



THE COMMITMENT TO REDUCING INEQUALITY INDEX 2022

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

Executive summary

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

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

[Methodology note](#)

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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

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

THE CRI INDEX 2022: METHODOLOGY AND RESULTS

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

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

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

OVERALL RESULTS

THE TOP AND BOTTOM PERFORMERS

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

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

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

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

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

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

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

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

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

Those that have moved up

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

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

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

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

Those that have fallen

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

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

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

RESULTS FROM THE THREE PILLARS

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

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

OVERALL PUBLIC SERVICES PILLAR RESULTS

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

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

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

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

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

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

COVERAGE LEVELS BARELY IMPROVING EVEN BEFORE COVID-19

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

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

SLIGHT INCREASE IN IMPACT OF SPENDING ON INEQUALITY

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

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

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

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

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

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

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

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

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

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

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

OVERALL TAX PILLAR RESULTS

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

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

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

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

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

HARMFUL TAX PRACTICES FALLING BUT PROFIT SHIFTING NOT FOLLOWING SUIT

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

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

SHARP FALL IN TAX COLLECTION

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

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

TAX SYSTEMS BECAME LESS INEQUALITY-EXACERBATING

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

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

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

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

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

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

OVERALL LABOUR PILLAR RESULTS

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

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

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

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

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

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

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

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

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

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

LABOUR RIGHTS COVERAGE

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

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

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

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

CONCLUSION AND RECOMMENDATIONS

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

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

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

HALTING AND REVERSING THE INEQUALITY EXPLOSION: RECOMMENDATIONS FOR GOVERNMENTS

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

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

4. Workers' rights and wages:

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

RECOMMENDATIONS FOR THE INTERNATIONAL COMMUNITY

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

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

NOTES

- ¹ E. Berkhout, et al. (January 2021). *The Inequality Virus: Bringing together a world torn apart by coronavirus through a fair, just and sustainable economy*. Oxfam. <https://www.oxfam.org/en/research/inequality-virus#:~:text=The%20virus%20has%20exposed%2C%20fed,individuals%20and%20corporations%20%E2%80%93%20are%20thriving>
- ² Iran, Kiribati, Tonga and Tuvalu have been added to the list of countries covered since 2020. The full global and regional rankings are shown in the Annex, and are available in more detail at www.inequalityindex.org.
- ³ For a full discussion of the evidence that action in these three areas has a large bearing on inequality, see the Commitment to Reducing Inequality Index 2018 report. <https://www.oxfam.org/en/research/commitment-reducing-inequality-index-2018>
- ⁴ For details of the methodology, see the index methodology note
- ⁵ The rises for Mauritius, Morocco and Singapore largely reflected reductions in their tax-haven-like behaviour rather than domestic policy changes.
- ⁶ Reuters. (25 March 2022). *Ghana announces sweeping spending cuts to tackle deficit*. <https://www.reuters.com/world/africa/ghana-announces-sweeping-spending-cuts-tackle-deficit-2022-03-25/>
- ⁷ Oxfam and DFI (October 2022). The Commitment to Reducing Inequality Index.
- ILO. (2022). World Social Protection Report 2020-22 <https://www.social-protection.org/gimi/ShowWiki.action?id=629#stat>.
- ⁸ J. Walker, et al. (October 2022). *The Commitment to Reducing Inequality Index 2022*. Oxfam and DFI. <https://policy-practice.oxfam.org/resources/the-commitment-to-reducing-inequality-index-2022-621419/>
- ⁹ The International Labour Organization (ILO) definition of 'vulnerable employment' is used as an indicator for workers not covered by labour rights. This is typically tied to 'family workers' and 'own account workers' – based on the International Classification of Status in Employment (ICSE) – including both informal and non-contractual workers. See methodology note for more information. This is the best cross-country data set on workers who are not entitled to employment rights.
- ¹⁰ As the UN has been doing in its SDG Progress Report – see https://unstats.un.org/sdgs/report/2022/Progress_Chart_Technical_Note_2022.pdf, pages 33–35.

ACKNOWLEDGEMENTS

This report was written by Jo Walker and Matthew Martin from Development Finance International (DFI), and Emma Seery, Nabil Abdo, Anthony Kamande, and Max Lawson from Oxfam, with contributions from Chiara Putaturo.

In DFI, Matthew Martin led the labour data compilation team and writing of the tax chapter. Jo Walker was the CRI Index Project Manager and author of the labour chapter. David Waddock designed and implemented the overall database and led the tax data compilation team. Maria Holloway led the public services data compilation team. In Oxfam, Anthony Kamande was the Commissioning Manger, coordinated Oxfam work, and gave research support. Nabil Abdo wrote the COVID-19 and International Institutions Chapter. Chiara Putaturo, Susana Rodriguez, and Martin-Brehm Christensen compiled data on harmful tax practices. Anthony Kamande and Jonas were involved in checking the database. Nguyen Quang Thai gave research support. Alvic Padilla, formerly with Christian Aid in the Philippines, provided excellent contributions.

Anthony Kamande, Charlotte Friar, David Waddock, Diana Kallas, Didier Jacobs, Gerald Byarugaba, Grazielle Custódio, Helen Bunting, Ivan Nikolic, Jo Walker, Jonas Giefeldt, Kwesi Obeng, Lusungu Kacheche, Maria Holloway, Matthew Martin, Max Lawson, Nabil Abdo, Nadia Daar, Romao Xavier, and Ruud Huurman played a major role in overseeing the project and improving the CRI Index methodology. Vital contributions were made by many Oxfam affiliates and country offices, as well as sectoral lead experts within Oxfam, improving data quality with more recent data sources, as well as clarifying national policy trends.

Giulio Caperna, Oscar Smallenbroek, Matija Kovacic, and Eleni Papadimitriou at the Competence Centre on Composite Indicators and Scoreboards (COIN), part of the European Commission Joint Research Centre, provided excellent overall support and advice on the index and the robustness assessment, which is available as a [separate appendix](#).

Finally, Development Finance International and Oxfam are extremely grateful to the Open Society Foundation and Oxfam affiliates for financing the work which has produced the Commitment to Reducing Inequality Index.

For more information on the Commitment to Reducing Inequality Index, actions you can take to fight inequality across the world, and to see the underlying data and methodology for the report, please see <http://www.inequalityindex.org>

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

© Development Finance International and Oxfam International October 2022

This publication is copyright but the text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged. Email policyandpractice@oxfam.org.uk

The information in this publication is correct at the time of going to press.

Published by Oxfam GB for DFI and Oxfam International under

ISBN 978-1-78748-932-5 in October 2022.

DOI: 10.21201/2022.9325

Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

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

DEVELOPMENT FINANCE INTERNATIONAL

Development Finance International is a non-profit capacity-building, advocacy, advisory and research group which works with more than 50 governments, international institutions and civil society organizations worldwide to help development financing fight poverty and inequality. For more details see www.development-finance.org and www.governmentspendingwatch.org

OXFAM

Oxfam is an international confederation of 21 organizations, working with its partners and allies, reaching out to millions of people around the world. Together, we tackle inequalities to end poverty and injustice, now and in the long term – for an equal future. Please write to any of the agencies for further information or visit www.oxfam.org.

