Most commitment**

**Least commitment**

# Analysis by pillar/indicator gives more detail

Variation in results for different indicators and pillars for each country.



# Findings – best/worst and surprising

Range of results gives us some unsurprising (?) best/worse performers – Best *Sweden*, Worst *Nigeria*. But also some surprising performers...

- Education spending in Zimbabwe – highest in the world as % of budget and according to UNESCO having major impact on reducing poverty and inequality, though could do more by redistributing from tertiary to basic, and improve quality
- Tax policy in Sweden – Swedish tax system 120<sup>th</sup> most progressive - large cuts in PIT and CIT under various governments – against Sweden's widespread image
- Progressive policies in Namibia and South Africa – realised high level of inequality and doing a lot to fight it
- **Countries have a range of policy tools and they use them to varying degrees based on their commitment to reducing inequality**

# Harmful Tax Practices

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

# Change since 2017: Education spending

## TOP 10 – INCREASED SPENDING (%)

Georgia  
Saint Lucia  
Guinea  
Saint Vincent and the Grenadines  
Dominican Republic  
Liberia  
Uruguay  
São Tomé and Príncipe  
Bhutan  
Cameroon

+5.96  
+5.85  
+5.46  
+4.66  
+4.40  
+4.06  
+3.62  
+3.07  
+3.03  
+3.01

## BOTTOM 10 – REDUCED SPENDING (%)

Democratic Republic of Congo  
Singapore  
Vanuatu  
Sierra Leone  
Namibia  
Kyrgyz Republic  
Zambia  
Zimbabwe  
Samoa  
Mali

-8.76  
-5.61  
-5.52  
-5.12  
-3.95  
-3.71  
-3.70  
-3.61  
-3.29  
-3.26

# Change since 2017: Health spending


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

# Change since 2017: Social protection spending

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

# Change since 2017: Personal Income Tax

## BIGGEST INCREASES IN TOP RATE OF PERSONAL INCOME TAX



Mongolia	+15%
Guyana	+10%
Uruguay	+6%
Austria	+5%
Central African Republic	+5%
Bangladesh	+5%
Jamaica	+5%
Sierra Leone	+5%
South Africa	+5%
Tonga	+5%
Trinidad and Tobago	+5%
Greece	+3%
Malaysia	+3%
Zambia	+2.5%
Singapore	+2%

## BIGGEST DECREASES IN TOP RATE OF PERSONAL INCOME TAX



Chile	-5%
Republic of Congo	-5%
Croatia	-3%
Egypt	-2%

# Change since 2017: Corporate Income Tax

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

\*small companies