



# REWARD WORK, NOT WEALTH

To end the inequality crisis, we must build an economy for ordinary working people, not the rich and powerful.

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**EVEN  
IT UP**



OXFAM

Last year saw the biggest increase in billionaires in history, one more every two days. Billionaires saw their wealth increase by \$762bn in 12 months. This huge increase could have ended global extreme poverty seven times over. 82% of all wealth created in the last year went to the top 1%, while the bottom 50% saw no increase at all.

Dangerous, poorly paid work for the many is supporting extreme wealth for the few. Women are in the worst work, and almost all the super-rich are men. Governments must create a more equal society by prioritizing ordinary workers and small-scale food producers instead of the rich and powerful.



**This paper is dedicated to the women and men around the world who are standing up to fight inequality and injustice, often at great risk to themselves, in the face of increasing repression in the majority of countries.**

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For further information on the issues raised in this paper please email [advocacy@oxfaminternational.org](mailto:advocacy@oxfaminternational.org).

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Cover photo: Young workers in a garment factory in Bangladesh. Photo credit: Jonathan Silvers/Saybrook Productions.

## OXFAM

Oxfam is an international confederation of 20 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit [www.oxfam.org](http://www.oxfam.org)

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# FOREWORD

*Oxfam's campaign and call for action are very timely, because the inequality crisis is real. As the report points out, in many countries wage inequality has increased and the share of labour compensation in GDP has declined because profits have increased more rapidly than wages. While the income share of the top 1% has grown substantially, many others have not shared in the fruits of economic progress. Even in emerging countries with rapid economic growth, many workers, including a disproportionately large share of women, remain trapped in low pay and poverty wages.*

*The survey undertaken as part of this Oxfam report confirms that a majority of people want to live in far more equal societies. Reflecting these concerns, reducing inequality has rapidly risen up the agenda for global institutions and world leaders. This is reflected most prominently in the Sustainable Development Goals of the UN 2030 Agenda, where Goal 10 is a call to 'reduce inequality within and among countries' and Goal 8 calls for inclusive economic growth, full and productive employment and decent work for all. I could not agree more with Oxfam's report when it states that 'decent jobs, with living wages are essential to creating fairer societies' and that the key to reducing inequality is 'well paid, decent work'.*

**– Guy Ryder, Director-General of the International Labour Organization (ILO)**

# ENDORSEMENTS

*No group in the world has done more than Oxfam to shine light on the coexistence of extreme wealth and extreme poverty and on the measures needed to move the world towards social justice with lower inequalities of income and wealth. The entire world has signed on to the Sustainable Development Goals, with SDG 10 calling on all nations 'to reduce inequality within and among countries.' Oxfam's new report is must reading to achieve SDG 10, and brims with new ideas and approaches. The report will be sure to generate attention and controversy — as this topic should. Sometimes the super-rich call out Oxfam and others for 'stoking class warfare' but the truth is that in many societies, including my own, the United States, many of the super-rich have in effect declared war on the poor. The urgent need is to rebalance the tables, defend the rights of the poor, and re-establish fair societies that meet the needs of all in line with globally agreed goals.*

**– Jeffrey D. Sachs, University Professor at Columbia University, Director of the UN Sustainable Development Solutions Network**

*The recipe for reducing inequality for working families and ensuring decent work is simple: a minimum wage on which you can live, social protection and companies' compliance with human and labour rights. Freedom of association and collective bargaining rights are fundamental enablers. Workers need the added volume of a collective voice to make themselves heard. Governments must act. Companies must face up to their responsibilities. Oxfam is right – the global economy will falter with too many billionaires. An economy for working people, not wealthy owners will end the inequality crisis.*

**– Sharan Burrow, General Secretary, International Trade Union Confederation**

*Because of high and rising inequality within countries, the top 1% richest individuals in the world have captured twice as much growth as the bottom 50% since 1980. Wealth is skyrocketing at the top and becomes entrenched. Oxfam's research, which describes these worrying trends, is essential reading. Now is the time to reward work, not wealth.*

**– Gabriel Zucman, University of California, Berkeley**

*This report confirms what workers have known for years: most of the heralded benefits of globalization are reserved for a global elite who consider themselves untouchable. The myths of the current model of globalization are collapsing like a house of cards and with it the credibility of its proponents and trust in political institutions. Brazen corporate tax evasion, privatization, service cuts and decades of stagnating wages have not happened by accident. Urgent, radical action is needed to fund universal public services, decent work and redistribute wealth. The alternative is the continued rise of populism, racism and fear mongering of the far right. We have been warned.*

**– Rosa Pavanelli, General Secretary, Public Services International (PSI)**

*'Reward Work Not Wealth' shows working people need trade unions and the right to collective bargaining more than ever. People need wages that they can live on with dignity. But uncontrolled corporate greed is accelerating inequality and insecurity. More widespread collective bargaining would re-balance the global economy so it works for everyone, not just the 1%. It's time for governments to act.*

**– Frances O'Grady, General Secretary, UK Trades Union Congress (TUC)**

*Oxfam has changed the way the world thinks about inequality. Now is the time to stop talking at Davos and start working to create the greater equality so many millions demand.*

**– Danny Dorling, University of Oxford**

*Oxfam continues to deliver outstanding research on the global inequality crisis. Their message is clear: we have an economy that serves the interests of the 1%. If we want to heal our fractured and unstable world, we need to change course – and fast.*

**– Jason Hickel, Goldsmiths, University of London**

# EXECUTIVE SUMMARY

*In 2016, annual share dividends from the parent company of fashion chain Zara to the world's fourth-richest man, Amancio Ortega, were worth approximately €1.3bn.<sup>1</sup> Stefan Persson, whose father founded H&M,<sup>2</sup> is ranked 43 in the Forbes list of the richest people in the world, and received €658m in share dividends last year.<sup>3</sup>*

*Anju works sewing clothes in Bangladesh for export. She often works 12 hours a day, until late at night. She often has to skip meals because she has not earned enough money. She earns just over \$900 dollars a year.<sup>4</sup>*

Last year saw the biggest increase in the number of billionaires in history, with one more billionaire every two days. There are now 2,043 dollar billionaires worldwide. Nine out of 10 are men.<sup>5</sup> Billionaires also saw a huge increase in their wealth. This increase was enough to end extreme poverty seven times over. 82% of all of the growth in global wealth in the last year went to the top 1%, whereas the bottom 50% saw no increase at all.<sup>6</sup>

Living wages and decent work for the world's workers are fundamental to ending today's inequality crisis. All over the world, our economy of the 1% is built on the backs of low paid workers, often women, who are paid poverty wages and denied basic rights. It is being built on the backs of workers like Fatima in Bangladesh, who works sewing clothes for export. She is regularly abused if she fails to meet targets and gets sick because she is unable to go to the toilet.<sup>7</sup> It is being built on the backs of workers like Dolores in chicken factories in the US, suffering permanent disability and unable to hold their children's hands.<sup>8</sup> It is being built on the backs of immigrant hotel cleaners like Myint in Thailand,<sup>9</sup> sexually harassed by male guests and yet often being told to put up with it or lose their jobs.

This paper looks at growing extreme wealth, and those who work but live in poverty. It explores why this is happening, and gives recommendations on how it can be fixed.

## STOP TALKING AND GIVE PEOPLE WHAT THEY WANT: A MORE EQUAL WORLD

It is hard to find a political or business leader these days who is not saying they are worried about inequality. Yet actions, not words, are what count, and here most of our leaders are lacking. Indeed, many are actively promoting policies that can increase inequality. President Trump was elected promising to help ordinary workers, but has appointed a cabinet of billionaires and is pushing for huge tax cuts for the richest 1%.<sup>10</sup> President Buhari of Nigeria has said that he believes inequality is leading to growing anger and frustration,<sup>11</sup> but in Nigeria billions in oil wealth are suspected of being stolen, inequality continues to grow and 10 million children are still out of school.<sup>12</sup> Oxfam and Development Finance International have compiled a detailed index of 152 governments' actions to tackle inequality, and the majority are shamefully failing to do nearly enough to close the gap.<sup>13</sup>

***'When I got pregnant, they let me work in the warehouse. There were many boxes full of shoes, and my job was to put the stamp on. Those shoes would fit my son perfectly, they are very nice. I'd like my son to have shoes like these, but he can't. I think he'd want them, and I feel sorry for him. The shoes are very pretty. You know that one pair of shoes that we make is valued more than our whole month's salary.'***

***– Lan, garment worker, Vietnam***



### Box 1: Wanting a more equal world<sup>14</sup>

For this paper, Oxfam surveyed over 70,000 people in 10 countries, representing one-quarter of the world's population:

- Over three-quarters of people either agree or strongly agree that the gap between rich and poor in their country is too large – this ranges from 58% in the Netherlands to 92% in Nigeria.
- Nearly two-thirds of the respondents in the 10 countries think the gap between the rich and the poor needs to be addressed urgently or very urgently.
- 60% of total respondents agree or strongly agree it is the government's responsibility to reduce the gap between the rich and the poor. In South Africa, 69% of respondents agree or strongly agree.
- 75% of the respondents prefer lower levels of income inequality than those that exist in their country. In fact, more than half of the people surveyed wanted lower levels of inequality in their country than currently exist in any country in the world.

## CLAMP DOWN ON INEQUALITY, NOT ON DEMOCRACY

In country after country where Oxfam works, the space for citizens to speak out is being closed, and freedom of speech suppressed. CIVICUS, an alliance dedicated to strengthening citizens, has found that serious threats to civic freedoms now exist in more than 100 countries.<sup>15</sup>

***'For my generation, there is no going back to the time before the revolution. Our eyes were opened. And while we suffer oppression, we are reorganizing ourselves, and organizing to fight economic inequality and injustice.'***

**– Ghouson Tawfik, Social Justice Platform, Egypt**

US Supreme Court Justice Louis Brandeis famously said, 'We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can't have both.'<sup>16</sup> Our leaders know this, but rather than act to reduce wealth concentration and inequality, they are instead choosing to suppress democracy and the freedom to demand a fairer society.

***'We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can't have both.'***

**– Former US Supreme Court Justice Louis Brandeis**

# THE VIEW FROM THE TOP

## Box 2: Billionaire bonanza<sup>17</sup>

In the face of this inaction, the inequality crisis continues to worsen, as the benefits of economic growth continue to concentrate in fewer hands.

- Last year saw the biggest increase in the number of billionaires in history, one more every two days. There are now 2,043 dollar billionaires worldwide. Nine out of 10 are men.<sup>18</sup>
- In 12 months, the wealth of this elite group has increased by \$762bn. This is enough to end extreme poverty seven times over.<sup>19</sup>
- In the period between 2006 and 2015, ordinary workers saw their incomes rise by an average of just 2% a year,<sup>20</sup> while billionaire wealth rose by nearly 13% a year – almost six times faster.<sup>21</sup>
- 82% of all growth in global wealth in the last year went to the top 1%, while the bottom half of humanity saw no increase at all.<sup>22</sup>
- While billionaires in one year saw their fortunes grow by \$762bn, women provide \$10 trillion in unpaid care annually to support the global economy.<sup>23</sup>
- New data from Credit Suisse means 42 people now own the same wealth as the bottom 3.7 billion people, and that last year's figure has been revised from eight to 61 people owning the same as the bottom 50%.<sup>24</sup>
- The richest 1% continue to own more wealth than the whole of the rest of humanity.<sup>25</sup>

In countries across the world, the same picture is emerging. In 2017, research by Oxfam and others has shown that:

- In Nigeria, the richest man earns enough interest on his wealth in one year to lift two million people out of extreme poverty. Despite almost a decade of robust economic growth in Nigeria, poverty has increased over the same period.<sup>26</sup>
- In Indonesia,<sup>27</sup> the four richest men own more wealth than the bottom 100 million people.
- The three richest people in the US own the same wealth as the bottom half of the US population (roughly 160 million people).<sup>28</sup>
- In Brazil, someone earning the minimum wage would have to work 19 years to make the same amount as a person in the richest 0.1% of the population makes in one month.<sup>29</sup>

## Extreme wealth that is not earned

The mainstream economic justification of inequality is that it provides incentives for innovation and investment. We are told that billionaires are the ultimate demonstration of the benefits of talent, hard work and innovation, and that this benefits us all.<sup>30</sup>

***'Inequality is rising day by day. Workers are frustrated, their salaries not matching the cost of living. This is because of the growing gap between rich and poor which curtails any chances of prosperity.'***

**– Tariq Mobeen Chaudray, Center for Finance for Development, Indus Consortium, Pakistan**

Yet there is growing evidence<sup>31</sup> that the current levels of extreme inequality far exceed what can be justified by talent, effort and risk-taking. Instead they are more often the product of inheritance, monopoly or crony connections to government.

Approximately a third of billionaire wealth is derived from inheritance. Over the next 20 years, 500 of the world's richest people will hand over \$2.4 trillion to their heirs – a sum larger than the GDP of India, a country of 1.3 billion people.<sup>32</sup>

Monopolies fuel excessive returns to owners and shareholders at the expense of the rest of the economy. The power of monopoly to generate extreme wealth is demonstrated by the fortune of Carlos Slim, the sixth richest man in the world. His fortune derives from an almost complete monopoly he was able to establish over fixed line, mobile and broadband communications services in Mexico. The OECD found that this monopoly has had significant negative effects for consumers and the economy.<sup>33</sup>

Monopoly power is compounded by cronyism, the ability of powerful private interests to manipulate public policy to entrench existing monopolies and create new ones. Privatization deals, natural resources given away below fair value, corrupt public procurement, or tax exemptions and loopholes are all ways in which well-connected private interests can enrich themselves at the expense of the public.

In total, Oxfam has calculated that approximately two-thirds of billionaire wealth is the product of inheritance, monopoly and cronyism.<sup>34</sup> Oxfam's survey of 10 countries shows that over half of respondents think that despite hard work, it is difficult or impossible for ordinary people to increase the money they have.

Economic rewards are increasingly concentrated at the top. While millions of ordinary workers remain on poverty wages, returns for shareholders and senior executives have gone through the roof.<sup>35</sup> In South Africa, the top 10% of society receives half of all wage income, while the bottom 50% of the workforce receives just 12% of all wages.<sup>36</sup> With just slightly more than one day of work, a CEO in the US earns the same as an ordinary worker makes during the whole year.<sup>37</sup> Men are consistently the majority of the best-paid employees.<sup>38</sup> On average, it takes just over four days for a CEO from the top five companies in the garment sector to earn what an ordinary Bangladeshi woman worker earns in her whole lifetime.<sup>39</sup>

Very often, ever-increasing amounts are being returned to wealthy shareholders, fuelling a relentless squeeze on workers. It would cost \$2.2bn a year to increase the wages of all 2.5 million Vietnamese garment workers from the average wage to a living wage. This is the equivalent of a third of the amount paid out to shareholders by the top five companies in the garment sector.<sup>40</sup>

The fortunes of the richest are often boosted by tax dodging – by rich individuals and by the corporations of which they are owners or shareholders. Using a global network of tax havens, as revealed in the Panama and Paradise Papers, the super-rich are hiding at least \$7.6 trillion from the tax authorities.<sup>41</sup> New analysis by economist Gabriel Zucman for this paper has shown that this means the top 1% is evading an estimated \$200bn in tax.<sup>42</sup> Developing countries are losing at least \$170bn each year in foregone tax revenues from corporations and the super-rich.<sup>43</sup>

Even billionaires who have made their fortunes in competitive markets are often doing so by driving down the wages and conditions of workers, forcing countries into a suicidal race to the bottom on wages, labour rights and tax giveaways.

At the same time the poorest children, and especially the poorest girls are condemned to die poor, as opportunities go to the children of richer families.<sup>44</sup>

***'Dreams are born there, and dreams die there.'***

***– Mildred Ngesa of FEMNET: The African Women's Development and Communication Network, speaking about the slum of Dandora in Nairobi, near where she grew up.***

## THE VIEW FROM THE BOTTOM

### Inequality and poverty

Between 1990 and 2010, the number of people living in extreme poverty (i.e. on less than \$1.90 a day) halved, and has continued to decline since then.<sup>45</sup> This tremendous achievement is something of which the world should be proud. Yet had inequality within countries not grown during that period, an extra 200 million people would have escaped poverty.<sup>46</sup> This number could have risen to 700 million had poor people benefited more from economic growth than their rich fellow citizens.<sup>47</sup> Looking to the future, the World Bank has been clear that unless we close the gap between rich and poor, we will miss the goal of eliminating extreme poverty by a wide margin. Even if the target of reducing poverty to 3% is achieved, around 200 million would still be living on \$1.90 a day in 2030.<sup>48</sup>

It is also the case that those who have been lifted out of extreme poverty often remain very poor, in debt and struggling to feed their families. Many may be only one step away from slipping back. More than half of the world's population lives on between \$2 and \$10 a day.<sup>49</sup>

This is a result of such a small proportion of global income growth having gone to the poorest half of humanity in the last 25 years. The recently released World Inequality Report from the World Inequality Lab shows that the top 1% captured 27% of total global income growth between 1980 and 2016. Meanwhile, the bottom 50% only received half of that, or 13% of total income growth.<sup>50</sup> For someone in the bottom 10%, their average annual income has risen less than \$3 in a quarter of a century. This is a deeply inefficient way to eliminate poverty, with just 13 cents in each dollar of global income growth going to the bottom 50%, and 42 cents going to the top 10%.<sup>51</sup> Given the environmental boundaries of our planet, it is also completely unsustainable: assuming this level of inequality, the global economy would have to be 175 times bigger just to push everyone above \$5 a day, which would be environmentally catastrophic.<sup>52</sup>

### Economic and gender inequality

Gender and economic inequality are closely connected. While in most countries the gender pay gap has received more attention, the gender wealth gap is usually even higher. Globally, more men than women own land, shares and other capital assets;<sup>53</sup> men are paid more for doing the same roles as women, and men are concentrated in higher paid, higher status jobs. It is no coincidence that women are vastly over-represented in so many of the poorest paid and least secure jobs.<sup>54</sup> Around the world, social norms, attitudes and beliefs devalue the status and abilities of women, justify violence and discrimination against them, and dictate which jobs they can and cannot expect to hold.

Gender inequality is neither an accident nor new: our economies have been built by rich and powerful men for their own sake. The neoliberal economic model has made this worse – reductions in public services, cuts to taxes for the richest, and a race to the bottom on wages and labour rights have all hurt women more than men.

Our economic prosperity is also dependent upon the huge but unrecognized contribution made by women through unpaid care work. In Peru, for example, it has

been estimated this could represent 20% of GDP.<sup>55</sup> Poor women have to do more unpaid care work than richer women.<sup>56</sup>

To tackle extreme economic inequality, we must end gender inequality. Equally, to secure equality between women and men, we must radically reduce economic inequality. To achieve this, it will not be enough to integrate women further into existing economic structures. We must define a vision for a new human economy, one that is created by women and men together, for the benefit of everyone and not just a privileged few.

## In work, but still in poverty

Earned income from work is the most important source of income for most households.<sup>57</sup> So increasing access to decent work boosts equality.

For many of the poorest, this earned income is from small-scale food production. For many others, it is from wages. The focus of this paper is primarily on the waged workers of the world. Oxfam will publish a complementary analysis of small-scale food producers later in 2018.

### Box 3: Workers still struggling to survive<sup>58</sup>

In Myanmar, Oxfam works with young women garment workers producing clothes for global fashion brands. They earn \$4 a day, which is double the extreme poverty line. To earn this, they work six or seven days a week for 11 hours a day. Despite working such long hours, they still struggle to meet basic needs for food and medicine and frequently fall into debt.

Increasingly though, having a job does not also mean escaping poverty. Recent estimates by the International Labour Organization (ILO) show that almost one in three workers in emerging and developing countries live in poverty, and this is increasing.<sup>59</sup>

Perhaps the most shocking element of the global labour market today is modern slavery. The ILO has estimated that 40 million people were enslaved in 2016, 25 million of them in forced labour. According to the ILO, 'Forced labourers produced some of the food we eat and the clothes we wear, and they have cleaned the buildings in which many of us live or work.'<sup>60</sup>

Almost 43% of the global youth labour force is still either unemployed, or working but living in poverty.<sup>61</sup> More than 500 million young people are surviving on less than \$2 a day.<sup>62</sup> In developing countries, it has been estimated that 260 million young people are not in employment, education or training.<sup>63</sup> This is true for one in three young women.<sup>64</sup> Although the effects of the financial crisis have varied widely, one consistent factor is that young people have been worst affected.<sup>65</sup>

Four million of those in slave labour are children. According to the most recent estimates, there are more than 150 million children aged 5 to 17 undertaking some form of child labour,<sup>66</sup> nearly one in 10.

This is despite significant economic growth in most countries in recent decades. While the value of what workers produce has grown dramatically, they have not seen similar progress in their wages or working conditions. The ILO surveyed 133 rich and developing countries for the period between 1995 and 2014, and found that in 91 wages had failed to keep pace with increased productivity and economic growth.<sup>67</sup>

Sadly, many countries still have no minimum wage or collective bargaining and most minimum wages are significantly lower than what is needed to survive or what could be described as a living wage.<sup>68</sup> Oxfam has demonstrated this in work in Morocco, Kenya,

***'Forced labourers produced some of the food we eat and the clothes we wear, and they have cleaned the buildings in which many of us live or work.'***

***– The ILO***



Indonesia and Vietnam.<sup>69</sup> Minimum wages are also poorly enforced, and the enforcement is worse for women than for men.

## Insecure, dangerous and without rights

Temporary, precarious work is the norm in developing countries, and is on the rise in rich nations. Temporary employees have lower wages, fewer rights and less access to social protection. Women and young people are more likely to be in these jobs.

For many, their work is dangerous and harmful to their health. According to the ILO, more than 2.78 million workers die every year because of occupational accidents or work-related diseases – one every 11 seconds.<sup>70</sup>

***‘Sexual harassment is very common in this kind of work. At least 90% of women workers are harassed by both the customer and the owners. Justice is on the side of companies.’***

***– Eulogia Familia, a union leader representing hotel workers in Dominican Republic<sup>71</sup>***

Women workers all over the world often suffer serious injury, risks to their health and sexual violence in the workplace. Hotel workers interviewed by Oxfam in the Dominican Republic, Canada and Thailand reported regular instances of sexual harassment and assault by male guests.<sup>72</sup> Hotel workers also reported ill health due to routine use of chemicals in cleaning. In Bangladesh, many young women working in garment factories suffer from repeated urinary tract infections because of not being allowed to go the toilet. Similarly, a study by Oxfam of poultry workers in the United States found that they were wearing nappies, as they were not permitted to go to the toilet.<sup>73</sup>

### **Box 4: Unable to hold their children’s hands<sup>74</sup>**

In the United States, Oxfam is working with poultry workers to campaign for improvements to the appalling working conditions they are forced to endure. Workers are unable to take sufficient toilet breaks, meaning that many must wear nappies to work. Dolores, a former poultry worker in Arkansas, said, ‘It was like having no worth...we would arrive at 5 in the morning...until 11 or 12 without using the bathroom... I was ashamed to tell them that I had to change my Pampers’.

The work is also dangerous, with one of the highest injury rates of any sector. Repetitive strain injuries can be so severe that after only one year working on the production lines, workers have been unable to straighten their fingers, hold a spoon or even properly hold their children’s hands.

Organized workers form a counterbalance to the power of wealth and have been central to the creation of more equal and more democratic societies. Trade unions increase wages, rights and protections, not just for their members but also for workers throughout society.<sup>75</sup> Unfortunately, the IMF has observed a downward trend in trade union density rates all over the world since 2000.<sup>76</sup> The IMF has linked this to increasing inequality.<sup>77</sup> It has been compounded by the rise in use of outsourcing and temporary, short-term contracts to undermine labour rights.

The number of countries experiencing physical violence and threats against workers has risen by 10% in just one year, according to the annual ITUC Global Rights Index.<sup>78</sup> Attacks on union members were recorded in 59 countries.<sup>79</sup> Over three-quarters of countries deny some or all workers the right to strike. Migrant workers in Thailand, who make up one in 10 of the workforce, are not allowed to strike.<sup>80</sup>

The worst jobs predominate in the informal sector of the economy, which goes largely unregulated. Women and young people are over-represented in the informal sector. This situation works to the benefit of some of the most powerful players in a globalized economy. Large multinationals can reduce costs by outsourcing production to smaller businesses that employ informal labour, that pay workers lower wages, and provide less secure work enabling multinationals to circumvent labour and social protection legislation.

## WHAT IS CAUSING THIS?

A perfect storm of related factors is combining to simultaneously drive up the bargaining power of those at the top, and drive down the bargaining power of those at the bottom.

At the bottom, workers have seen rights eroded, and trade unions undermined, reducing their bargaining power. Corporations are consolidating more and more, and are under huge pressure to deliver ever greater returns to wealthy shareholders. These returns often come at the cost of workers and offer a major incentive to engage in industrial levels of tax dodging. Corporations use the mobility of their investments to force the race to the bottom between countries on tax and on wages. The threat of greater automation also puts more power in the hands of wealthy owners, and more pressure on workers.

## We can build a human economy to fix this

The economy does not need to be structured the way it is. We can create a more human economy<sup>B1</sup> that puts the interests of ordinary workers and small-scale food producers first, not the highly paid and the owners of wealth. This kind of economy could end extreme inequality while guaranteeing the future of our planet. We must reject dogmatic adherence to neoliberal economics and the unacceptable influence of elites on our governments. There are two important ways to achieve this: designing economies to be more equal from the start, and using taxation and public spending to redistribute and create greater fairness.

*There are two important ways to achieve a human economy: designing economies to be more equal from the start, and using taxation and public spending to redistribute and create greater fairness.*

### **Regulate, restructure and redesign our economy and the way businesses run.**

Regulation can be used to ensure that workers have more bargaining power; that we end tax havens; that monopolies are broken up; and that the financial sector and technological progress benefit the majority. Governments and businesses can both act to ensure that poverty wages, slavery and precarious and dangerous work are not seen as morally acceptable.

This will require global cooperation on a far greater scale than today. In today's political climate this will be very hard to achieve. Fortunately, governments still have considerable space to achieve a great deal at the national level.

Trade and investment can spread opportunity, products, services and prosperity far and wide. Yet, increasingly, decisions are made only through the lens of maximizing returns to wealthy shareholders. This has become a straightjacket that traps the mainstream business world into driving inequality.

However, businesses, social movements and entrepreneurs have generated a range of concepts that try to wriggle free from the straightjacket. These include cooperatives, employee ownership models, mission-primacy, for-benefit businesses, social enterprises and fair-trade businesses.

Studies show that employee-owned companies generate more employment growth and higher pay for their employees.<sup>82</sup> For example, Mondragon is a Spanish multinational cooperative that has a turnover of \$13 billion and employs 74,000 people. Decision making is democratic, job security is promoted and the highest paid earns no more than nine times the lowest.

Our economies could be built with these progressive structures if political leaders prioritize policies that finance, support and foster such models.

**In order to do this, they must provide education, healthcare and social protection for all, and pay for this by ensuring rich individuals and corporations pay their fair share of tax.**

Governments have another key role to play in further reducing inequality by using taxation and spending to *redistribute*.

Evidence from more than 150 countries, rich and poor alike, between 1970–2009,<sup>83</sup> shows that investment in healthcare, education and social protection reduces inequality.

Universal, quality public services disproportionately benefit women, as they reduce the need for unpaid care and redress inequalities in access to education and health services. This benefit is increased when combined with specific measures like free childcare provision.

Far more can be done to use tax to redistribute the excessive returns currently enjoyed by the wealthy. Both rich individuals and rich corporations should pay more in taxation, and they must no longer be able to avoid paying the tax that they owe. We need to see an end to tax havens and the global web of secrecy that enables rich corporations and individuals to avoid paying their fair share of tax. The global race to the bottom on tax for corporations and the rich needs to be reversed. Governments should follow the lead of Chile and South Africa, which have both increased taxes on rich corporations and individuals.<sup>84</sup>

### **A more equal world**

We must urgently redesign our economies to reward ordinary workers and small-scale producers at the bottom and end exploitation. We must stop excessively rewarding the super-rich. It is what people want. It is what our leaders have promised. Together we can end the inequality crisis. We can build a more human economy and more equal world for our children.

## RECOMMENDATIONS

Governments and international institutions need to recognize the impact of the current mainstream neoliberal economic model on the world's poor. Then they must work to develop more human economies that have greater equality as a primary aim. The following recommendations examine what governments, international institutions and corporations should do.

## FOR GOVERNMENTS

### **On inequality:**

- **Set concrete, timebound targets and action plans to reduce inequality.** Governments should aim for the collective income of the top 10% to be no more than the income of the bottom 40%. Governments should agree to use this measure<sup>85</sup> as the revised indicator for Sustainable Development Goal (SDG) 10 on inequality.<sup>86</sup>

- **End extreme wealth.** To end extreme poverty, we must also end extreme wealth. Today's gilded age is undermining our future. Governments should use regulation and taxation to radically reduce levels of extreme wealth, as well as limit the influence of wealthy individuals and groups over policy making.
- **Work together to achieve a revolution in inequality data.** Every country should aim to produce data on the wealth and income of everyone in society annually, especially the top 10% and the top 1%. In addition to funding more household surveys, other data sources should be published to shed light on income and wealth concentration at the top.<sup>87</sup>
- **Implement policies** to tackle all forms of gender discrimination, promote positive social norms and attitudes towards women and women's work, and rebalance power dynamics at the household, local, national and international levels.
- **Recognize and protect the rights of citizens and their organizations to freedom of speech and association.** Reverse all legislation and actions that have closed space for citizens. Provide specific support to organizations defending the rights of women and other marginalized groups.

## On designing a fair economy from the start:

- **Incentivize business models that prioritize fairer returns**, including cooperatives and employee participation in company governance and supply chains.
- **Require all multinational corporations to conduct mandatory due diligence** on their full supply chains to ensure that all workers are paid a living wage, in line **with the UN Guiding Principles on Business and Human Rights.**<sup>88</sup>
- **Limit returns to shareholders** and promote a pay ratio for companies' top executives that is **no more than 20 times their median employees' pay,**<sup>89</sup> and preferably less.
- **Eliminate the gender pay gap** and ensure the rights of women workers are fully realized throughout the economy. Repeal laws that discriminate against women's economic equality, and implement legislation and regulatory frameworks that support women's rights.
- **Eliminate slave labour and poverty pay.** Transition from minimum wage levels to 'living wages' for all workers, based on evidence of the cost of living, and with full involvement of unions and other social partners.
- **Promote the organization of workers.** Set legal standards protecting the rights of workers to unionize and strike, and rescind all laws that go against these rights. Allow and support collective bargaining agreements with wide coverage.
- **Eliminate precarious work and ensure all new forms of employment respect workers' rights. Ensure the rights of domestic workers, migrant workers and the informally employed.** Progressively formalize the informal economy to ensure that all workers are protected, involving informal workers in the decision making process.

## On redistributing for a fairer society:

### Public spending

- **Publicly commit to achieving universal free public services and a universal social protection floor.**<sup>90</sup> Scale up public financing and provision to achieve this and ensure contributions to social security or social insurance from employers.
- **Refrain from directing public funding to incentives and subsidies for healthcare and education provision by for-profit private sector companies and expand public sector delivery of essential services.** Strictly regulate private facilities for safety and quality, and prevent them from excluding those who cannot pay.

## On taxation

- **Use tax to reduce extreme wealth.** Prioritize taxes that are disproportionately paid by the very rich, such as wealth, property, inheritance and capital gains taxes. Increase tax rates and collection on high incomes. Introduce a global wealth tax on billionaires, to help finance the SDGs.
- **Call for a new generation of international tax reforms** to end the race to the bottom on tax. Tax rates should be set at a level that is fair, progressive and contributes to reducing inequality.<sup>91</sup> Any new negotiations should take place under the responsibility of a new global tax body that ensures all countries participate on an equal footing.
- **Eradicate the use of tax havens** and increase transparency, by adopting an objective blacklist of the worst tax havens and strong and automatic sanctions against the corporations and rich people, that use them.

## Corporations should play their part in building a more human economy.

- **No dividends if no living wage:** Multinational companies can choose to prioritize the well-being of lower paid workers by refraining from rewarding shareholders through dividends or buybacks or paying bonuses to executives and the highly paid until all their employees have received a living wage (calculated using an independent standard), and steps have been taken to ensure they are paying prices that can provide a living income for workers or producers in their key supply chains.
- **Representation on boards:** Companies should ensure worker representation on boards and remuneration committees and find ways to meaningfully include the voice of other stakeholders, like workers in supply chains and local communities, into decision making processes.
- **Support transformational change in supply chains:** Companies can prioritize sourcing from more equitably structured enterprises in their supply chains – for example, those that are part- or fully-owned by workers or producers; those that have a governance model that prioritizes a social mission; or those that choose to share some or all of their profits with workers. Initiatives such as Oxfam's Fair Value Club<sup>92</sup> are helping companies do just this.
- **Share profits with the poorest workers:** Companies can decide to share a percentage of profits (e.g. 50%) with the lowest wage earners in their supply chains and operations. For example, Cafe Direct<sup>93</sup> shares 50% of profits with coffee farmers.
- **Support gender equality in the workplace:** Commit to the UN Women's Empowerment Principles<sup>94</sup> and to the relevant ILO Conventions (C100, C111, C156, C183)<sup>95</sup> to demonstrate commitment to gender equality; implement a gender policy covering hiring, training, promotion, harassment and grievance reporting; and publish the gender pay gap for all levels of the company, and commit to eliminating these gaps.
- **Reduce pay ratios:** Publish the company's pay ratio between CEO and median pay, and commit to reducing this ratio to at least 20:1.
- **Support collective bargaining:** Publicly commit to meaningful and constructive engagement with independent trade unions on an ongoing basis, and – in partnership with unions themselves – work to remove barriers to women workers participating in unions, especially in leadership positions, and promote other means to enable women workers to raise their voices safely and effectively.



# 1 THE INEQUALITY CRISIS

The inequality crisis persists as extreme wealth continues to grow. New estimates show the level of income inequality is worse than previously thought, and we know that it hits women hardest. At the same time, new polling by Oxfam in 10 countries across the globe, representing a quarter of the world's population, shows that people clearly want a much more equal world. They systematically underestimate just how unequal their countries are and strongly support much greater redistribution to reduce the gap.

Our leaders, our governments and institutions like the IMF and World Bank, despite recognizing the problem, are not doing enough to tackle it and are often making things worse.

## BILLIONAIRE BONANZA

### Box 5: Billionaire bonanza<sup>96</sup>

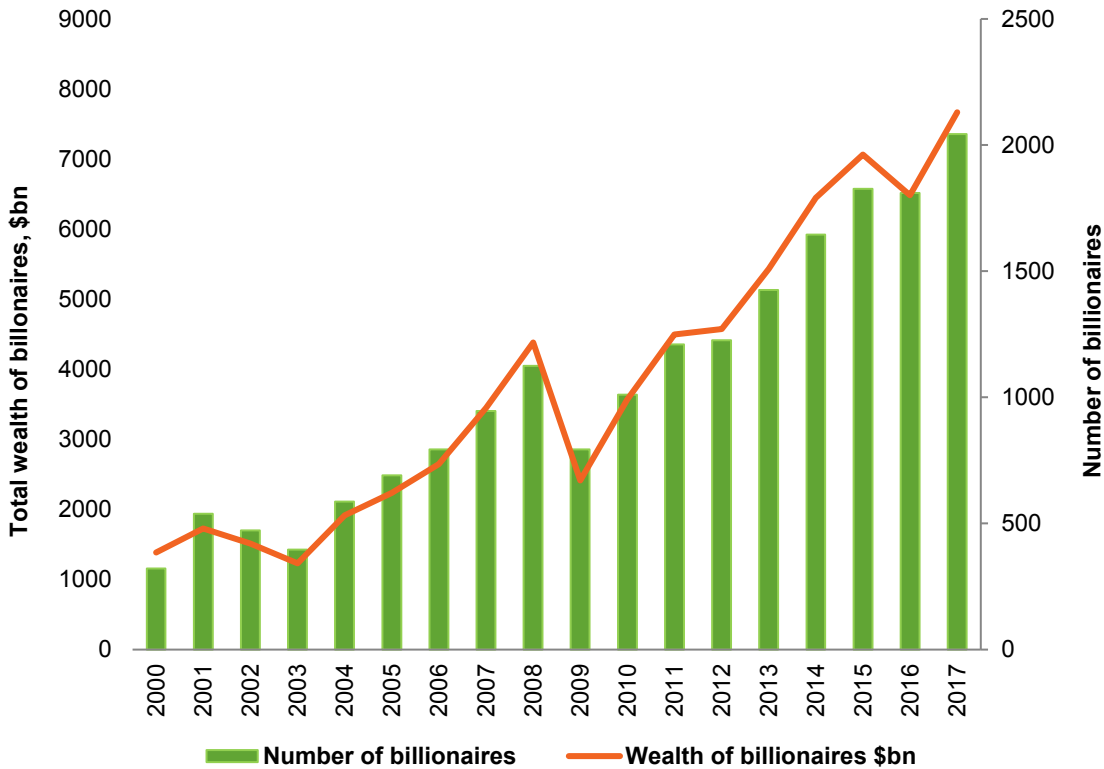
In the face of this inaction, the inequality crisis continues to worsen, as the benefits of economic growth continue to concentrate in fewer hands.

- Last year saw the biggest increase in the number of billionaires in history, one more every two days. There are now 2,043 dollar billionaires worldwide. Nine out of 10 are men.<sup>97</sup>
- In 12 months, the wealth of this elite group has increased by \$762bn. This is enough to end extreme poverty seven times over.<sup>98</sup>
- Over the last decade, ordinary workers have seen their incomes rise by an average of just 2% a year,<sup>99</sup> while billionaire wealth has been rising by 13% a year – nearly six times faster.<sup>100</sup>
- 82% of all growth in global wealth in the last year went to the top 1%, while the bottom half of humanity saw no increase at all.<sup>101</sup>
- Billionaires saw their fortunes grow by \$762 billion in one year. At the same time, women provide \$10 trillion in unpaid care annually to support the global economy.<sup>102</sup>
- New data from Credit Suisse means 42 people now own the same wealth as the bottom 3.7 billion people, and that last year's figure has been revised from 8 to 61 people owning the same as the bottom 50%.<sup>103</sup>
- The richest 1% continue to own more wealth than the whole of the rest of humanity.<sup>104</sup>

In countries across the world, the same picture is emerging. In 2017, research by Oxfam and others has shown that:

- In Nigeria, the richest man earns enough interest on his wealth in one year to lift two million people out of extreme poverty. Despite almost a decade of robust economic growth in Nigeria, poverty has increased over the same period.<sup>105</sup>
- In Indonesia,<sup>106</sup> the four richest men own more wealth than the bottom 100 million people.
- The three richest people in the US own the same wealth as the bottom half of the US population (roughly 160 million people).<sup>107</sup>
- In Brazil, someone earning the minimum wage would have to work 19 years to make the same amount as a person in the richest 0.1% of the population makes in one month.<sup>108</sup>

**Figure 1: Number and total wealth of billionaires, 2000–17**



Source: Author calculations, using data from Forbes. (2017). The World's Billionaires. 2017 Ranking. <https://www.forbes.com/billionaires/list/>.

The super-rich are predominantly men, while the poorest among humanity are predominantly women. Although the gender pay gap has received more attention in most countries, the gender wealth gap is even higher.

## INCOME INEQUALITY UNDERESTIMATED

The relationship between wealth and income is fundamental to inequality. Income can be transformed into wealth if it is not consumed. Wealth can then generate income if it is invested in assets that give a return. In short, today's income inequality becomes tomorrow's wealth inequality.

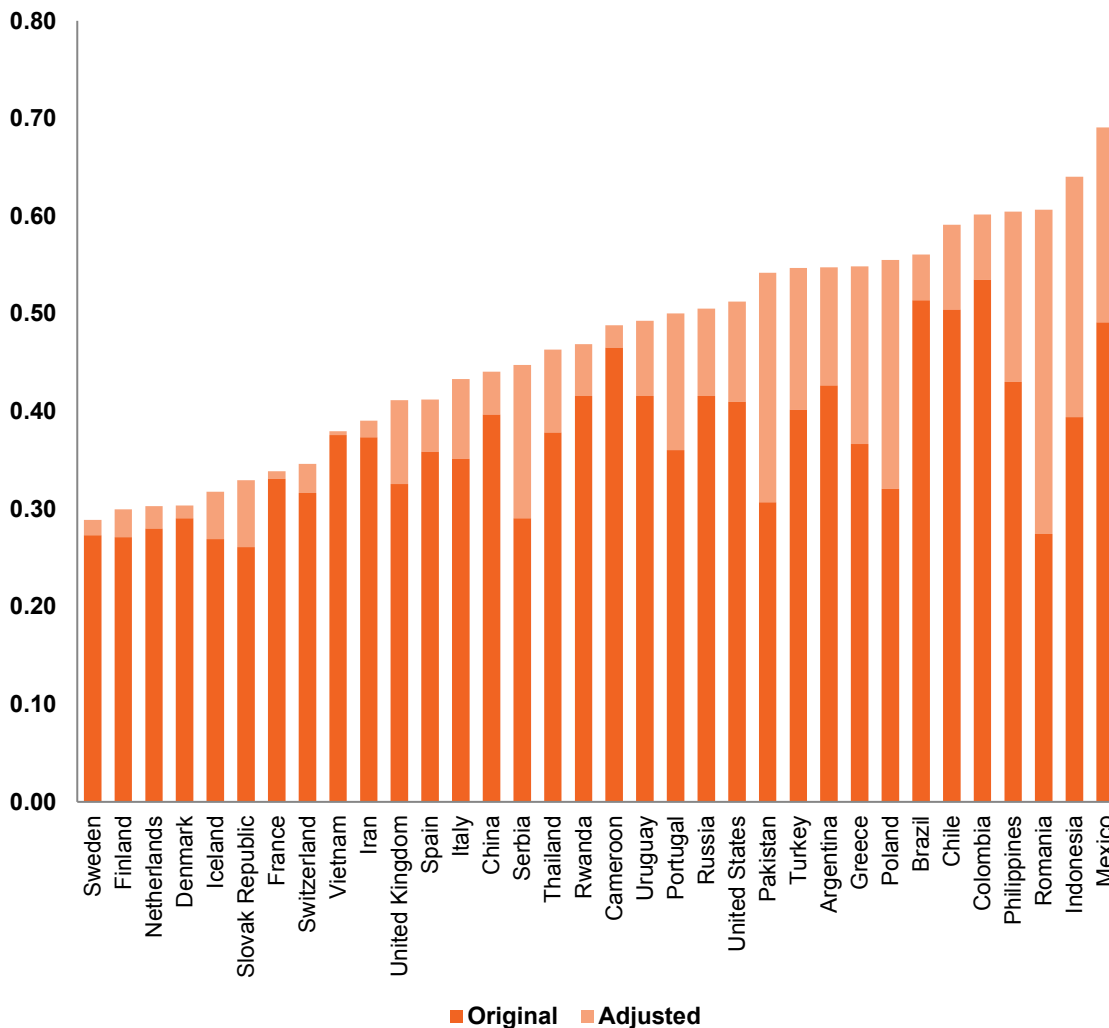
Looking at income inequality, new estimates generated in recent years<sup>109</sup> have shown strongly that the incomes of those at the top of societies are systematically underestimated, and that the level of income inequality is significantly higher than previously thought.

Most official income inequality statistics are based on household surveys, which tend to underestimate the incomes of the richest people. For example, a study of several Latin American countries found that the richest survey respondent claimed to have a salary lower than that of a senior manager in a typical medium- to large-scale firm.<sup>110</sup> To investigate the true extent of income inequality, two new methods have been pioneered recently to address this problem: national accounts and tax records.

## New estimates using national accounts

An analysis by Brookings<sup>111</sup> shows that, by using national accounts to provide a better understanding of the incomes of the top 1%, estimates of inequality rise dramatically for many countries. The standard measure of inequality in a country is the Gini coefficient. The nearer the Gini to 1, the higher the level of inequality. For example, Mexico's Gini coefficient for 2014 rises from 0.49 to 0.69.<sup>112</sup> For the same year Indonesia, which had an official Gini coefficient of 0.38, similar to Greece, has an adjusted coefficient of 0.64. The latter is close to that of South Africa, one of the world's most unequal countries.<sup>113</sup>

Figure 2: Gini coefficient corrections 2012–2014



Source: Author calculations using data L. Chandy and B. Seidel. (2017). How much do we really know about inequality within countries around the world? Adjusting Gini coefficients for missing top incomes. Brookings. <https://www.brookings.edu/opinions/how-much-do-we-really-know-about-inequality-within-countries-around-the-world/>

## Absolute inequality

The previous approaches to inequality compare relative incomes. However, an absolute increase in incomes for the poorest is in many ways more relevant to the elimination of poverty.

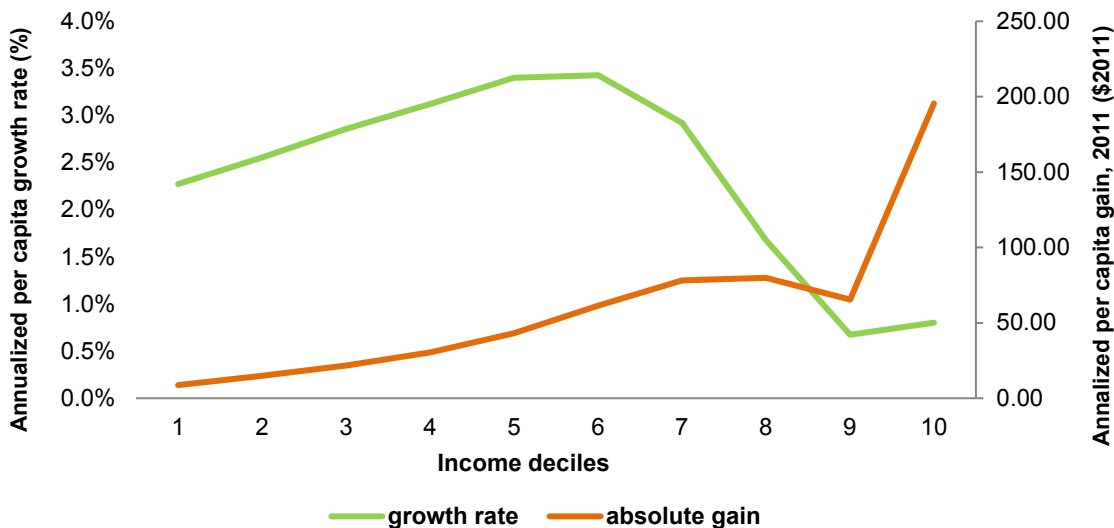
Consider someone earning \$2 a day and another person earning \$200 a day. If both get a 50% pay increase, then the *relative* inequality between them will not increase.

The rich person will still be 100 times richer than the poor person. Yet the poor person will get an increase of \$1, while the rich person will get an increase of \$100, which means *absolute* inequality will increase. The rich person will now be an extra \$99 richer than the poor person.

Between 1988 and 2013,<sup>114</sup> the income of the world's bottom 10% is estimated to have increased by 75%, almost double the rate of increase of the top 10% (which was 36%). However, the bottom 10% only increased their per capita income by \$217 (PPP) over those 25 years, while the top 10% saw an increase of \$4,887 (PPP) over the same period.<sup>115</sup>

The famous 'elephant' graph captures the strong percentage growth in the incomes of those in the middle globally (the back of the elephant) and those at the top (the trunk). This graph has been used to demonstrate that the big losers in the last 30 years are the middle and lower classes in rich countries, while most ordinary people worldwide have benefited, as well as those at the very top.<sup>116</sup> However, when we look at absolute income inequality (the orange line in Figure 3), we see that in fact the back of the elephant disappears, and the big winners are only those at the top.

**Figure 3: Elephant or Hockey Stick? Absolute and relative changes in global income by deciles, 1988–2013**



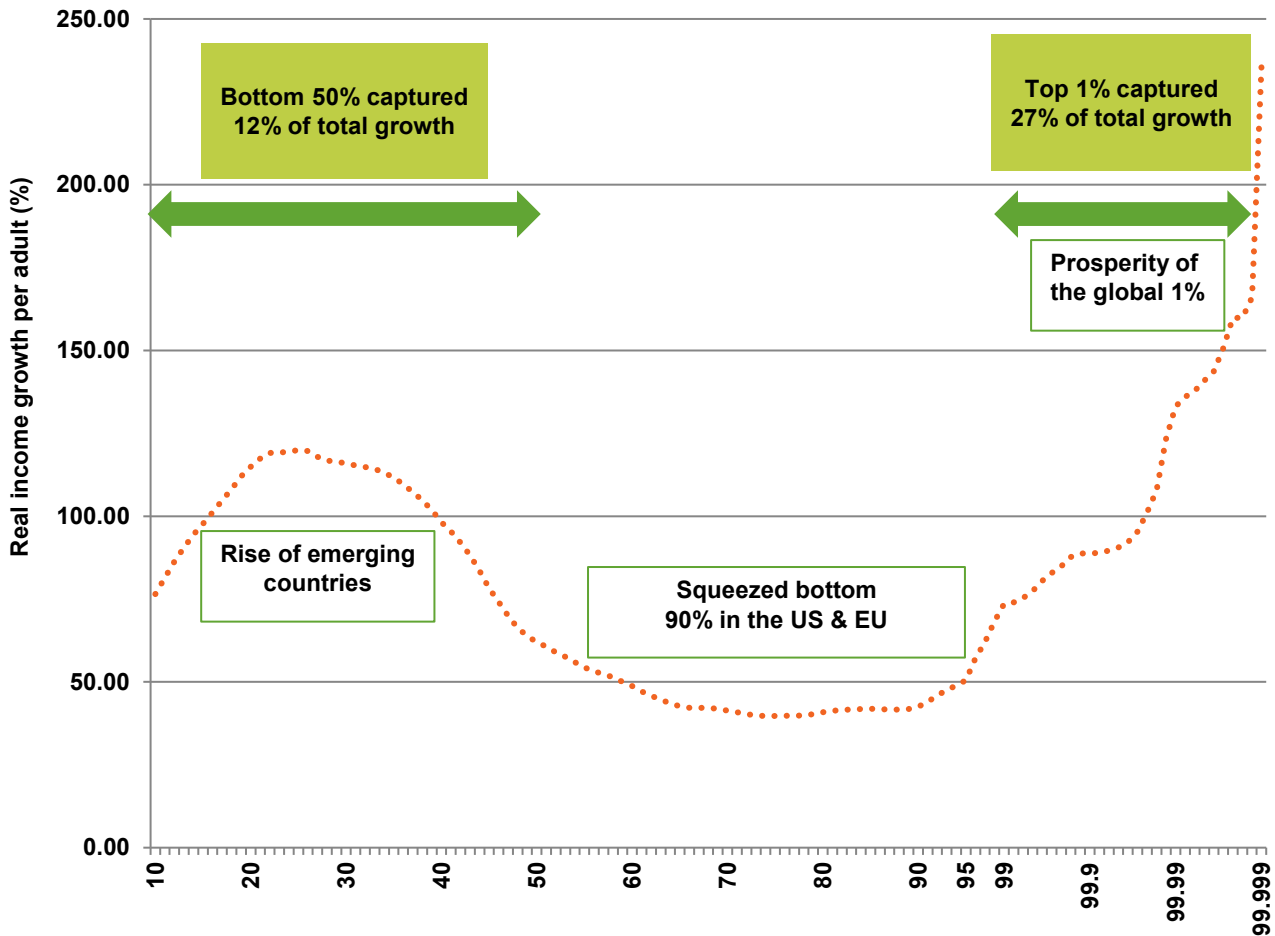
Source: Author calculations using: C. Lakner and B. Milanovic. (2016). *Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession*. Washington, DC. *World Bank Economic Review*. 30 (2): 203–32; Milanovic (2016)<sup>117</sup> and World Bank (2016).

The absolute increase in incomes for the poorest is more relevant to the elimination of poverty, as we discuss in section two of this paper. According to Anand and Segal, from 1988 to 2005 the absolute global Gini coefficient increased from 0.56 to 0.72.<sup>118</sup>

## Estimating inequality for the top 1%

As mentioned before, household surveys systematically underestimate the incomes of the richest persons in society. Using data from a number of other sources, notably tax records, a team of economists including Thomas Piketty and the late Anthony Atkinson have in recent years pioneered work to more accurately estimate the incomes of the top 1%. The data from the World Wealth and Income Database (WID) contains the income share of the top 1% using tax data by country.<sup>119</sup> The latest information from their World Inequality Report shows that the top 1% captured 27% of total global income growth between 1980 and 2016. Meanwhile, the bottom 50% only received half of it, 12% of total income growth.<sup>120</sup>

Figure 4: Total income growth by percentile, 1980–2016

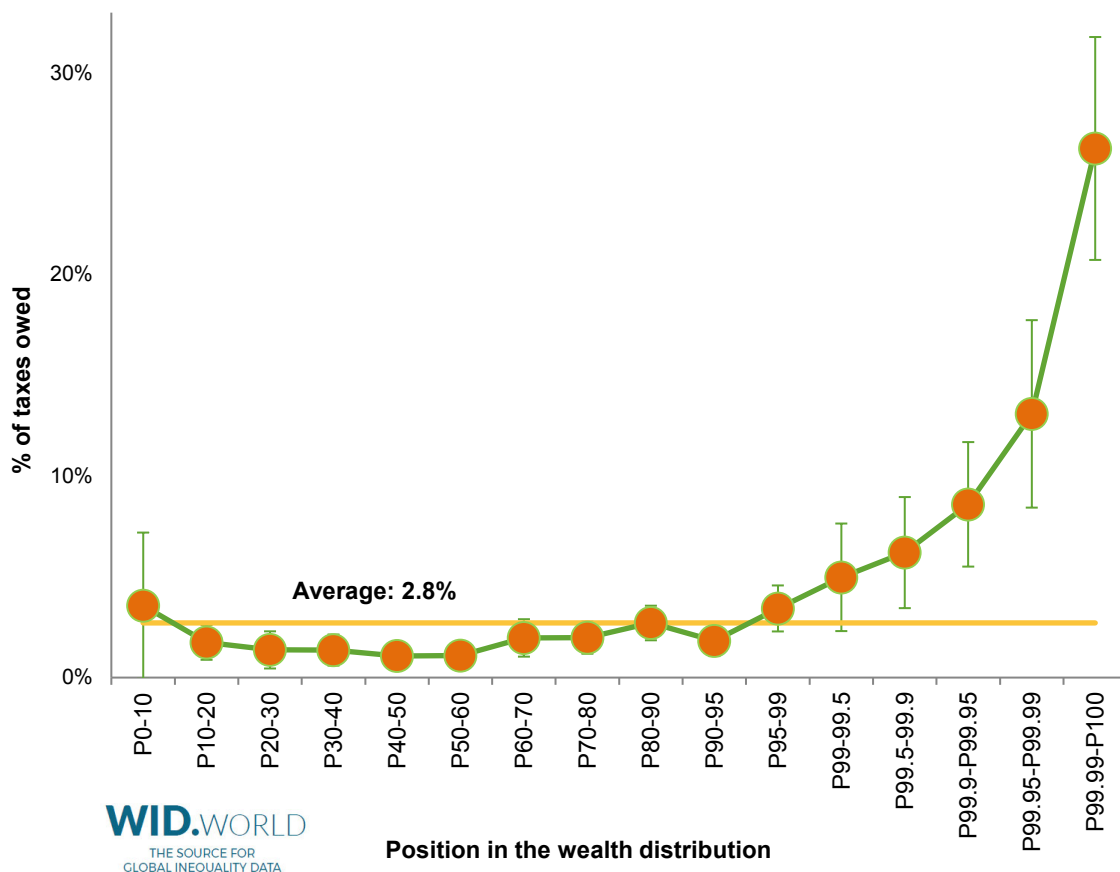


Source: Made by authors using F. Alvaredo, L. Chancel, T. Piketty, E. Saez and G. Zucman. (2017). *The World Inequality Report 2018*. World Inequality Lab. data available from <http://wir2018.wid.world/>.

Even using tax records has its limitations, as the richest members of a society are more likely to avoid paying tax on their incomes. Data from leaks of wealth held in Switzerland by HSBC on behalf of wealthy Scandinavian clients shows that the amount of tax avoided correlates with wealth (see **Figure 5**). This peaked at 26% for the top 0.01%, i.e. the richest 0.01% of clients had incomes which were more than 26% higher than reported in their tax records.<sup>121</sup>



**Figure 5: Taxes avoided in Scandinavia as percentage of taxed owed, by wealth group, 2006**



Source: A. Alstadsaeter, J. Niels and G. Zucman. (2017). *Tax Evasion and Inequality*. <http://gabriel-zucman.eu/files/AJZ2017.pdf>

Working with Oxfam, economist Gabriel Zucman has calculated that if these proportions apply for the whole world, then the top 0.01% are evading \$120bn in tax. For the top 1%, this figure would be \$200bn. Further details on these calculations can be found in the methodology note which accompanies this paper.

## WHY INEQUALITY MATTERS

Economic inequality is not only inefficient and unfair, but may have indirect effects on economic performance, since it is also associated with higher levels of terrorism, political instability, crime and lower levels of trust.<sup>122</sup>

Research by the International Monetary Fund (IMF) has shown that high levels of inequality make it less likely for a country to sustain economic growth over the long term,<sup>123</sup> and that redistribution is largely benign for growth.<sup>124</sup> A recent IMF study<sup>125</sup> concluded that the relationship between redistribution and economic growth is not linear. Below a Gini coefficient of 0.27, redistribution harms growth. However, above that low level of inequality, redistribution is good for economic growth.<sup>126</sup> Only 11 countries have a Gini coefficient below 0.27.<sup>127</sup>

As will be shown in the next chapter, inequality also undermines poverty reduction, making the fight to end extreme poverty much harder.

## Gender inequality

The economic gap between women and men shapes all levels of our economy. It affects what is considered work, and how work is rewarded. It affects taxation, spending and the decisions of policy makers. It affects the jobs women and men do.

Wealth inequality between men and women is a considerable problem. Globally, more men than women own land, shares and other capital assets. For example, in Senegal, only 5% of women report sole ownership of land, compared to 22% of men; in Burundi, it is 11% of women and 50% of men.<sup>128</sup>

In the USA, women still earn only 79% of what men earn, and they own much less. White women own only 32 cents for every dollar owned by a white man; women of colour own even less.<sup>129</sup> Even when women do own land or have property rights, power dynamics within families and society often limit the actual control they have over those assets. In 35 out of 173 countries, female survivors do not have the same inheritance rights as their male counterparts,<sup>130</sup> with women often passed over in favour of other male relatives. Wives are sometimes thus deprived of their home and income after their husbands die, because their husbands were legally the owner of their house, land, livestock or other assets which the wives cannot inherit.<sup>131</sup> This happens in predominantly low- and lower-middle-income countries, with these unjust inheritance laws thus further exacerbating the inequalities faced by some of the world's poorest women.

Gender inequality is neither an accident nor new: our economies have been built by rich and powerful men. The dominant neoliberal economic model has made this worse – reductions in public services, cuts to taxes for the richest and a race to the bottom on wages and labour rights have all hurt women more than men. For example, in the UK, the burden of fiscal austerity is estimated to have cost women a total of £79bn since 2010, against £13bn for men.<sup>132</sup>

An IMF study of over 140 countries found that gender inequality is associated with income inequality. They conclude that closing the gap between women and men is a key way to close the gap between rich and poor.<sup>133</sup> Conversely, women are hit hardest by income inequality, as they are often in the lowest-paid, most precarious and most unsafe jobs.<sup>134</sup> Our economic prosperity is also dependent upon the huge but unrecognized contribution women make through unpaid care work. In Peru, for example, it has been estimated this could represent 20% of GDP.<sup>135</sup> Poor women also carry out significantly more unpaid care than rich women.<sup>136</sup>

To tackle extreme economic inequality, we must end gender inequality. Equally, to secure equality between women and men, we must radically reduce economic inequality. To achieve this, it will not be enough to integrate women further into existing economic structures. We must define a vision for a new human economy, one that is created by women and men together, for the benefit of everyone and not just a privileged few.

Most people naturally adjust their understanding of economic inequality according to reference groups they are familiar with. This means we often do not realize how poor or rich those at either end of the wealth range are, nor where we ourselves sit within our own national distribution.

## PUBLIC CONCERN OVER INEQUALITY

New research by Oxfam seeks to understand perceptions of inequality and support for redistribution policy options.<sup>137</sup> Over 70,000 people were surveyed in 10 countries across five continents, representing over one-quarter of the world's population and more than a third of the world's GDP. These online surveys collected data from

nationally representative samples in the United States, India, Nigeria, the United Kingdom, Mexico, South Africa, Spain, Morocco, the Netherlands and Denmark.

In terms of attitudes and beliefs about inequality, over three-quarters of the total sample of respondents agree or strongly agree that the gap between rich and poor in their country is too large, ranging from 58% in the Netherlands to 92% in Nigeria. Over half of respondents – and 68% in Spain – think that it is difficult or impossible for people to increase the money they have, despite working hard. In Mexico, the figure is 84%.

Nearly two-thirds of all respondents think the gap between the rich and the poor needs to be addressed urgently or very urgently. And many have an even stronger sense of urgency: 73% in India, 79% in South Africa, 85% in Nigeria, and 93% in Mexico believe this. Moreover, people think governments have a central role in addressing this issue. Around 60% of all respondents agree or strongly agree that their governments are responsible for reducing the gap between the rich and the poor. In South Africa, 69% of respondents agree or strongly agree.

There is also strong support for increasing the tax rate for the top 1% of income earners. When asked whether government deficits should be reduced by cutting public services or by increasing taxes on the 1%, over half of respondents selected higher taxes for the 1%.<sup>138</sup> In the US, 59% of respondents chose this option, in Nigeria nearly 60% did so, and in Mexico the figure was over 60%.

When respondents were asked to choose specific policy options to be put in place to tackle inequality, in nine out of the 10 countries, the four most selected options across countries were: 1) provide free and high-quality education and medical care; 2) fight corruption; 3) raise the minimum wage; and 4) provide jobs with decent wages.

The research found that most people underestimate the current level of income inequality in their country, often dramatically. In Nigeria and South Africa, nearly three-quarters of respondents underestimate the level of income inequality. And when asked, they say they would prefer to see inequality reduced even further. 75% of all respondents would prefer lower levels of inequality than exist in their country. In fact, more than half of all respondents wanted lower levels of inequality in their country than those of any country in the world.

But respondents in some countries felt even more strongly: 61% of Moroccans and 60% of Americans want lower levels of income inequality than exist in any country in the world, as do 68% of Spaniards and 73% of British people.

## **Information on inequality boosts support for redistributive policies even further**

Across countries and respondent sub-groups, concerns about inequality and stated support for urgent policy action are high – based on people's existing knowledge. Sharing accurate information with randomly selected sub-sets of respondents raised some levels of concern and support for action further. For example, those respondents who were given information about actual high levels of wealth concentration and low social mobility in the UK, South Africa and Denmark expressed between 10–20% higher levels of support for urgent action, while in Mexico this information led to respondents expressing 20% higher levels of support for creating jobs with decent pay and raising the minimum wage.

In Spain, those respondents given information about where they sit in the national income distribution based on their reported earnings were around 33% more likely to support increasing taxes on the rich to address inequality.

In Morocco, this information led to 15% more respondents agreeing that it is the government's responsibility to reduce the gap between rich and poor. In Nigeria, this same additional information also increased respondents' sense of urgency to tackle inequality. In India, specifically among people who think they are poor, seeing where they actually sit in the national income distribution resulted in almost 15% more respondents agreeing it is difficult for a person to increase the amount of money they have despite working hard.

## Government inaction

Many leaders from governments and global institutions have spoken out on the pressing need to shrink the gap between rich and poor.<sup>139</sup> In 2015, 193 governments signed up to Sustainable Development Goal 10, which has the stated aim of reducing inequality.<sup>140</sup>

Despite this recognition, governments in developed and developing countries are failing to act. Many are actively making things worse by slashing taxes, reducing labour rights and engaging in further deregulation.<sup>141</sup>

**Table 1: Words vs. actions**

What they say	What they do
<p><i>'We will never be able to fix a rigged system by counting on the same people who rigged it in the first place. The insiders wrote the rules of the game to keep themselves in power and in the money...We need to reform our economic system so that, once again, we can all succeed together.'</i></p> <p>– President Donald Trump, campaign speech, June 2016<sup>142</sup></p>	<p>Since taking office, President Trump has appointed a cabinet with more billionaires in it than ever seen before, with a combined wealth of more than the poorest 100 million US citizens.<sup>143</sup></p> <p>His proposed reforms for healthcare and taxation have been shown to substantially favour the top 1%.<sup>144</sup></p>
<p><i>'We must be mindful, and focus on the widening inequalities within societies, and the gap between the rich and the poor nations. These inequalities and gaps are part of the underlying root causes of competition for resources, frustration and anger leading to spiralling instability.'</i></p> <p>– President Buhari of Nigeria, Speech to UN General Assembly, September 2017<sup>145</sup></p>	<p>In Nigeria, the proceeds of recent economic growth have gone exclusively to the top 10%, while poverty and inequality have increased. 10 million children are not in school and one in 10 women die in childbirth.<sup>146</sup></p>

Oxfam and Development Finance International's recently published Commitment to Reducing Inequality index, covering 152 countries, measures government action on policies to tackle inequality.<sup>147</sup> Oxfam has found that 112 countries are doing less than half of what they could to tackle inequality. Nigeria has the worst score in the index, which corresponds to high and rapidly rising inequality;<sup>148</sup> the USA is one of the lowest-ranked rich nations, just behind South Africa.

However, Oxfam has also found that countries including Namibia, Chile and Uruguay are taking concrete steps to reduce inequality. They are increasing taxes on rich individuals and corporations, spending more on health and education and ensuring workers get a better deal. For example, Namibia has consistently reduced inequality,

with universal social protection and free secondary education making a big difference, especially for women and girls.<sup>149</sup>

The World Bank and the IMF were among the first global institutions to firmly underline the need to fight inequality. However, the World Bank continues to support for-profit education<sup>150</sup> and several companies using tax havens.<sup>151</sup> While the IMF has published ground-breaking research on inequality in recent years,<sup>152</sup> and is taking steps to change its actions, it continues to support policies that could increase the gap between rich and poor, such as cuts to minimum wages and increased taxation on poor people. Oxfam's research shows that the IMF can and should be doing much more to support countries to reduce inequality.<sup>153</sup>

Inequality is not inevitable. It is a policy choice. However, despite many claims to care, and the demands of their citizens, most leaders are making the wrong choice. In countries all over the world, citizens are risking their lives to speak out against inequality and injustice. CIVICUS, an alliance dedicated to strengthening citizens, has found that serious threats to civic freedoms now exist in more than 100 countries, as governments choose to suppress democracy rather than tackle inequality.<sup>154</sup>

## **Box 6: Is inequality getting better or worse?**

Inequality can be measured globally and nationally, i.e. inequality between everyone on earth, or inequality between the citizens of one country. Global inequality is important to measure but it is national inequality that matters to most citizens, and where the actions of policy makers have the biggest impact. By some measures, global inequality is declining, driven by growth in Latin America, China and other populous Asian countries. Meanwhile inequality *within* most countries has been increasing.<sup>155</sup>

### **Income inequality, globally and nationally**

At the global level, income inequality is improving.<sup>156</sup> It remains high, however. If the world were one country, it would have a similar level of inequality to that of South Africa, one of the world's most unequal countries.<sup>157</sup>

At the national level, most countries have seen an increase in income inequality over the last 30 years.<sup>158</sup> This includes the world's most populous countries such as China and India. What this means is that seven out of 10 people live in a country where income inequality has risen.<sup>159</sup> There is significant variation however, with Latin American countries seeing a rapid rise in the nineties followed by a significant decline in the last 15 years, compared to Asian countries, which have gone from reasonably equitable growth to a rapid increase in income inequality in the last 15 years.<sup>160</sup> Since 2008 some countries like China have also seen income inequality fall slightly, although levels remain very high. It is important to learn lessons from those countries that have been successful in reducing inequality.

### **Wealth inequality, globally and nationally**

High levels of wealth are linked to the capture of power and politics. At the global level, wealth inequality is getting worse, as Oxfam has demonstrated. The top 1% own more than the bottom 99%.<sup>161</sup>

At the national level, evidence for the limited number of countries where data is available shows that wealth inequality is much higher than income inequality and has risen considerably in recent decades. In China, the concentration of wealth in the hands of the top 10% has grown rapidly and is now similar to the US. In the US, the wealth share of the top 0.1% grew from 7% to 22% between 1978 and 2012.<sup>162</sup>

### **How can income inequality be improving globally while wealth inequality is worsening?**

The decline in income inequality globally is being driven by increasing incomes for those in the middle and towards the bottom, especially in China. Despite rising incomes, they do not have enough to accumulate any significant wealth.

Meanwhile, the richest derive most of their income from returns on their wealth, not from wages.<sup>163</sup> Although their income may not be growing as fast as those further down, they are continuing to amass wealth.

### **Does this mean globalization is working?**

The main reduction in global income inequality has been driven by growth in Asia.<sup>164</sup> Nevertheless, these same countries have seen sharp increases in income inequality within their borders. The biggest success stories in reducing national inequality have been delivered by those countries increasing taxation on the rich and increasing social spending, which challenges the neoliberal economic consensus. For instance, the region that experienced the largest reduction in inequality during the first decade of the 21st century was Latin America,<sup>165</sup> thanks to high economic growth, redistributive policies and political will to undertake change.

## 2 EXTREME POVERTY AND EXTREME WEALTH

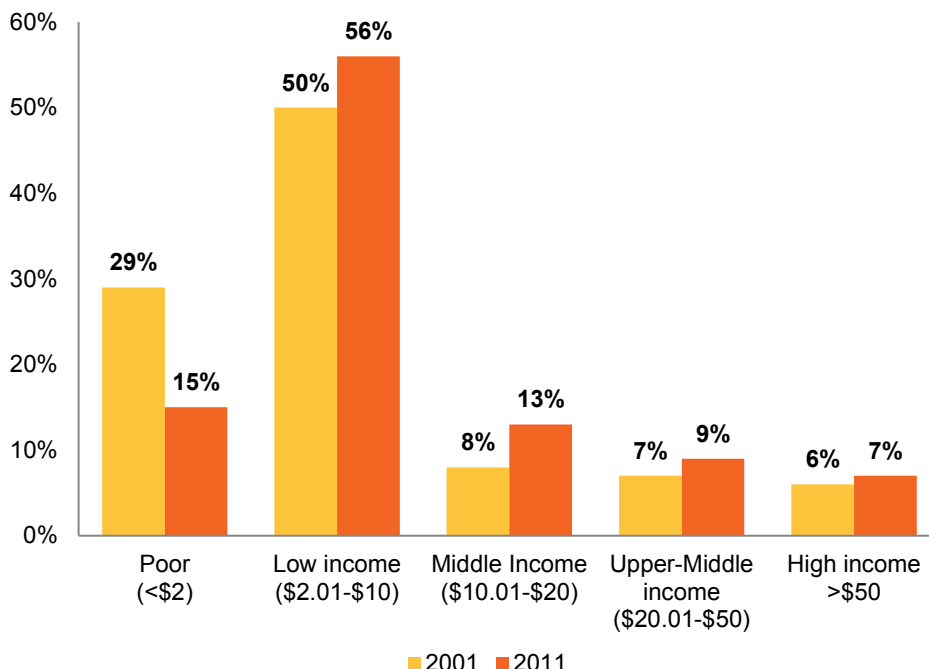
This chapter will consider two of the common counterarguments against focusing on inequality. The first is that the dramatic reduction in the numbers of those living in extreme poverty worldwide shows the success of the global economic system, and that concerns about inequality are overstated.<sup>166</sup> The second is that the extreme levels of wealth now being seen should be celebrated as the result of a successful and dynamic economy, which is meritocratic and leads to more productive economies.<sup>167</sup>

### REDUCTIONS IN POVERTY

Between 1996 and 2015, the number of people living in extreme poverty (i.e. on less than \$1.90 a day) halved.<sup>168</sup> This has been powered by strong economic growth in emerging economies, and a political commitment to ending poverty.

Those who are no longer in extreme poverty often remain on very low incomes, and may be only one step away from slipping back into poverty. For example, the UNDP estimates that, although extreme poverty in Latin American and the Caribbean has been cut by more than half in the last decade, many are far from being middle class, and a third of the population, 200 million people, are at risk of falling back into extreme poverty.<sup>169</sup> Moreover, certain groups such as women, indigenous people and afro-descendants, those who are LGBTI and people with disabilities have fewer opportunities for social and economic advancement.<sup>170</sup> In addition, according to the Pew Research Center, 50% of the global population lives on between \$2 and \$10 a day, including most of the world's workers and small producers.<sup>171</sup>

**Figure 6: Percentage of global population by income, 2001–2011**



Source: Pew Research Centre (2015). World Population by Income. <http://www.pewglobal.org/interactives/global-population-by-income/>. The intervals are calculated using US\$ PPP.



In Myanmar, Oxfam works with young women garment workers who produce clothes for global brands. They earn \$4 a day, which is double the extreme poverty line. Yet to earn this they work six or seven days a week for 11 hours a day. They struggle to meet basic needs for food and medicine and frequently fall into debt.<sup>172</sup> This story is repeated all over the world.

In India, those living on \$2 a day have a mortality rate three times the global average. The same is true in many other countries.<sup>173</sup> If \$2 is too low to achieve basic nutrition, or to secure a fair chance of surviving the first year of life, it is unclear why this should even be described as the end of 'extreme poverty'. Healthcare spending during accidents or emergencies for low-income households often means a reduction in the consumption of food or other basic needs that can push people below the extreme poverty line.<sup>174</sup>

One reason this is happening is because such a huge share of global income growth is consistently accruing to those at the top. The poorest 40% of people living in developing countries, which account for 80% of the global population, have seen their incomes grow slower than the rest of society.<sup>175</sup> Higher levels of inequality negatively affect the benefits of economic growth reducing poverty.<sup>176</sup>

By any measure, this is a deeply inefficient way to eliminate poverty. According to the World Inequality Report 2018, between 1980 and 2016 the top 1% received 27 cents of each dollar from global income growth – more than twice the bottom 50%, who only secured 12 cents of every dollar.<sup>177</sup>

Economist David Woodward has calculated that given the distribution of global income growth, it will take between 123 and 209 years to get to the point where everyone on earth is living on more than \$5 a day. This would require global production and consumption to be 175 times bigger than they are today. Closing a poverty gap of \$4.5 trillion would require an increase in global GDP of \$11 trillion.<sup>178</sup>

This grotesque inefficiency is also unsustainable, if we are to end poverty while living within the environmental boundaries of our planet. We are already close to the limits of what our planet will bear without making catastrophic climate change inevitable.

Unless we close the gap between rich and poor, the goal of eliminating extreme poverty will be missed, and almost half a billion people will still be living on less than \$1.90 a day in 2030. Conversely, with a strong commitment to promote pro-poor growth and equality, one billion people could be lifted from extreme absolute poverty within the next 15 years.<sup>179</sup>

There is widespread agreement that, while the \$1.90 per day extreme poverty line is politically important for mobilizing action, it does not represent a measure that consists of '*the estimated minimum level of income needed to secure the necessities of life*'.<sup>180</sup> Therefore, the World Bank's Atkinson Commission on Poverty has recommended that this measure be augmented by other multi-dimensional aspects of poverty. The World Bank has recently responded to this, and will now use poverty lines of \$3.20 and \$5.50 for lower- and upper-middle-income countries.<sup>181</sup> According to these new assessments, the total number of people living in extreme poverty is actually 2.4 billion.

**Table 2: Global poverty headcount, 2013, using new World Bank poverty lines**

Poor based on old definition (under \$1.90)	789 million people
New poor in lower-middle-income countries (LMIC) (living on between \$1.90 and \$3.20)	900 million people
New poor in upper-middle-income countries (UMIC) (living on between \$1.90 and \$5.50)	678 million people
New total poverty numbers	2.37 billion people

Oxfam Calculations using the World Bank World Development Indicators. <https://data.worldbank.org/data-catalog/world-development-indicators>

Another proposed alternative is the ‘Ethical Poverty Line’, which is based on the income needed to achieve a life expectancy of 70 years. This is \$7.40 a day in current US\$ (adjusted for PPP).<sup>182</sup> Using this measure would classify about 4.2 billion people as living in poverty – four times the number living on \$1.90 a day, and more than 60% of humanity.<sup>183</sup>

This shows us that, while reductions in the numbers living in ‘extreme poverty’ are impressive, billions of people are still trapped in poverty. Hundreds of millions, especially women, work hard, but remain without enough to get by. The distribution of global income growth needs to be far fairer if we are to truly build a human economy that will make poverty history, and preserve our planet for our children and grandchildren.

## DOES EXTREME WEALTH DEMONSTRATE ECONOMIC SUCCESS?

The mainstream economic justification of inequality is that the opportunity to amass wealth provides incentives for innovation and investment by fostering effort and risk-taking, hence boosting economic growth, which in the end benefits everyone. In this view, billionaires are the ultimate demonstration of the benefits of talent, hard work and innovation.

However, there is mounting evidence that the current levels of inequality are not the result of effort and risk-taking, but rather windfall income that does not reflect productive activities, which economists call ‘rent’. Three phenomena are important in this respect:

1. Monopolies.
2. Cronyism.
3. Inheritance.

There is also evidence that social mobility – i.e. the ability of those who are born poor to die rich – can be affected negatively by inequality.

### Monopolies and crony capitalism

Monopolies hurt economies by burdening consumers with higher prices, and by stifling investment and innovation.<sup>184</sup> Monopolies can use their market power to eliminate or buy off innovative market entrants, and they do not need to invest as much as potential rivals to stay on top. Monopoly power is driving extreme inequality around the world. Oxfam research has shown that industries known for imperfect market competition,

including pharmaceuticals, IT and finance, generate more extreme wealth worldwide relative to their size than more competitive industries.<sup>185</sup>

#### **Box 7: The power of monopoly: Carlos Slim, Latin America's richest man**

With wealth of \$54.4bn, Carlos Slim is the sixth richest man in the world and the richest in Latin America.<sup>186</sup>

His vast fortune derives from an almost complete monopoly that he was able to establish over fixed line, mobile and broadband communications services in Mexico. An OECD report in 2012 concluded that this monopolization has had significant negative effects for consumers and for the economy.<sup>187</sup>

While competition reforms in 2013 introduced fairer prices and improved service provision, the wealth Carlos Slim amassed in part because of this monopoly continues to grow, as he has diversified his investments in the Mexican economy.<sup>188</sup> In fact, Carlos Slim's net wealth increased by \$4.5bn between 2016 and 2017. This amount is enough to pay the annual salaries of 3.5 million Mexican workers on the minimum wage.<sup>189</sup>

Monopoly power is compounded by cronyism, the ability of powerful private interests to manipulate public policy. Generous privatization deals, natural resources given away below fair value, corrupt public procurement, or tax exemptions and loopholes are all ways in which well-connected private interests can enrich themselves at the expense of the public.

*The Economist* magazine's cronyism index shows that industries known to be heavily dependent on public policy generate a large share of the world's extreme wealth, particularly in developing countries.<sup>190</sup>

## **Inherited wealth**

Where there is extreme wealth inequality, inheritance can affect the equity of opportunities and social mobility.<sup>191</sup> Economist Thomas Piketty is renowned for his thesis that the world is heading towards a new Victorian age dominated by heirs of great fortunes.<sup>192</sup> For example, Billionaires like Susanne Klatten and her brother Stefan Quandt, inherited almost a 47% stake in the automobile manufacturer BMW from their parents. From their BMW shares alone they received dividends of more than \$1.2bn (€1.074bn) in 2017.<sup>193</sup>

A third of the world's extreme wealth is held by heirs.<sup>194</sup> Over the next 20 years, 500 of the richest people will hand over \$2.4 trillion to their heirs – a sum larger than the GDP of India, a country of 1.3 billion people.<sup>195</sup>

By contrast, only 14% of women in Uganda report sole ownership of any agricultural land, compared to 46% of men. Wives, often in some of the poorest countries, can be deprived of their home and income on the death of their husbands, as they do not have legal ownership and cannot inherit.<sup>196</sup>

Oxfam estimates that monopolism, cronyism and inheritance together account for two-thirds of the world's billionaire wealth.<sup>197</sup> Of course, the remaining third can be further questioned: a billionaire may have made their money in a competitive market free of cronyism, but have done so by paying poverty wages or avoiding taxation, for example.

In short, today's levels of extreme wealth cannot be assumed to be the product of hard work or talent, and they can also be built on unacceptable moral foundations.

## Born poor, die poor

Most parents want a better life for their children than they had, with more opportunities, and in a better position in society.

Rich households have more resources to invest in their children, ensuring they have better education and health. In addition, social connections can also be inherited, which increases access to privileged circles, and these may translate into higher-paid jobs.<sup>198</sup>

According to the OECD, parental and socioeconomic background play a key role in the development of a descendant's educational outcomes and future wages. Moreover, intergenerational social mobility tends to be lower in more unequal societies.<sup>199</sup> Among Western developed countries, the four countries that have the largest persistence of intergenerational earnings (where the correlation between the father's and son's wages is higher) are the United Kingdom, the United States, France and Italy, where at least 40% of the economic advantage that high-earning fathers have over low-earning fathers is transmitted to their offspring.<sup>200</sup>

Studies have also shown that, especially for the poorest percentiles, gender is an important factor in social immobility. In the USA, for example, researchers have found that girls born into the poorest quintile had a 47% chance of remaining there, compared to a 35% chance for boys.<sup>201</sup>

The World Bank has found that social mobility is a problem around the globe, but especially in developing countries. Higher relative mobility across generations is associated with lower inequality of opportunity. In developing countries, around 47% of those born in the 1980s have received more education than their parents, which is almost unchanged from the figure for those born in the 1960s.<sup>202</sup>

One of the key ways to escape poverty, increase social mobility and reduce inequality is decent work for low-income parents. However, this remains a dream for most of the world's population, as the next chapter shows.

# 3 WEALTH VERSUS WORKERS

Well paid work and protected rights for workers are indispensable to ensuring more equal societies that benefit the majority. But the global system of work is broken: dangerous, underpaid and insecure work combines with the systematic abuse of workers' rights far too often. Small-scale farmers earn incomes that trap them and their families in poverty.

Women are the big losers in the global economy, often trapped in the worst jobs, frequently because they are providing vital unpaid care to their families and communities. The highest earners and wealthiest people – often the same people – are predominantly men. As long as our economy prioritizes wealth for the few over decent work for all, the inequality crisis will continue.

## THE IMPORTANCE OF WORK AND WORKERS' RIGHTS TO FIGHTING INEQUALITY

The creation of decent jobs for ordinary people, and a growing share of the national income going to workers and producers, and especially to women, are indispensable in the fight against inequality.<sup>203</sup> Decent work provides:

- A fair income.
- Security in the workplace and social protection for workers and their families.
- Better prospects for personal development and social integration.
- Freedom for people to express their concerns, organize and participate in the decisions that affect their lives.
- Equitable opportunity and treatment for all women and men.<sup>204</sup>

In general and on average, wages are the most important source of earned income for households, though income from selling crops or goods in the informal economy is also important.<sup>205</sup> Therefore, increasing access to decent work boosts equality.<sup>206</sup> In Brazil, changes in the distribution of wages and paid employment accounted for 72% of the reduction in top-to-bottom inequality between 2001 and 2012.<sup>207</sup> Conversely, in Spain between 2006 and 2010, 90% of the increase in inequality was down to falling wages and job losses.<sup>208</sup> Poorly paid workers have been linked to political unrest, and the rise of the populist right in developed countries, as many ordinary workers feel left behind.<sup>209</sup>

Decent work, decently paid, is the lifeblood of a successful economy. Modern market economies rely on the demand for goods and services from ordinary people. This point has recently been echoed forcefully by billionaire Nick Hanauer.<sup>210</sup> When workers must scrape by on poverty wages, demand for goods and services can be depressed. For example, Nestlé recently scaled back its investment in Africa, citing the failure of a significant middle class to emerge despite high GDP growth.<sup>211</sup> Low wages can also lead to an increase in unsecured personal debt, which causes untold misery for millions and brought the global economy to its knees in 2008.<sup>212</sup>

At the same time, a decline in work incomes for the majority has negative impacts on tax revenues. Governments rely heavily on consumption taxes, such as value-added taxes, and many rely on taxing incomes. Both depend critically on the amount of income distributed in the form of wages. A decline in work incomes means a significant drop in government revenues, meaning less funding potentially available for public services such as healthcare or education, which are important for everyone, but especially the poorest in society. It is therefore of concern that the share of national

income going to workers has shown a downward trend over the last two decades.<sup>213</sup> When employers provide decent jobs, it contributes to the costs of social protection for workers and their families, such as pensions or healthcare, which help reduce the gap between rich and poor.<sup>214</sup> However, these contributions may be under threat: the IMF recently proposed a new wave of labour market reforms that would cut employers' contributions.<sup>215</sup>

Organized workers and producers form a powerful counterbalance to the interests of the wealthy.<sup>216</sup> Rights fought for by organized workers – such as minimum wages or rights to holiday, overtime and parental leave – benefit all workers, which in turn reduce economic and gender inequality.<sup>217</sup>

## WHO IS LOSING OUT?

Hundreds of millions of workers are struggling with poverty wages, in insecure, dangerous jobs with minimal rights or protections. Women and young people are the most likely to be in this kind of work.

### Women

#### Box 8: Poverty wages for sewing clothes in Bangladesh

Forida is a 22-year-old sewing machine operator who lives and works in Dhaka, Bangladesh. She works in a garment factory that supplies global brands including H&M and Target Australia,<sup>218</sup> among many others. She started working in garment factories aged 15.

Each day, she is given a goal that she must meet before she can go home. These targets are impossible to meet within the regular working hours of 8am–5pm, so she does several hours of overtime every day. A typical day lasts 12 hours. In busier times, when Western clothing brands place demanding orders, she is made to work even longer hours.

*'Last year, I worked until midnight for a full month. We had to keep up the consistency of production, so we were forced to work. I used to feel sick all the time. I was stressed about my son and then after I got home from work, I had to clean the house and cook and then go back to work again the next morning. I would go to bed at 2am and get up at 5.30am each day',* she told us.

Forida's wages are so low that, even with overtime, her income combined with that of her husband is still not enough to feed the whole family properly. At best, they can afford vegetables and some chicken for half the month, surviving for the rest of the time on watery rice with chilli and salt.

Forida would like all workers to receive higher, living wages that would mean they could afford the basics in life. She says: *'If we were paid a little more money, then I could one day send my son to school; we could live happily, we could lead a better life.'*

Source: *What She makes: Power and poverty in the fashion industry*<sup>219</sup>

Across the world, women consistently earn less than men and are concentrated in the lowest-paid and least secure forms of work. Globally, women's participation in the formal labour force is 26% lower than men's,<sup>220</sup> and the average gender pay gap is 23%.<sup>221</sup> According to the World Economic Forum, at current rates of change the global economic gender gap at work (considering both disparities in the pay and in employment opportunities) will not be closed for another 217 years.<sup>222</sup>

It is no coincidence that women are vastly over-represented in so many of the poorest paid and least secure jobs. Around the world, social norms, attitudes and beliefs

devalue the status and abilities of women, justify violence and discrimination against them, and dictate which jobs they can and cannot expect to hold.

Women's choices and decision-making abilities can often be constrained by their unequal responsibility for unpaid care work. Roles considered to be 'women's work', such as cleaning or nursing, are often valued and paid less.<sup>223</sup> The notion that women are not the primary breadwinners in their families can result in them being perceived as more suitable for temporary, part-time or non-contracted jobs. Women are also usually perceived as easier to intimidate, and are therefore more likely to experience violence and exploitation at work, at home and in their communities.<sup>224</sup>

This inequality for women is further compounded by other inequalities, such as race or immigration status. Women immigrant workers can be found doing the worst jobs in most societies, for the lowest pay and with the worst protection.<sup>225</sup>

Gender inequality has been worsened by increased outsourcing led by economic strategies that prioritize cheap and precarious work, most of which is done by women. Countries with large export-oriented sectors benefit from having a large, low-skilled and voiceless labour force. Indeed, the Asian Development Bank in a 2015 paper noted persistent and widely held gender stereotypes which impact women in the workforce citing women's '*nimble fingers*' and the idea that they are preferable to men because they are '*less likely... to strike or disrupt production*'.<sup>226</sup> Often this is because there are social or legal barriers that prevent women from unionizing, or from assuming leadership positions within unions, which are dominated by men.<sup>227</sup>

The law is also often not on the side of women, who have fewer economic rights than men in 155 countries, including:<sup>228</sup>

- 18 countries in which husbands can legally prevent their wives from working.
- 100 countries in which women are not allowed to do the same jobs as men.
- 46 countries that have no laws against domestic violence.

**According to the World Bank, women have fewer economic rights than men in 155 countries.**

Austerity policies – reductions in public spending – implemented in most rich countries, have particularly affected women, both directly and indirectly. In many countries the public sector, especially at the lower grades, is more likely to employ women, so cuts to the number of public employees have meant more women losing their jobs.<sup>229</sup> Cuts to public expenditure on food subsidies, healthcare and childcare have increased the time women spend on paid and unpaid care work, further pushing them into lower paying, temporary and insecure jobs, or out of paid work entirely.<sup>230</sup>

#### **Box 9: US poultry workers rendered unable to hold their children's hands**

In the United States, Oxfam is working with poultry workers to campaign for improvements to their appalling working conditions. Workers are unable to take sufficient toilet breaks, meaning that many wear nappies to work. Dolores, a former poultry worker in Arkansas, said '*it was like having no worth... we would arrive at 5 in the morning... until 11 or 12 without using the bathroom... I was ashamed to tell them that I had to change my Pampers*'.

The work is also dangerous, with one of the highest injury rates of any sector in the country. Repetitive strain injuries can be so severe that after only one year on the production lines, some workers reported being unable to straighten their fingers, hold a spoon or even properly hold their children's hands.<sup>231</sup>



## Small-scale food producers

Huge numbers of poor people derive their incomes from agriculture and small-scale food production,<sup>232</sup> either as farmers or as labourers on the farms of others.

Small-scale farmers around the world are part of a food system that traps them in poverty and powerlessness. Their incomes have been relentlessly squeezed in many countries as prices have been driven down by increasingly powerful buyers, including food companies and supermarkets, at global, regional and national levels. For example, in the global cocoa value chain, only eight traders and grinders now control around 75% of the global trade in cocoa,<sup>233</sup> and less than 6% of the value of a chocolate bar reaches cocoa farmers.<sup>234</sup> This is a sharp decline from the 1980s, when farmers received 18% of the value created in the chain.<sup>235</sup>

The agri-food sector is a massive source of employment for millions of the lowest-paid workers in developing countries, who are often engaged in producing food that ends up on the shelves of supermarkets in the rich world. Women comprise, on average, 43% of agricultural labourers in developing countries, rising to at least half in many countries in sub-Saharan Africa and elsewhere.<sup>236</sup>

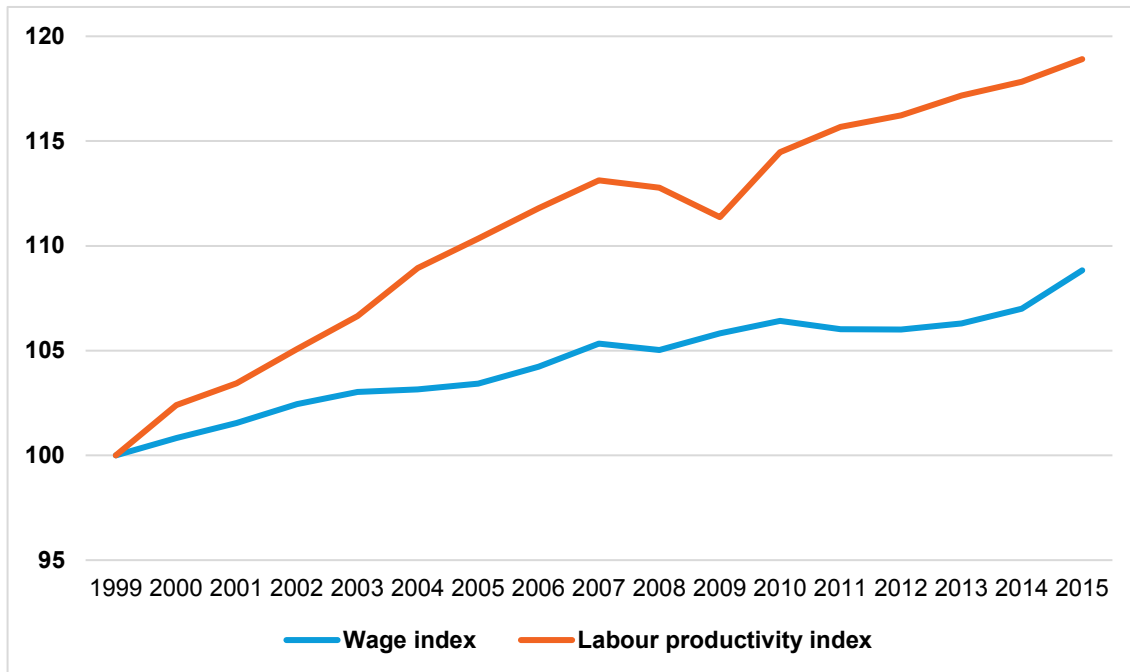
Later in 2018 Oxfam will be focusing specifically on this sector and on how the incomes of those at the bottom are being relentlessly squeezed in favour of those at the top.

## The working poor

Around 56% of the global population lives on between \$2 and \$10 a day, including the majority of the world's workers and small-scale food producers.<sup>237</sup> Women are heavily over-represented among the working poor.<sup>238</sup> Recent estimates by the International Labour Organization (ILO) show that almost one in three workers in emerging and developing countries live in poverty. This includes two-thirds of workers in sub-Saharan Africa.<sup>239</sup> Poverty wages in turn have knock-on impacts, with workers consistently working long hours of overtime just to earn enough to survive.

While the value of what workers produce has grown dramatically, wages have not kept pace. The ILO has found that, in 91 of 133 rich and developing countries, wages have not kept pace with increased productivity and economic growth from 1995–2014.<sup>240</sup> After the global financial crisis of 2008–09, growth in real wages at the global level recovered in 2010, but since 2012 they have decelerated, falling from 2.5% to 1.7% in 2015, the lowest level in four years.<sup>241</sup>

**Figure 7: Growth in average real wages and labour productivity in developed economies, 1999–2015 (index: 1999 = 100)**



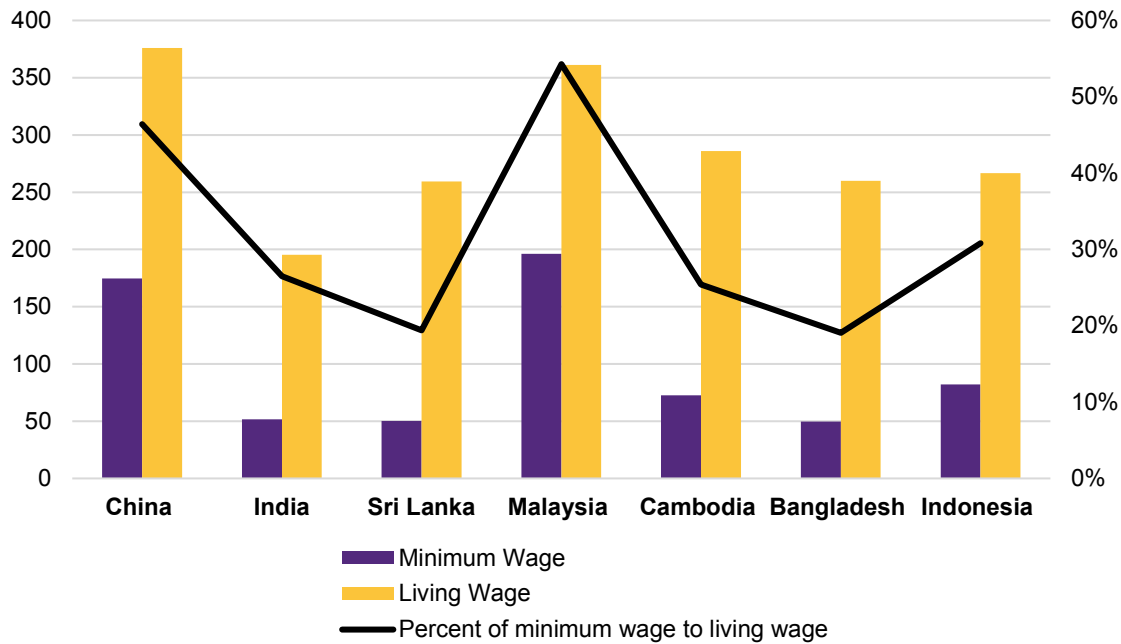
Source: Figure 11 from ILO. (2016). *Global Wage Report 2016/17: Wage inequality in the workplace*. <http://www.ilo.org/global/research/global-reports/global-wage-report/2016/lang--en/index.htm>

Government-set minimum wages are an important way to tackle poverty and inequality. Collective bargaining – when workers, employers and governments agree wage increases – is even better for workers.<sup>242</sup> For example, Danish workers benefit from collective bargaining between organized labour and government: a woman working in a Danish Burger King receives \$20 an hour compared to \$8.90 in the United States.<sup>243</sup>

Sadly, many countries still have no minimum wage or collective bargaining. In some countries, the minimum wage only applies to a very small section of the population, as it pertains exclusively to certain sectors, occupations or specific geographical regions. Most minimum wages are significantly lower than what could be considered a ‘living wage’, meaning high enough to provide nutritious food and clean water, shelter, clothes, education, healthcare, energy, childcare and transport, as well as allowing for some savings and discretionary income.<sup>244</sup> In 2015, for example, the government of Guatemala introduced a differentiated minimum wage to promote the local manufacturing industry in certain municipalities. According to the UN Special Rapporteurs on extreme poverty and on the right to food, that meant ‘violating the country’s international human rights obligations but also undermining its international commitment to pursue sustainable development’.<sup>245</sup>

Oxfam has shown that minimum wages in countries like Morocco, Kenya, Indonesia and Vietnam are not enough for people to escape poverty.<sup>246</sup> The Asia Floor Wage Alliance has found that legal minimum wages in the garment sectors in various Asian countries fall far short of providing a living wage (see **Figure 8**).<sup>247</sup>

**Figure 8: Comparison of minimum wage and living wage in selected garment-producing countries, 2014**



Source: Asia Floor Wage, 2014<sup>248</sup>

**Box 10: Winning a minimum wage in Myanmar**

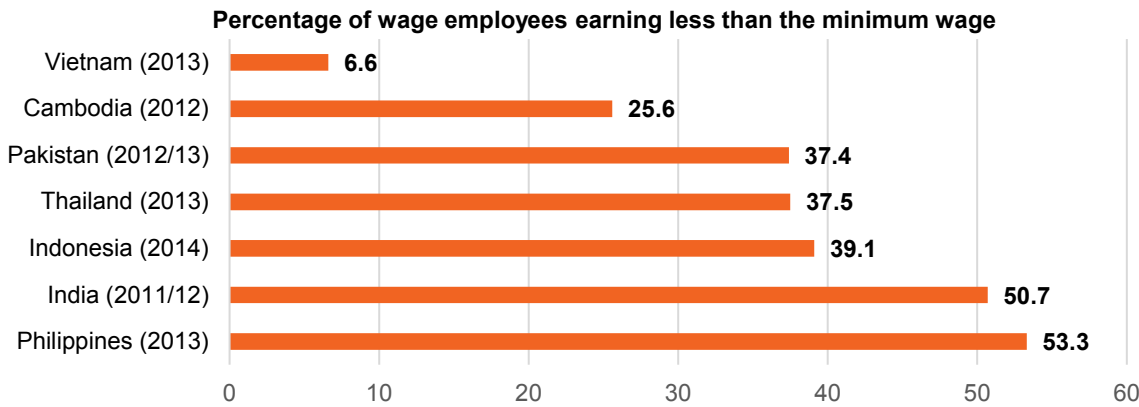
Before September 2015, Myanmar had no legal minimum wage in place. Some workers were earning as little as \$0.60 a day as a base wage, taking on long hours of overtime, including forced overtime. In 2012, workers held mass strikes in protest. Following more than two years of negotiations between unions, employers and the government, a new minimum wage (3,600 kyats or \$2.70 for an eight-hour work day) was announced. When the government increased this by the end of 2015, it had the potential to increase earnings for the 300,000 workers in the garment sector by nearly \$80m a year. Multinational companies that source garments from Myanmar supported the implementation of the minimum wage, showing how they can act as a force for good.<sup>249</sup>

Source: F. Rhodes. (2017). *An economy that works for women: Achieving women's economic empowerment in an increasingly unequal world*. Oxfam.  
[https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/bp-an-economy-that-works-for-women-020317-en.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-an-economy-that-works-for-women-020317-en.pdf)

There is a similar situation in many parts of Africa and Latin America, where Oxfam has long advocated for a rise in minimum wages. Very low minimum wages in countries like Guatemala and Honduras directly explain the very high numbers of working poor.<sup>250</sup> Conversely, in Argentina and Costa Rica, where the minimum wage level is well above the poverty line, there is a lower incidence of working poor.<sup>251</sup> In many African countries, minimum wage levels tend to be significantly below the average wage and insufficient to ensure a decent life for workers and their families.<sup>252</sup> For instance, according to the Nigerian Trade Union Congress, the minimum wage would need to be increased from \$57 to \$177 per month to ensure decent living standards.<sup>253</sup> The Rwandan trade union congress estimated that the monthly minimum wage would need to be increased to \$151 for urban areas and \$103 for rural areas from the currently meagre minimum wage level of around \$3.50 per month (Rwf100 per day, set in the 1980s).<sup>254</sup> All around the world, many countries fail to implement and enforce their wage policies, depriving workers of their legal entitlements and further reducing take-home pay.<sup>255</sup> For example, in the US poultry industry, Oxfam has

found wage theft to be rampant, with companies refusing to cover overtime or time spent preparing for and finishing work.<sup>256</sup> In countries like India and the Philippines, at least one in every two workers in the garment sector are paid below the minimum wage (see **Figure 9**). On the African continent, it is impossible to assess the effectiveness of the enforcement mechanisms as no country in the region reports on this.<sup>257</sup> Lack of compliance is also a serious problem in Latin America. As a result, according to ILO estimates, more than 60% of workers in Honduras and Guatemala are paid less than the minimum wage.<sup>258</sup>

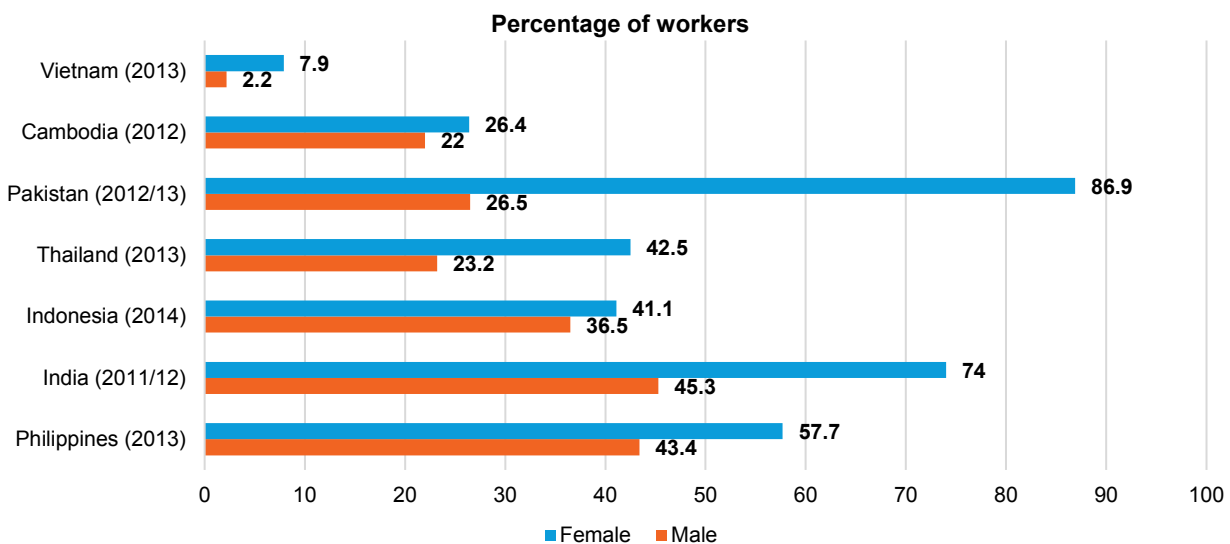
**Figure 9: Non-compliance rates with the minimum wage in the garment sector**



Source: Cowgill, M. and P. Huynh. (2016). *Weak Minimum Wage Compliance in Asia's Garment Industry*. Asia-Pacific Garment and Footwear Sector Research Note Issue 5| August 2016. Retrieved 6 September 2017, from [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_509532.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_509532.pdf)

When policies are enforced, this tends to be more to the benefit of men than women. In the garment sector of Pakistan, for example, 86.9% of women are paid less than the minimum wage, while the figure for men is 26.5%. India, the Philippines and Thailand also have double-digit gender compliance gaps (see **Figure 10**).

**Figure 10: Non-compliance rates with the minimum wage in the garment sector by gender, lower bound estimates**



Source: Cowgill, M. and P. Huynh. (2016). *Weak Minimum Wage Compliance in Asia's Garment Industry*. Asia-Pacific Garment and Footwear Sector Research Note Issue 5| August 2016. Retrieved 6 September 2017, from [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_509532.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_509532.pdf)

## Unprotected and informal workers

The informal economy accounts for a significant percentage of both jobs and GDP, especially in poorer countries. In Benin, Sudan, Tanzania and Zambia, for example, up to 90% of workers have informal jobs. In Latin America, the informal economy accounts for an estimated 40% of regional GDP.<sup>259</sup> Worldwide, the number of people in vulnerable forms of employment was expected to reach over 1.4 billion in 2017 (which is over 40% of total employment).<sup>260</sup> Women, young people and other marginalized groups are over-represented in the informal economy and in vulnerable work. In Asia, 95% of women working outside the home are in the informal sector. In sub-Saharan Africa, 74% of women's non-agricultural employment is informal, compared to 61% for men.<sup>261</sup>

**According to the ILO, in Asia, 95% of women working outside the home are in the informal sector.**

Some people with informal jobs take them out of choice, but the majority do so as a coping strategy, to provide income when formal work is unavailable, insecure or pays too little to meet their basic needs. As the ILO states: *'From the perspective of unprotected workers, the negative aspects of work in the informal economy far outweigh its positive aspects'*.<sup>262</sup>

Wages tend to be much lower than for workers in formal sectors – in Mexico and Brazil, for example, wages for informal workers are around half the national average for formal work.<sup>263</sup> As in the formal economy, there is a clear gender pay gap, with male street vendors and waste pickers earning more than women in the same jobs, and with home-based workers earning the least of all.<sup>264</sup>

In rich countries like the USA, and in other developed countries, there has been a rapid rise in less secure jobs. This has been linked by the OECD to rising inequality.<sup>265</sup> Those employed in the 'gig economy' suffer from the precarious nature of their jobs: they are tied to oppressive targets by distant algorithms, yet officially self-employed without the rights or protections of employment.<sup>266</sup> This lack of a predictable income is linked to increased stress and ill health.<sup>267</sup>

Informal workers are also usually not organized, and therefore have minimal collective representation in relation to employers or governments.

### Box 11: The importance and decline of trade unions

Historically, the ability of workers to organize, form trade unions and be protected by legislation has been critical in reducing inequality. By forming a counterbalance to the power of wealth, organized workers have been central to the creation of more equal and more democratic societies. Trade unions increase wages, rights and protections not just for their members but for workers throughout society.<sup>268</sup> However, the IMF has observed a downward trend in trade union density rates across over the world from 2000–2013.<sup>269</sup> The IMF recently highlighted the decline in unions in rich countries as being directly related to the increase in inequality.<sup>270</sup>

Trade unions are also the target of direct suppression. In 2017, attacks on union members were recorded in 59 countries.<sup>271</sup> In 2017, trade unionists were murdered in 11 countries. Over three-quarters of countries deny some or all workers the right to strike. For example, migrant workers in Thailand, who make up one in 10 people in the workforce, are not allowed to strike.<sup>272</sup>

The inevitable power imbalance for informal workers benefits some of the most powerful players in a globalized economy. Multinationals can choose to reduce costs by outsourcing production to smaller businesses while remaining unaware, or turning a blind eye, when these smaller businesses employ informal labour, pay workers lower wages, provide less secure work and circumvent labour and social protection legislation. This also puts downward pressure on wages in the formal sector, where

companies that want to do the right thing face an unfair disadvantage in trying to compete with businesses that are not paying taxes, social protection contributions or minimum wages.

A large informal sector is not an inevitability for any country, and the problems associated with it can be addressed through the creation and enforcement of better laws and policies, in partnership with informal workers themselves. These must include policies that create more and better jobs, especially for women and marginalized groups, and that make it easier for small businesses to operate within the formal sector. Fiscal policies, including progressive taxation and public spending, can be used to ensure workers' incomes do not decline because they join the formal sector, and to provide effective social safety nets to protect against shocks and shortfalls in income.

There have been many good examples of countries taking steps to protect the rights of informal workers. For example, Malawi has created a trade union for the informal economy, while Senegal has enshrined in law the right of informal workers to enjoy the same rights to unionization as workers in the formal economy.<sup>273</sup> Social protection measures cover informal market workers in Algeria, for example.<sup>274</sup> Unions have been established to specifically represent large numbers of women in the informal economy.<sup>275</sup> However, much more still needs to be done.

For many, work is also dangerous and harmful to health. Each year, 374 million work accidents result in extended absences. According to the ILO, more than 2.78 million workers die every year because of occupational accidents or work-related diseases – one every 11 seconds.<sup>276</sup>

***'Sexual harassment is very common in this kind of work. At least 90% of women workers are harassed by both the customer and the owners. Justice is on the side of companies.'***

***– Eulogia Familia, a union leader representing hotel workers in the Dominican Republic***<sup>277</sup>

Women face risks to their health and sexual violence in the workplace. Hotel workers interviewed by Oxfam in Dominican Republic, Canada and Thailand have reported regular instances of sexual harassment and assault by male guests.<sup>278</sup> They have also reported ill health due to regular use of chemicals. Garment workers in Myanmar live in fear of fire. They are often locked into factories and subjected to physical and mental abuse.<sup>279</sup> In Bangladesh, many young women suffer from repeated urinary tract infections because of not being allowed to go to the toilet.<sup>280</sup>

## Slave labourers

Perhaps the most shocking element of the global labour market today is the existence and scale of modern slavery, including both forced labour and forced marriage. The ILO has estimated that 40 million people worldwide were enslaved in 2016 – 25 million of them in slave labour.<sup>281</sup> According to its recent report, *'In many cases, the products they made and the services they provided ended up in seemingly legitimate commercial channels. Forced labourers produced some of the food we eat and the clothes we wear, and they have cleaned the buildings in which many of us live or work'*.<sup>282</sup>

The ILO estimates that 71% of slaves today are women and girls and 4 million of those in slave labour are children.

## Youth and child labour

Almost 43%<sup>283</sup> of the global youth labour force is either unemployed or working but living in poverty. More than 500 million young people are surviving on less than \$2 a

day.<sup>284</sup> Although the effects of the financial crisis have varied widely, one consistent factor is that young people have been worst affected. A study of 17 middle-income countries found that young people experienced the largest rise in unemployment rates because of the crisis. This was even worse for young women, or young people belonging to marginalized groups. Wage rates also decreased for youth in 15 of the 17 countries studied.<sup>285</sup> In the OECD, young people are now at greater risk of poverty than elderly people for the first time.<sup>286</sup> The situation for many young people remains precarious. According to a 2015 study by the ILO,<sup>287</sup> two out of three young people in low-income countries are either engaged in vulnerable self-employment or unpaid family labour. In developing countries, it has been estimated that 260 million young people are not in employment, education or training.<sup>288</sup> This is true for one in three young women.<sup>289</sup>

While levels of child labour more generally<sup>290</sup> have dropped by a third since 2000, there are still more than 150 million children aged 5–17 (nearly one in ten) undertaking some form of labour.<sup>291</sup>

Levels are highest in Africa, where it is as many as one in five. Many are subject to sexual exploitation and other forms of violence.

These estimates do not include unpaid housework and caring for younger children, which adds significantly to the work done by girls, further decreasing the time they can spend on education, play and rest.

#### **Box 12: The Domestic Workers' Convention**

There are over 60 million domestic workers worldwide, including more than 10 million children.<sup>292</sup> 83% of domestic workers are women.<sup>293</sup> The sector is characterized by very low pay, high levels of insecurity, and few opportunities for workers to organize in order to demand recognition of their rights. However, this started to change in 2006 when domestic workers from all over the world came together in their first international conference, alongside trade unions, women's rights groups and labour organizations. They decided to work together to win an ILO Convention to protect the rights of domestic workers.<sup>294</sup> In June 2011, they succeeded. The ILO passed the Domestic Workers Convention, extending basic labour rights to all domestic workers.

Since the Convention's adoption, several countries have passed new laws or regulations improving domestic workers' labour and social rights, including Venezuela, Bahrain, the Philippines, Thailand and Spain.

Following the adoption of the specific domestic work law in Brazil, formal work increased, while, in a broader context, the number of young domestic workers dropped. As Creuza Oliveira, the president of the National Federation of Domestic Workers, said: *'This law doesn't only make things more equal for these domestic workers, it empowers them. Women have been fighting for decades for equal rights, including equality with men, but the domestic workers have been fighting for equal rights to not only workers, but to all other women too. They want to have the right to work, to study and choose their paths. After the law, the number of young domestic workers dropped. For us, this is positive. My great-grandmother was a slave, my grandmother, my mother and I were domestic workers. I was in domestic work at age 10 and had no opportunity to study. Today, knowing you have young people attending college, that the number of young people in domestic work fell and for me, this is a very important victory... We do not want this child to be on the street nor working. We want her to be studying so that tomorrow she can be a doctor or an engineer. So she can do what she wants, not just the housework.'*<sup>295</sup>



## Contract workers in supply chains

The business world is itself splitting into haves and have-nots.<sup>296</sup> On one side, companies with higher margins and higher profits employ skilled workers. These companies often own brands, ideas and technology that give them considerable market power. Meanwhile, low-wage workers are increasingly stuck in more fragile businesses that have low margins and face fierce competition. The latter provide the janitors, drive the executives and run the factories and farms that are critical to ensuring the high-margin businesses prosper. However, the surge in outsourcing has meant that the ability of workers to bargain within the confines of a company or even an industry is hampered by the fact that they have no ability to engage with the companies that reap the profits.

Common business models propose that companies focus on their self-identified specialisms and outsource all other activities.<sup>297</sup> As a result, workers involved in the production process are easily considered non-critical, and thus a cost to be minimized, rather than an asset in which to invest. External contractors achieve their competitive advantage by lowering costs, and the most direct way to do so is by reducing wages. Today in the USA, for example, janitors' wages fell by 4–7 % and those for security guards 8–24 % compared to wages in the beginning of the 1980s.<sup>298</sup> Contractors (i.e. people not directly employed) often cannot take advantage of paid holidays or sick leave, nor insurance plans offered to employees.<sup>299</sup>

The most common way to reduce costs is by offshoring activities. When highly skilled labour is not needed, companies often look for the countries with the lowest costs, shifting production to wherever is cheapest. Governments around the world compete to provide the cheapest labour, in a suicidal race to the bottom.<sup>300</sup> This results in the use of production workers who do not receive a fair share of the financial benefits enjoyed by the parent company, nor many of the rights observed in the country in which the company is headquartered.

Such offshore workers' remuneration is commonly linked to the number of hours worked, decoupled from the performance of the companies that ultimately benefit from their labour. Job insecurity is the norm.

In 2016, the International Trade Union Confederation (ITUC) stated that 50 of the world's largest companies, with a combined revenue of \$3.4 trillion, maintained a 'hidden' work force of an estimated 116 million people in their supply chains – representing around 94% of the total workers employed. Their contracts are often outsourced across borders multiple times, and the workers are more likely to be on short-term contracts with minimal protections. They are likely to be women.<sup>301</sup>

Such global supply chains allow companies to take advantage of low paid workers but can also allow them to avoid government regulation for both labour conditions and taxation.

## WHO IS WINNING?

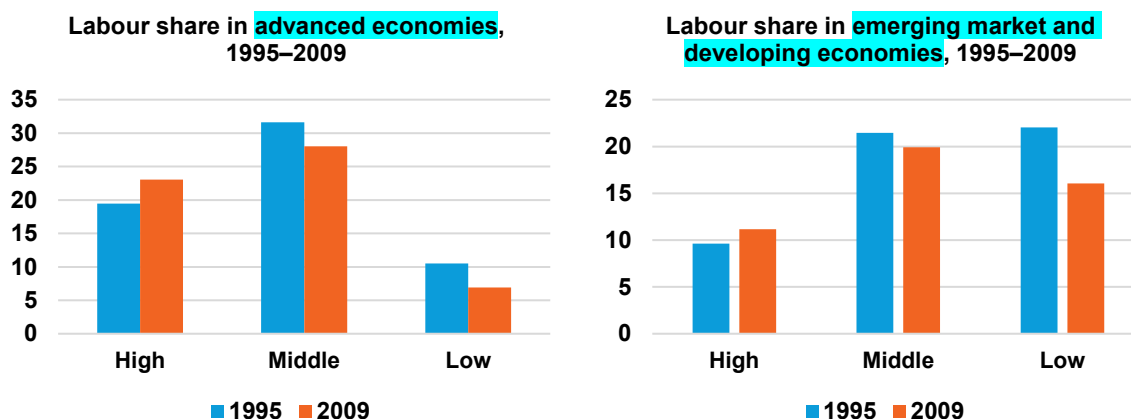
If most global income growth has not gone to ordinary workers, where has it gone? While the low paid are the big losers in today's economy, the big winners have been high paid earners and the owners of wealth. Most of these are men.

## The highest earners

While the share of national income accruing to those with wages is declining, high wage earners have often seen their own share increase.<sup>302</sup> The decline in the global labour share has been borne by low- and middle-skilled labour. From 1995–2009 their combined labour income share was reduced by more than seven percentage points,

while the global high-skilled labour share increased by more than five percentage points (see **Figure 11**). Even in countries in which wages have kept their share of the national income, the share for the low paid has still fallen in favour of high earners.<sup>303</sup>

**Figure 11: Labour share in advanced and emerging market and developing economies for high-, middle- and low-skill workers, 1995–2009 (percentage)**



Source: World Input-Output Database; and IMF staff calculations. Reproduced from IMF (2017).

The OECD has found that, while low wage earners have seen their incomes fall, incomes for the top 1% have increased 20% over the last 20 years.<sup>304</sup> The share of wages accrued by the top 10% is high and growing in developing economies like Brazil, India and South Africa.<sup>305</sup> In South Africa, the top 10% of society receives half of all wage income, while the bottom half of the workforce receives just 12%.<sup>306</sup> In the UK, FTSE 100 bosses are paid 130 times as much as their average employee – up from 47 times in 1998.<sup>307</sup> According to Oxfam research, in Spain the top executives of the 35 largest publicly listed companies earn 207 times the lowest paid workers in the company.<sup>308</sup> Men consistently comprise most of the best-paid employees.<sup>309</sup> On average, it takes just over four days for a CEO from the top five companies in the garment sector to earn what an ordinary Bangladeshi woman garment worker earns in her whole lifetime.<sup>310</sup>

Oxfam’s polling in 10 countries, representing one-quarter of the world’s population, shows that the public thinks CEOs should have their pay cut.<sup>311</sup> Across all countries, respondents think CEOs should on average take a 40% pay cut. In countries like the UK, US and India, respondents think CEOs should take a 60% pay cut.

**Table 3: What people think of CEO pay**

	What people think the ratio of top pay to ordinary workers’ pay is	What people think it should be	What it actually is
South Africa	28	9	541
India	63	14	483
US	25	6	300
Spain	4	2	172

Source: Oxfam research (2017); Global CEO Pay by Bloomberg.  
<https://www.bloomberg.com/professional/blog/best-worst-countries-rich-ceo/>

This boom in CEO pay has a lot to do with the increasing use of share-based incentive systems. With these systems, investors and company owners ensure that high paid managers and executives maximize shareholder value. In the US, for example, in the

1970s, only 1% of a Fortune 500 CEO's pay consisted of share options; in 2012, stock options accounted for 80% of their compensation.<sup>312</sup> The highest paid are major owners of shares, and therefore heavily invested in a system that prioritizes returns to shareholders.

The main justification for this huge growth in pay has been to incentivize performance, which over the long term has not been borne out by the evidence. An investor-led Executive Remuneration Working Group in the UK found that 'rising levels of executive pay over the last 15 years have not been in line with the performance of the FTSE over the same period'.<sup>313</sup> Similar research has shown this disconnect between pay and performance to be true in the US as well.<sup>314</sup> The relentless focus on corporations having to deliver higher dividends and share prices is a major driver of inequality. The companies are under pressure to reduce costs to boost their shares, which drives the pressure for lower wages, and incentivizes tax avoidance by corporations. It would cost \$2.2bn a year to increase the wages of all 2.5 million Vietnamese garment workers from the average wage to a living wage. This is the equivalent of a third of the amount paid out to shareholders in 2016 by the top five companies in the garment sector.<sup>315</sup>

## The owners of wealth

The big winners from the booming global economy in recent decades have not been workers generally, but the owners of wealth, or capital. Income from wealth – for example interest payments, share dividends or the rising value of property – has increased far faster than wages.<sup>316</sup> Contrary to the conventional wisdom that everyone benefits from a bullish stock market, there is growing evidence showing significant correlation between growing inequality and a rising stock market.<sup>317</sup> This is further supported by the evidence that growth in income for the top 1% in the US has come predominantly from capital gains, income from 'dividends from stock, interest from debt, and rents from real estate'.<sup>318</sup>

Income from wealth or capital is negligible for most of society. For many it is negative, as they are in debt, and rack up interest on those debts. Wealth is very heavily concentrated at the top of the economy. For instance, the ownership of shares is concentrated among the very wealthy. In the United States, the top 1% own almost 40% of the stock market.<sup>319</sup> Wealth ownership is dominated by men.<sup>320</sup>

A big reason for this concentration of wealth is the way our economic system is hardwired to prioritize returns to shareholders over everything else.<sup>321</sup> Globally, \$1.2 trillion was extracted by shareholders in the form of dividends in 2015.<sup>322</sup> The relentless pressure to deliver returns to shareholders comes at the cost of better wages and fuels corporate tax dodging on an industrial scale. This system of super-charged shareholder returns has been criticized by the Bank of England and some of the world's biggest investors.<sup>323</sup>

***In the United States, the top 1% own almost 40% of the stock market.***

### Box 13: Wealth and the garment industry

The garment industry generates huge returns for owners and shareholders, some of whom are among the richest people in the world. For example, in 2016 annual share dividends from the parent company of fashion chain Zara to the world's fourth-richest man, Amancio Ortega, were worth approximately €1.3bn euro.<sup>324</sup> Zara has also been identified by the Greens/European Free Alliance in the European Parliament as avoiding tax between 2011 and 2014.<sup>325</sup> Stefan Persson, whose father founded H&M,<sup>326</sup> and whose son runs the company, is ranked 43 in the Forbes list of the richest people in the world, and received €658m in share dividends last year.<sup>327</sup> Overall the five biggest fashion retailers returned a staggering \$6.9 billion to their shareholders in 2016.<sup>328</sup>

Meanwhile young women in countries like Myanmar are earning as little as \$4 a day working 14 hours in dangerous conditions, unable to go to the toilet, sewing fast fashion for export.<sup>329</sup> It would cost \$2.2bn a year to bring the average wages of the 2.5 million garment workers in Vietnam up to a living wage. This is one-third of the amount rewarded to their shareholders by the five biggest fashion retailers in 2016.<sup>330</sup>

## Tax cuts and tax dodging accelerate wealth concentration

Taxes should provide a redistributive function, ensuring that the benefits of making money are shared across society. However, taxes for high-earning businesses and individuals are in decline. At the same time, the various types of taxation on wealth – such as property, inheritance and capital gains taxes – have been dramatically reduced in most rich countries in recent years, and have never been properly implemented in most developing countries.<sup>331</sup>

In 1990, the G20 average statutory corporate tax rate was 40%; in 2015, it was 28.7%.<sup>332</sup> Taxation of high incomes has declined significantly in most rich nations. In the US, it fell from over 90% in the 1970s to 40% in 2013.<sup>333</sup> In developing countries, it has always been low, at around 30 % – the majority of which has never been collected.<sup>334</sup>

Tax avoidance by corporations has also contributed to this trend. Developing countries lose at least \$100bn a year to corporate tax avoidance.<sup>335</sup>

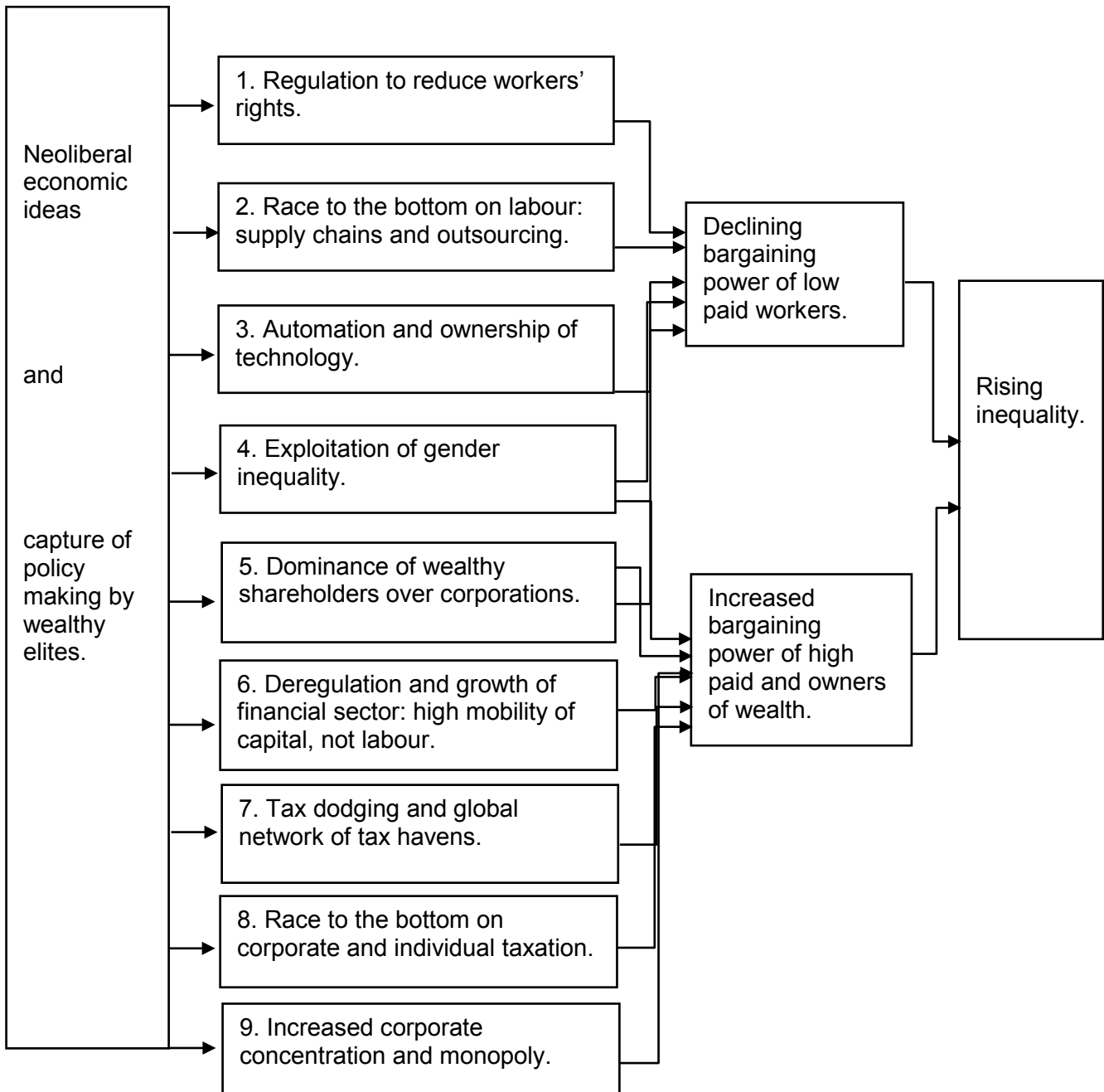
Because these taxes are the kinds of tax that are paid predominantly by men, it is men that benefit most from these tax cuts and the poor collection of these revenues.

At the same time, what tax there is to pay is actively avoided by the richest, as demonstrated by repeated tax scandals including the recent Paradise Papers, with the top 0.01% avoiding as much as 30% of the tax they owe.<sup>336</sup>

## HOW WORKERS ARE LOSING OUT TO WEALTHY OWNERS

The capture of policy making by elites – set against a backdrop of neoliberal economic ideas – has set in motion a series of powerful economic forces that have driven down the power of low paid workers in favour of the highly paid and the owners of wealth.

**Figure 12: The prevailing conditions leading to inequality**



Characteristics of this system include:

1. **Deregulation to reduce workers' rights.** In rich and poor countries alike, labour regulations have been reduced, often under pressure from the IMF and the World Bank.<sup>337</sup> Many studies find that weakened regulations to protect workers and the declining numbers of workers being unionized are reducing labour's share of income.<sup>338</sup> Women are the hardest hit. The IMF has found that about half of the increase in inequality in rich countries is associated with the decline in trade unions.<sup>339</sup> Looking beyond the decline in unions, the weakening of other regulations that protect workers, such as minimum wages and employment protection, has also contributed. Other studies have found that the increase in part-time, casual or temporary jobs has also been associated with rising inequality.<sup>340</sup>
2. **Race to the bottom on labour.** The use of global supply chains forces countries to compete on the cheapness of their labour.<sup>341</sup> This combines with the outsourcing of manufacturing from rich countries to drive down wages and prices for producers.<sup>342</sup>

3. **Automation and ownership of technology.** New technologies could eliminate hundreds of millions of jobs and prevent poor countries from using low-skilled labour as a path to development. Value accrued through new technology goes to the owners of the machines, rather than to workers.<sup>343</sup> This has generated calls from Bill Gates and others to ‘tax the robots’, and give governments an oversight role in technological development to ensure the benefits accrue to the majority.<sup>344</sup>
4. **Exploitation of gender inequality.** Social norms around gender inequality legitimize paying women less and giving them fewer rights in the workplace, which in turn reduces the bargaining power of labour.<sup>345</sup>
5. **Overwhelming dominance of wealthy shareholders over corporations.** While there has been a diversity of business structures for centuries, the neoliberal era has seen an expansion of a particularly extreme model where boardrooms, which are predominantly male, represent only the interests of wealthy investors, and all commercial decisions must be made with the aim of maximizing returns to shareholders. This has seen a rise in the share of profits going to shareholders in the form of dividends or share buy-backs across the world.<sup>346</sup>
6. **Growth of the financial sector, and the deregulation of finance and capital.** Capital is now highly mobile, moving in and out of countries and corporations, giving major bargaining power to financial markets and driving returns to shareholders above all else. The rise of the financial sector has been linked to rising inequality.<sup>347</sup>
7. **Tax dodging and tax havens.** Rich corporations and individuals can avoid paying the tax they owe using a global network of tax havens. Developing countries lose at least \$170bn annually because of corporate and individual tax avoidance schemes.<sup>348</sup> This would be more than enough to provide an education for the 264 million children currently out of school.<sup>349</sup>
8. **Race to the bottom on taxation.** Tax rates on wealth have fallen dramatically across the world in recent years. In 1990, the G20 average statutory corporate tax rate was 40%; in 2015, it was 28.7%.<sup>350</sup> Taxes on capital, such as capital gains, property and inheritance taxes, have also dropped rapidly in rich countries, and have yet to be effectively implemented in most developing countries. Widespread tax incentives for corporations further undermine revenues.<sup>351</sup>
9. **Increased corporate concentration and monopoly power.** Over the last 30 years, net profits posted by the world’s largest companies more than tripled in real terms, from \$2 trillion in 1980 to \$7.2 trillion by 2013.<sup>352</sup> Much of this profitability can be linked to the growing concentration of corporate power and monopolies, which in turn drive up inequality.<sup>353</sup>

Together, these economic forces have led to the declining power of workers and increased the bargaining power for the highly paid and the owners of wealth. Women are disproportionately impacted, as these forces favour men over women, exploiting the inequality between women and men in society. This in turn has driven inequality.

It does not have to be this way. A fairer, more human economy is possible.

# 4 DESIGNING A HUMAN ECONOMY THAT WORKS FOR ALL

The economy does not need to be structured the way it is. These powerful economic forces can be beaten. We can create a more human economy that puts the interests of ordinary workers and small-scale food producers first, not the highly paid and the owners of wealth. This would mean a human economy that could deliver a decent life for all while preserving the planet for future generations. We must reject neoliberal economics and the unacceptable influence of elites on our governments. There are two important components to achieving this: one pre-distributive, the other redistributive.

## PRE-DISTRIBUTION: GREATER EQUALITY BY DESIGN

Every economy produces a certain level of economic inequality, or a certain distribution of resources, before a government intervenes through taxation and spending. This level of inequality is known as 'market inequality'. Different types of economy produce very different levels of market inequality. It is vital for a human economy to be designed from the outset to produce much greater equality. This process has been described as 'pre-distribution'.<sup>354</sup>

The government has two key roles in this: firstly, through regulation, and secondly through the promotion and support of business models that generate fairer outcomes.

### Regulating globalization

Globalization and deregulation are commonly thought to be inextricable. This is erroneous. The assumption is that the more an economy is globalized and integrated, the more it becomes deregulated, and it is not possible to have one without the other. Countries like South Korea, or more recently Brazil, have managed to reduce inequality while engaging in the global economy, and they have been able to do this in part using significant regulation of many aspects of their economies.<sup>355</sup>

Markets and economic integration can be an important engine for growth and prosperity. But both need careful management and regulation in the interests of everyone, so that the proceeds of growth are distributed fairly. Left unchecked they threaten our democracies and the ability to create more equal societies. A new vision of globalization is needed. There must be a clear decoupling of globalization from the supposed need to deregulate. This will require global cooperation on a far greater scale than seen today. But, while global regulation is often preferable, it is not the only option – an important consideration given the difficulty in achieving multinational agreement in today's political climate. Fortunately, governments still have considerable space to regulate at the national level.

*A new vision of globalization is needed.*

For instance, the urgent need for much greater financial regulation was clear in the wake of the financial crisis. The IMF has identified the globalization and liberalization of finance as having delivered the least benefit to the global economy, while significantly increasing inequality, risk and instability.<sup>356</sup> This is therefore an area in which globalization has gone too far, and further regulation is required. Finance should once again be made the servant of the real economy, and not the reverse. This should include regulating the scale of returns to shareholders and of executive pay, incentivizing spending on wages, and investment in increased productivity, sustainability and reduced inequality.



Technology has the potential to deliver far greater quality of life to the majority, not least by reducing the amount of painful, dangerous and degrading work. But it can only deliver greater quality of life to the majority if its benefits are fairly shared. The automation of work means that economic growth stops benefiting the worker and benefits the owner of the technology. The key question for the future is 'who owns the robots?'. Governments need to put in place appropriate regulation on the ownership of technology and intellectual property, and to protect people in their complex relationships with technological change. This includes legislation to protect the rights of workers and the existence of decent work. Regulation of the gig economy – for example, the recognition in the UK of Uber drivers as employees of the company – is a good example of this.<sup>357</sup> As we look to the future of work, we need to keep sight of the value of those human interactions that should never be replicated by machines. Some of this will include what is now counted as unpaid care, such as caring for children or the elderly.

*The key question for the future: 'Who owns the robots?'*

We need more and better regulation to protect labour rights, and fewer restrictions on the right of workers to organize. Strong bargaining power has been linked by the IMF and others to lower levels of inequality and a fairer distribution of the proceeds of economic growth.<sup>358</sup> Governments should legislate for living wages that are linked to inflation, and should aim to formalize as much of their economy as they can. They should eliminate zero-hours contracts and ensure job security for all. These moves will disproportionately benefit the women who have suffered from the worst excesses of the global economy for decades.

There is a need to end the rapid race to the bottom in the treatment of workers. Child labour and slave labour can never be morally acceptable, and it is universally recognised that they should be eliminated. Poverty wages and precarious and dangerous work should be considered the same, as should the unequal treatment of women and men in the workplace. These should all be eliminated from the field of competition between corporations and between governments. One practical step is to require all multinational corporations to conduct due diligence on their supply chains, so that they take responsibility for their full supply chains to ensure that workers are treated well, in line with the UN Guiding Principles on Business and Human Rights.<sup>359</sup> No corporation or government should be able to increase its profits by paying its workers so little they cannot live with dignity.

## Reinventing the private sector

Trade and investment can spread opportunity, products, services and prosperity far and wide. Businesses can choose to do the right thing. The decisions of businesses impact workers and consumers, farmers and communities, as well as their shareholders and investors. Yet, increasingly, decisions are made only through the lens of maximizing shareholder returns.<sup>360</sup> This has become a straightjacket that traps the mainstream business world into driving inequality.

However, businesses, social movements and entrepreneurs have generated a range of concepts that try to wriggle free from the straightjacket: cooperatives, employee-ownership models, mission-primacy, for-benefit businesses, social enterprise, social business, fair-trade business, distributive design and stakeholder capitalism, to name a few. These progressive structures could become the norm if political leaders shaped the economy to finance, support and foster such models.

#### **Box 14: Examples of more equitably structured businesses**

High-profile examples of more equitably structured businesses include:

- Divine Chocolate: a fair-trade business partly owned and governed by farmers' groups.
- John Lewis: owned by employees.
- Huawei: profits shared with workers.
- Fairphone: governed to prioritize a social mission.
- Grameen-Danone Foods: a social business focused on how it impacts consumers.
- Amul: owned and controlled entirely for the benefit of millions of farmers.

By moving away from prioritizing only shareholders and investors, these companies have been able to share risk, reward and power more equitably.

Studies show that employee-owned companies generate more employment growth and higher pay for their employees.<sup>361</sup> Mondragon is a Spanish multinational cooperative that has a turnover of \$13bn and employs 74,000 people. Decision making is democratic, job security is promoted, and the highest paid earns no more than nine times the lowest.

Global companies have a pivotal role to play in supporting equitable businesses in their supply chains. This can complement other efforts to address social and human rights issues. By supporting suppliers to incorporate more equitable structures, companies can help ensure their supply chains are more secure and sustainable over the long run.

Another key way to ensure that returns are better distributed and able to influence the direction of the economy in fairer ways is for governments to engage in greater public and part-public ownership of industries and businesses. This has been intellectually out of favour for many years as it has contradicted conventional neoliberal economic wisdom. Yet some of the most equal and economically successful societies such as those in Scandinavia continue to publicly own large sections of their economies, ensuring that the benefits of economic success deliver a return for the ordinary citizen, not the rich shareholder.<sup>362</sup> This is particularly true in areas of the economy that are prone to monopoly.<sup>363</sup>

Further innovation in business models will be critical to success. It is now time to give ourselves the licence to shape and design businesses with the deliberate intention of spreading wealth, income and opportunity most broadly. We need an explosion of innovation focused on businesses designed to work best for the people they impact. This will see more people working in better jobs for better rewards.

#### **Box 15: Oxfam and the Fair Trade movement**

Working towards more equitable business is not new territory for Oxfam. Over the years, Oxfam has founded and supported many such businesses. This has included co-founding successful enterprises such as Cafe Direct, and supporting dozens of community-level enterprises around the world through the Enterprise Development Programme, the Women in Small Enterprise programme and others. Through its role in the Fair Trade movement, and as a founder of the Fairtrade Foundation, Oxfam has always promoted models of enterprise that distribute risk, reward and power more equitably. It is time to redouble these efforts, and build an economy that will foster and spread these models far and wide.

While government should play the leading role in regulating corporations to ensure a level playing field, corporations themselves can still do a huge amount to make the world a more equal place.

## REDISTRIBUTION IN A HUMAN ECONOMY

Through spending and taxation, governments have enormous power to redistribute and reduce inequality.<sup>364</sup>

### Public spending

Evidence from more than 150 countries, rich and poor alike, spanning more than 30 years,<sup>365</sup> shows that investment in health, education and social protection reduces inequality. This is because government spending can help to reduce income inequality by putting either a 'virtual' or actual income into everyone's pockets.<sup>366</sup> This has been shown to reduce income inequality by an average of 20% across the OECD;<sup>367</sup> one recent review of 13 developing countries found that spending on education and health accounted for 69% of the total reduction in inequality.<sup>368</sup>

When governments provide free or heavily subsidized, good quality public services, the poorest people use the minimum amount of their low earnings to pay for them. For the lowest paid, the cash value of these services can be more than their actual wage earnings.<sup>369</sup>

Good public services disproportionately benefit women, as they reduce the need for unpaid care and redress inequalities in access to education and health services. This benefit is increased when combined with specific measures like free childcare provision.

Privatized education and healthcare have been shown to increase both economic and gender inequality, as they are only available to those able to pay.<sup>370</sup> Private education can also reduce social mobility, further increasing inequality and locking it in for future generations<sup>371</sup>

Today's redistribution is tomorrow's pre-distribution: investing in the education and health of all children to maximize their opportunities, and ensure a society built on talent rather than privilege.

The impact of 'in-kind' services can be boosted if governments provide direct cash support, including through social welfare programmes such as cash transfer schemes. These provide protection for citizens against unforeseen circumstances, or help to ensure that the poorest people get a boost to their incomes.<sup>372</sup> Governments should live up to the ambition of the ILO's Social Protection Floor,<sup>373</sup> and ensure coverage is universal.

*Today's redistribution is tomorrow's pre-distribution.*

### Taxation can also be a powerful equalizing tool

Taxation can and is used to reduce inequality. By taking more from the rich than from the less wealthy, tax contributes directly to reducing the gap between rich and poor. It can also play a major role in structuring the economy, reducing market inequalities by reducing the incentives for excessively high profits, shareholder returns and executive pay. Taxation can be used to encourage investment in new technologies and different kinds of businesses that enable workers to secure more of the profits, have more of a say and help build a more sustainable, more human economy. Finally, the revenue from tax plays a vital role in funding public services like healthcare and education.

Far more can be done to use tax to tackle the excessive returns on capital. To do this, governments must tax both rich individuals and rich corporations. They must pay greater and more comprehensive taxation, and they must no longer be able to avoid paying the tax that they owe.

We need to see coordinated global action to stop tax dodging by rich corporations and individuals and end the era of tax havens. We need to see an end to the race to the bottom on tax rates. Unacceptably low levels of taxation should no longer be a part of the competition between nations for attracting business.

The global declines in progressive tax rates and collection need to be reversed. Governments should follow the lead of Chile and South Africa, which have both increased taxes on rich corporations and individuals.<sup>374</sup> We need to see the widespread introduction of taxes on property, capital gains and inheritance. Direct taxation of wealth should also be reintroduced. New forms of taxation, such as the tax on robots proposed by Bill Gates, should be introduced. Oxfam has shown how a global tax of 1.5% on the wealth of the world's billionaires could pay for every child to go to school.<sup>375</sup>

## RECOMMENDATIONS

Governments and international institutions need to recognize the impact of the current mainstream neoliberal economic model on the world's poor. Then they must work to develop more human economies that have greater equality as a primary aim. The following recommendations examine what governments, international institutions and corporations should do.

### For governments and international institutions

#### On inequality:

- **Set concrete, timebound targets and action plans to reduce inequality.** Governments should aim for the collective income of the top 10% to be no more than the income of the bottom 40%. Governments should agree to use this measure<sup>376</sup> as the revised indicator for Sustainable Development Goal (SDG) 10 on inequality.<sup>377</sup>
- **End extreme wealth.** To end extreme poverty, we must also end extreme wealth. Today's gilded age is undermining our future. Governments should use regulation and taxation to radically reduce levels of extreme wealth, as well as limit the influence of wealthy individuals and groups over policy making.
- **Work together to achieve a revolution in inequality data.** Every country should aim to produce data on the wealth and income of everyone in society annually, especially the top 10% and the top 1%. In addition to funding more household surveys, other data sources should be published to shed light on income and wealth concentration at the top.<sup>378</sup>
- **Implement policies** to tackle all forms of gender discrimination, promote positive social norms and attitudes towards women and women's work, and rebalance power dynamics at the household, local, national and international levels.
- **Recognize and protect the rights of citizens and their organizations to freedom of speech and association.** Reverse all legislation and actions that have closed space for citizens. Provide specific support to organizations defending the rights of women and other marginalized groups.

#### On designing a fair economy from the start:

- **Incentivize business models that prioritize fairer returns**, including cooperatives and employee participation in company governance and supply chains.

- **Require all multinational corporations to conduct mandatory due diligence** on their full supply chains to ensure that all workers are paid a living wage, in line **with the UN Guiding Principles on Business and Human Rights.**<sup>379</sup>
- **Limit returns to shareholders** and promote a pay ratio for companies' top executives<sup>380</sup> that is **no more than 20 times their median employees' pay**, and preferably less.
- **Eliminate the gender pay gap** and ensure the rights of women workers are fully realized throughout the economy. Repeal laws that discriminate against women's economic equality, and implement legislation and regulatory frameworks that support women's rights.
- **Eliminate slave labour and poverty pay.** Transition from minimum wage levels to 'living wages' for all workers, based on evidence of the cost of living, and with full involvement of unions and other social partners.
- **Promote the organization of workers.** Set legal standards protecting the rights of workers to unionize and strike, and rescind all laws that go against these rights. Allow and support collective bargaining agreements with wide coverage.
- **Eliminate precarious work and ensure all new forms of employment respect workers' rights. Ensure the rights of domestic workers, migrant workers and the informally employed.** Progressively formalize the informal economy to ensure that all workers are protected, involving informal workers in the decision making process.

## On redistributing for a fairer society:

### Public spending

- **Publicly commit to achieving universal free public services and a universal social protection floor.**<sup>381</sup> Scale up public financing and provision to achieve this and ensure contributions to social security or social insurance from employers.
- **Refrain from directing public funding to incentives and subsidies for healthcare and education provision by for-profit private sector companies and expand public sector delivery of essential services.** Strictly regulate private facilities for safety and quality, and prevent them from excluding those who cannot pay.

### On taxation

- **Use tax to reduce extreme wealth.** Prioritize taxes that are disproportionately paid by the very rich, such as wealth, property, inheritance and capital gains taxes. Increase tax rates and collection on high incomes. Introduce a global wealth tax on billionaires, to help finance the SDGs.
- **Call for a new generation of international tax reforms** to end the race to the bottom on tax. Tax rates should be set at a level that is fair, progressive and contributes to reducing inequality.<sup>382</sup> Any new negotiations should take place under the responsibility of a new global tax body that ensures all countries participate on an equal footing.
- **Eradicate the use of tax havens** and increase transparency, by adopting an objective blacklist of the worst tax havens and strong and automatic sanctions against the corporations and rich people that use them.

## Corporations should play their part in building a more human economy.

- **No dividends if no living wage:** Multinational companies can choose to prioritize the well-being of lower paid workers by refraining from rewarding shareholders through dividends or buybacks or paying bonuses to executives and the highly paid

until all their employees have received a living wage (calculated using an independent standard), and steps have been taken to ensure they are paying prices that can provide a living income for workers or producers in their key supply chains.

- **Representation on boards:** Companies should ensure worker representation on boards and remuneration committees and find ways to meaningfully include the voice of other stakeholders, like workers in supply chains and local communities, into decision making processes.
- **Support transformational change in supply chains:** Companies can prioritize sourcing from more equitably structured enterprises in their supply chains – for example, those that are part- or fully-owned by workers or producers; those that have a governance model that prioritizes a social mission; or those that choose to share some or all of their profits with workers. Initiatives such as Oxfam's Fair Value Club<sup>383</sup> are helping companies do just this.
- **Share profits with the poorest workers:** Companies can decide to share a percentage of profits (e.g. 50%) with the lowest wage earners in their supply chains and operations. For example, Cafe Direct<sup>384</sup> shares 50% of profits with coffee farmers.
- **Support gender equality in the workplace:** Commit to the UN Women's Empowerment Principles<sup>385</sup> and to the relevant ILO Conventions (C100, C111, C156, C183)<sup>386</sup> to demonstrate commitment to gender equality; implement a gender policy covering hiring, training, promotion, harassment and grievance reporting; and publish the gender pay gap for all levels of the company, and commit to eliminating these gaps.
- **Reduce pay ratios:** Publish the company's pay ratio between CEO and median pay, and commit to reducing this ratio to at least 20:1.
- **Support collective bargaining:** Publicly commit to meaningful and constructive engagement with independent trade unions on an ongoing basis, and – in partnership with unions themselves – work to remove barriers to women workers participating in unions, especially in leadership positions, and promote other means to enable women workers to raise their voices safely and effectively.

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