

POLICY AREA:
Global Inequality and Social Cohesion

Towards a PISA-type ranking on economic inequality

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Abstract

Economic inequality is rising in nearly all countries. Some nations however fare better than others and the global community could learn from successful national policies implemented to tackle inequality. Building on the SDG impetus, this policy brief calls for i) the publication of a periodical report that would rank countries over their performance in terms of economic inequality and ii) the creation of a research and policy forum to facilitate mutual learning over inequality reduction policies.

Challenge

Background

Incisive contributions from leading economists have laid bare the extent of rising inequality around the world since the 1980s. In the USA, the bottom fifty percent of the population earned about 20% of national income in 1980 while top 1% earners captured 10%. Today, it's the exact opposite: 10% goes to the poorest half of the population and 20% of national income accrues at the top 1%. In the United Kingdom, the top 1% income share doubled over the same period, from 6% to 13% according to [WID.world](#) data.

Inequality is an unavoidable problem for today's leaders. A burgeoning literature demonstrates the link between rising inequality and increasing incidences of [social and health problems](#), [slower growth](#) or [political unrest](#). In 2015, the vitality of this issue received strong endorsement from the United Nations when its Member States unanimously agreed to commit to "reduce inequality within and among countries" in the 2015 Sustainable Development Goals (SDGs). Target 10.1 commits countries to a reorientation toward greater equality: "By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average". Achieving this target will require a reversal of current trends in many countries, as we showed in a [previous study](#).

The 17 global goals and associated targets replace the Millennium Development Goals. While the MDGs were essentially dictated from rich countries directing poorer countries on their development pathway, the SDGs are universal, designed to drive transformative action in all countries. Similarly, the

inclusion of an explicit target to reduce domestic inequality is new, reflecting the growing recognition of the importance of the issue. Nonetheless, when endorsements from former [US President Barack Obama](#) and [the Pope](#) have ultimately failed to illicit a meaningful legislative response to reverse the current trend of rising inequality, it is reasonable to limit expectations of the practical impact of the UN Agenda.

The SDG potential

In a [recent paper](#), we evaluate what is on offer in the UN agenda, and find that, in terms of addressing the problem of rising inequality, there is much that states can take away from the SDGs, though success is conditional on achieving the buy-in of key actors and the support of civil society.

The first major contribution of the SDGs is the old cliché, “what gets measured gets done”. Under the formal agreement setting in motion the SDGs, countries are obliged to publish standardized statistics outlining their performance in relation to the goals. Previously, countries were under no such obligation, and so it was left to universities to fill in the knowledge gap, effectively permitting underperforming countries to slip under the radar. The guarantee of standardized, comparable statistics is likely to serve as a catalyst for political action. At the very least, it serves as an enabler for civil society and other non-government institutions to hold governments to account.

Second, and relatedly, the SDGs create a forum in which countries’ performances are ranked against each other. Such comparative ranking has proven a key driver for policy in other areas, in particular the PISA rankings of education provided by the OECD. Whatever you think about the PISA ranking, its influence on education policy in both advanced and developing countries is indisputable. In the same way, the SDGs enable us to distinguish between those countries that are performing well and those falling behind, while serving to remind political leaders that inequality reduction is not just necessary but possible.

This leads to the third key contribution of the SDGs, mutual learning between countries. Under the SDG framework, representatives from all 196 countries meet regularly to assess their progress toward the targets, and governments are encouraged to produce annual reports outlining their progress toward the goals – and many have already done so. While economists can offer brilliant solutions, they often fall short of political feasibility. Creating a platform for countries successfully implementing corrective measures is therefore vital. We know that when countries have prioritized inequality reduction, like in Chile under President Bachelet, they have achieved significant success. Providing a platform for leaders like Bachelet to share their experience is a vital conduit for others to follow suit.

Proposal

Our proposal for G20 leaders

- Publish a periodical (annual or every two years) statistical and policy report ranking countries over their performance on SDG target 10.1. This report could include contributions from academia but should eventually be endorsed by the United Nations Statistical Agency. G20 countries should take the lead on this.
- This report would contain – or would be supplemented by a side-report on – a discussion of successful and less successful policies implemented in different countries to tackle inequality.
- Present and discuss these reports at an annual global inequality conference. The T20 host could kick start such a conference and convene it over the first years, but it should eventually be hosted by the United Nations.

Reference

Chancel, L., Hough, A., Voituriez, T. (2017) "Reducing inequality within countries: turning the global debate into action". Iddri Study, 01/2017.

[Reducing inequality within countries: turning the global debate into action](#)