Original Article

INCOME INEQUALITY IN EMERGING MARKET ECONOMIES: A MULTI-COUNTRY STUDY OF BRAZIL, INDIA AND SOUTH AFRICA

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Abstract

Inequality refers to the extent to which income is evenly distributed across a population (IMF, 2022). The World Inequality Report (WIR, 2022) reveals the latest trends in global income inequality. It shows that the richest 10% of the global population currently earns 52% of global income, while the poorest half of the population takes 8.5% of it. In emerging market economies, indications are that income inequality is rising; sometimes accompanied by accelerating economic growth. Reports reveal that Brazil's six richest individuals command the same wealth associated with the poorest 50% of the population, or about 100 million people. The World Inequality Report (2021) reveals India as a poor and unequal country, with the bottom half of the population earning only 13% of the nation's income, while the top 10% controls 57% by 2021. In South Africa, the IMF (2020) acknowledges that the nation's inequality has remained at high levels, perhaps the highest in the world. This is characterized by a highly skewed income distribution pattern, with the top 20% of the population controlling 68% of national income. These developments hold grave implications for emerging markets, particularly their ability to meet the 2030 Sustainable Development Goals. The main objective of this paper is to explore income inequality in emerging market economies, with a multi-country study of Brazil, India and South Africa. The methodological approach to the study involves both qualitative and quantitative analytical techniques. It relies on secondary data in publications from various sources, complemented by interviews of stakeholders in the study areas. Findings reveal the income inequality is undermining economic growth and development in emerging markets, fueling conflicts and triggering migration in some countries. The paper presents recommendations, underpinned by progressive taxation, social safety nets, gender equality, development of social services, and leveraging economic and financial incentives for labour-intensive industries.

Keywords: Income inequality, Emerging Markets, Brazil, India, South Africa.

1.0 INTRODUCTION

1.1 Preamble

Income inequality remains a threat to inclusive growth around the world. The concept refers to the extent to which income is evenly distributed across a population (IMF, 2022). Indications are that inequality is a growing phenomenon in parts of the developing world. It poses a threat to 70% of the global population, exacerbating the risk of divisions and undermining socio-economic development. A United Nations (2020) report reveals that income inequality has increased, particularly in most developing countries, as well as in some middle-income countries since 1990. However, rising inequality is hardly a universal trend. Indeed, the report reveals that the Gini coefficient, a measure of income inequality, has reduced in most Latin American countries and the Caribbean region, as well as in several African and Asian countries in the past couple of decades.

While several countries have witnessed progress on inequality, income and wealth are increasingly concentrated at the top segment of the population. For example, the United Nations (2020) report reveals that the share of income earned by the richest 1% of the population increased in 59 of 100 countries over the period 1990 to 2015. Meanwhile, evidence also reveals that the poorest 40% earned less than 25% of income in all 92 countries with available data.

The World Inequality Database (WID) (2021), in a report on global income inequality, reveals that the scourge has remained a binding constraint to economic growth and development over a long period of time. An analysis of global income inequality from 1820-2020 by WID (2020) reveals the following findings:

• Global inequality more than doubled between 1820 and 1910, from less than 20% to 40%, and stabilized around 40% from 1910 to 2020;

• Within-country inequality reduced between 1910 and 1980 and rose since 1980;

• Between country inequality has risen between 1910 and 1980 and reducing since 1980;

• The proportion of global income earned by the top 10% highest income segment in the world has oscillated around 50-60% between 1820 and 2020; and,

• The share of global income earned by 50% lowest income segment in the world has generally been around or below 10%

In addition, the report shows that global inequality, measured by the ratio T10/B50, or between the average income of the top 10% and the average income of the bottom 50%, more than doubled between 1820 and 1910, from less than 20 to about 40%, while stabilizing around 40% between 1910 and 2020.

The World Inequality Report (WIR, 2022), published by World Inequality Lab, reveals the latest trends in global income inequality. It shows that the richest 10% of the global population currently earns 52% of global income, while the poorest half of the population takes 8.5% of it. On average, an individual from the top 10% of the global income distribution earns US$22,100.00 per annum, while an individual from the poorest half of the global income distribution earns just US3, 920.00 per year. The WIR (2022) report further shows global inequalities seem to be as high today as they were at the peak of Western colonialism in the early period of the 20th century. Indications are that the share of income currently attributed to the poorest half of the global population is about half of what it was in 1820, prior to the great divergence between Western countries and the poorest people. These trends are revealed in figure 1.

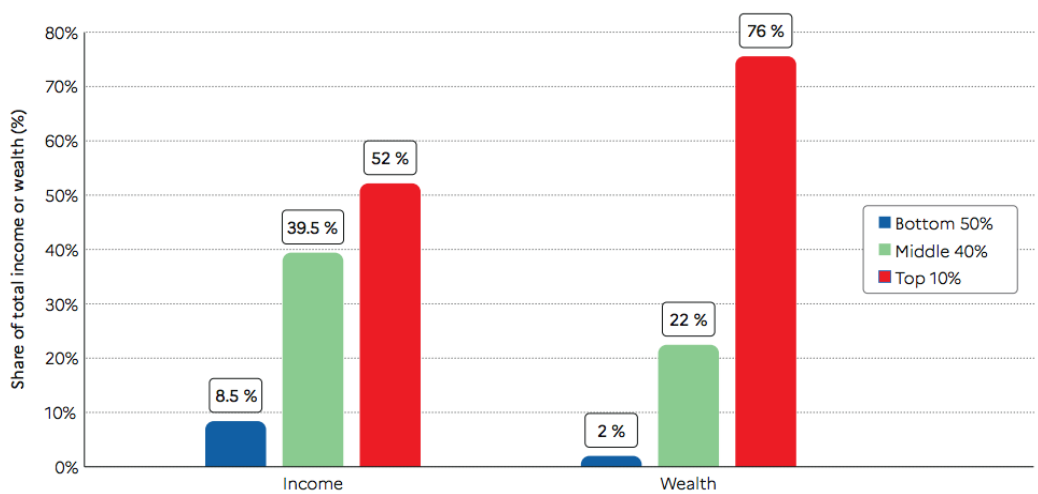

Figure 1: Global Income and Wealth Inequality, 2021

Source: WIR, 2022

Figure 1 reveals that 50% of the global population owns only a paltry 2% of total income. On the other hand, the global top 10% owns 76% of the household wealth and captures 52% of total income in 2021.

It is rather noteworthy that global income inequalities between countries have reduced over the last two decades. However, this is in contrast to the trend within most countries, which has increased. Indeed, the average income gap between the top 10% and bottom 50% of individuals within countries has almost doubled over the same period, according to WIR (2022). The trend in within-country, as well as between-country inequality from 1820 to 2020 is shown in Figure 2.

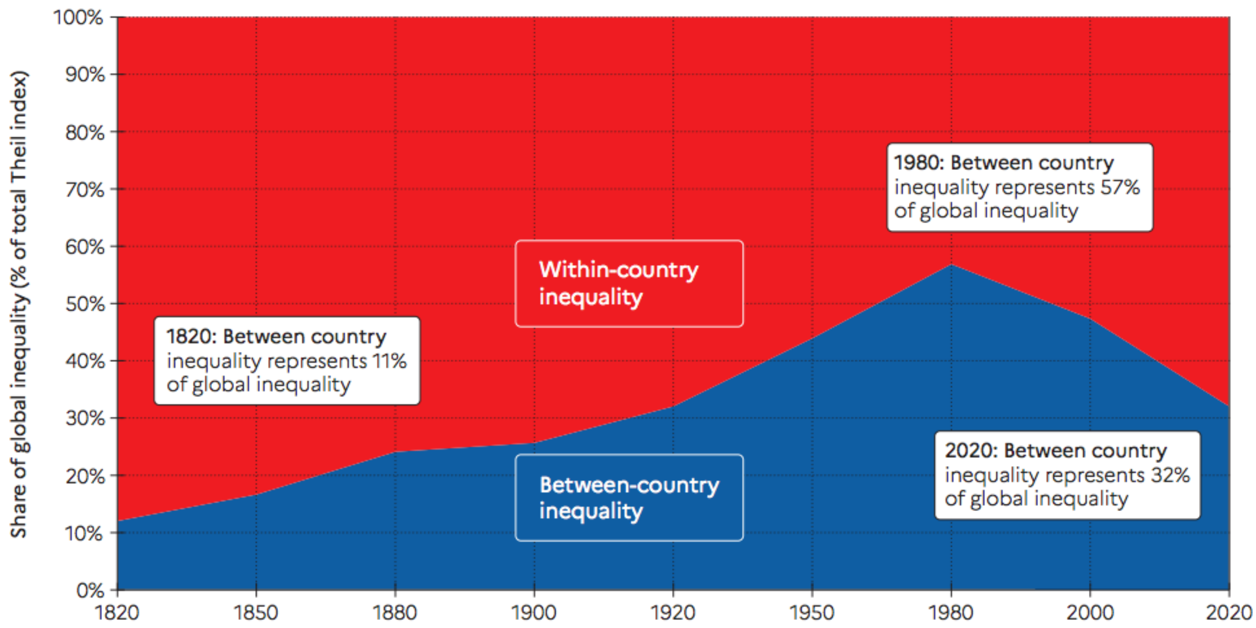

Figure 2: Global Income Inequality: Between vs Within Country Inequality, 1920-2020

Source: WIR, 2022.

Figure 2 reveals that between-country inequality rose over the period 1820 and 1980, and strongly declined since then. It also reveals that in 2020 between-country inequality accounts for about a third of global inequality between individuals, while the balance is attributed to inequality within countries.

Global inequality is driven by multi-dimensional factors. During the 75th Anniversary of the United Nations in 2019, the global body identified inequality as a critical development issue that continues to task policy makers around the world. The United Nations (2019) report acknowledged that inequality is determined by a host of factors, including sexual orientation, class and religion. These factors also drive inequalities of opportunity that persist, both within and between countries. The trend is particularly worrisome in parts of the developing world, where it is assuming alarming dimensions.

The paper is structured into six sections. Section one introduces the concept of income inequality as well as global trends and developments. Section two examines income inequality in emerging market economies. Sections three, four and five spotlight income inequality in Brazil, India and South Africa, respectively. Section six ends the paper with concluding remarks and recommendations.

1.2 Inequality: A Conceptual Framework

Inequality is not only an economic issue; it is a social phenomenon as well. In order to understand the concept of inequality, it is pertinent to examine different perspectives associated with the phenomenon. Milanovic (2007) defines three concepts of inequality. The first (concept 1) is unweighted international inequality, which employs country as the unit of observation, uses its income (or GDP) per capita, disregards its population, and compares the resultant socio-economic profile with representative individuals from all countries around the world. This is indeed a measure of international inequality, given its comparative analysis of countries. It is however, “unweighted”, as each country counts the same. Consequently, Concept I is not a measure of inequality among global citizens. According to Milanovic (2007), the second type of inequality (Concept 2) is the population-weighted international inequality. The concept assumes that everyone in a country receives the same income; however, the number of representative individuals from each country reflects its population size. The concept is only a halfway house to the calculation of a true world income distribution. This leads to concept 3, where inequality is calculated across all individuals in the world. Thus, the concept embraces the individual as the unit of analysis, regardless of country boundaries. Table 1 illustrates the comparison of the three concepts of inequality.

Table 1: Comparison of the three concepts of Inequality

	Concept 1: Unweighted International Inequality	Concept 2: Weighted International Inequality	Concept 3: "True" World Inequality Household Surveys
Main source of data	National Accounts	National Accounts	Household surveys
Unit of observation	Country	Country (weighted by its population	Individual
Welfare concept	GDP or GNP per capita	GDP or GNP per capita	Mean per capita disposable income or expenditures
National currency conversion	Market exchange rate or PPP exchange rate		
Within-country distribution (inequality)	Ignored	Ignored	Included

Source: Milanovic, 2007

Table 1 shows the comparison of the three concepts of inequality, with concept 1 featuring unweighted international inequality, while concept 2 shows weighted international inequality and concept 3 reveals "True" world inequality. It also features various approaches to capturing inequality in the three concepts.

Inequality can also be viewed from other perspectives. The IMF (2022) identifies three concepts related to income inequality. These are life time inequality (inequality in incomes of an individual over a life time); inequality of wealth (distribution of wealth across households or individuals at a moment in time), and inequality of opportunity (effects on income on circumstances over which individuals have no control, such as socio economic profile, gender or ethnic origin). Indeed, all of these inequality concepts are related, but feature different yet complementary perspectives into the causes and consequences of inequality. A proper articulation of inequality requires an accurate measure of the phenomenon. Gini coefficient is a popular measure of inequality (Rohwerder, 2016). The coefficient varies in value, from 0 to 1, with 0 translating to perfect equality and 1 perfect inequality. Unless otherwise stated, Gini income inequality refers to disposable income or consumption, thus reflecting any redistribution through taxes and transfers. Figure 3 illustrates the measure of inequality in various dimensions.

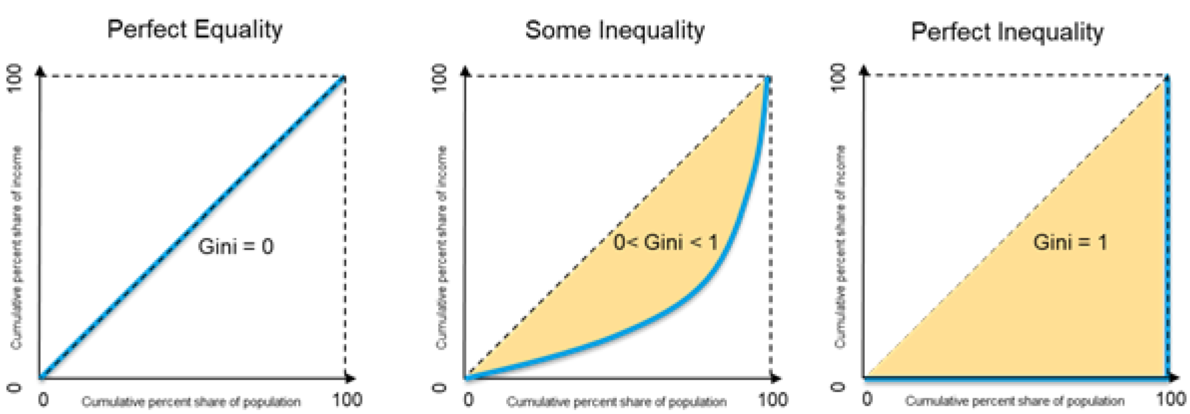

Figure 3: Typology of Inequality, Measured by Gini Coefficient

Source: IMF, 2022

Figure 3 shows various measures of income inequality, ranging from Perfect equality (0 <Gini<1); and Perfect Inequality (Gini = 1).

The Lorenze curve is a popular tool for the measure of inequality. This is a bar graph that captures the share of income attributed to each quintile of the income distribution, as illustrated in Figure 4

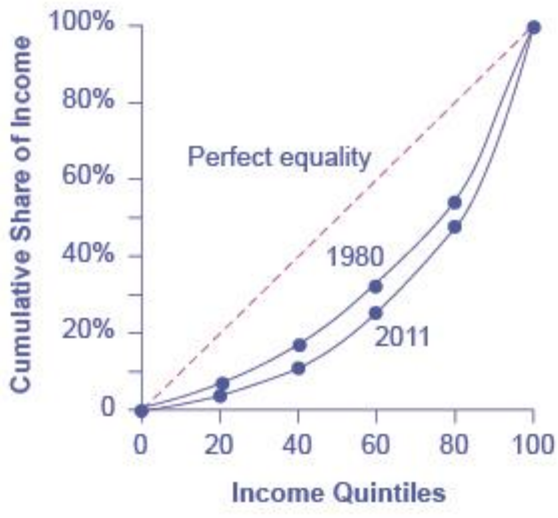

Figure 4: The Lorenze Curve

Source: Rice University

Figure 4 shows the Lorenze Curve, which reveals a broken line sloping up at 45-degree angle. The points along this line show the perfect equality of income distribution. The vertical column reveals the cumulative share of income, while the horizontal row shows Income Quintiles. This means that the bottom 20% of the income distribution receives 20% of the total income, while the bottom 40% gets 40% of total income on a path along perfect equality. The other lines in Figure 4 reflect actual US data on inequality for 1980 and 2011 (Rice University, 2022).

2.0 INCOME INEQUALITY IN EMERGING MARKET ECONOMIES

2.1 Recent Trends and Developments

Emerging market economies (EMEs) refer to a grouping of countries in the process of developing their economies to become more advanced. According to CFI (2022), EMEs make up 80% of the world's population and about 70% of its GDI growth. They comprise BRICS, countries, an acronym referring to Brazil, Russia, India, China and South Africa, and the "Next Eleven" (or N-11) (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea and Vietnam. It should be noted that this is not an exclusive list. Several other countries in Africa, Asia, Latin America and the Caribbean are also acknowledged as EMEs. Cattlin (2019) listed the ten largest emerging market economies, together with their GDPs as follows:

1. China (US$14,092.514 billion)
2. India (US$2,848.231 billion)
3. Brazil (US$2,138.918 billion)
4. Russia (US$1,719.900 billion)
5. Mexico (US$1,212.831 billion)
6. Indonesia (US$1,074.966 billion)

7. Turkey (US$ 909.885 billion)

8. Thailand (US$ 483.739 billion)

9. South Africa (US$ 370.887 billion)

10. Malaysia (US$ 364.919 billion)

The EMEs are playing a significant role in the world economy, accounting for a considerable proportion of annual growth, and the transformation of the global economy (OECD, 2011). A highly heterogeneous group of countries, the EMEs vary in economic size, population, levels of per capita income and growth performance. In general, all EMEs are acknowledged with a prolonged period of relatively robust growth and resilience, even against the backdrop of the 2008-09 global economic downturn.

However, a major element of EMEs' growth profile is rising inequality, which poses considerable threat to inclusive growth in several countries. In a major study of inequality in EMEs, the OECD (2018) report reveals that income inequality is generally higher in EMEs than in most OECD countries. This is particularly true in Latin American countries, except Peru and Uruguay. According to the report, not all emerging countries and Latin American countries have witnessed an increase in income inequality over the previous two to three decades. Indeed, Bolivia, Brazil, Ecuador, Panama, Peru, the Dominican Republic and Uruguay have witnessed a reduction in income inequality, particularly since the early 2000s, albeit from a very high level. On the other hand, Indonesia has tended to become more unequal over time.

The OECD (2018) report further reveals that the size of the middle class (a reference to people with income between 75% and 200% of the median) is considerably smaller in EMEs than in most OECD countries. Also, the income share of the upper class (defined as people with income more than 200% of the median) is often twice as large as in the OECD countries. It is noteworthy that the report reveals that all EMEs covered in the study feature a significantly reduced extreme poverty (i.e. people living on less than US$1.90 per day).

Shaw and Stencil (2011) acknowledge significant levels of inequality in EMEs, from Brazil to China. The authors reveal that in China, the top 10% of the urban population consumes twenty times more than the bottom 10% of the rural population. In India, the most disadvantaged rural area witnessed virtually no rise in per capita expenditure from the mid – 1990s to 2000, in spite of a 20 to 30% jump in the urban areas of wealthy states. The report also reveals that though consumption inequality has declined in Russia, real income has reduced by almost half in the bottom quintile and nearly doubled in the top quintile. Despite progress on inequality in Latin America, the report affirms that it remains high, estimated at 38.5% of urban households in Brazil, who are living in "precarious" conditions. On the other hand, the report reveals that inequality in Mexico declined in the previous decade; however, the top 10 percent's average income is still twenty times that of the bottom 10%. The details of the report are summarized in Table 2.

Table 2: Income Inequality in Emerging Market Economies, mid-1990s- mid-2000s

	Income ratio of top decile to bottom decile		**Gini Coefficient**	
	Mid-1990s	**Mid-2000s**	**Mid-1990s**	**Mid-2000s**
Brazil	47.1	38.6	59.2	56.4
China (rural)	7.7	9.1	33.6	35.9
China (urban)	6.2	9.2	29.1	34.8
India (rural)	5.9	6.4	28.6	30.5
India (urban)	7.9	9.6	34.3	37.6
Mexico	31.0	24.5	53.7	50.1
Russia	24.3	10.7	46.1	37.5

Note: All indicators are based on consumption inequality, except those for Brazil and Mexico, which are based on income inequality.

Table 2: Income Inequality in Emerging Market Economies, mid-1990s- mid-2000s

	Income ratio of top decile to bottom decile		Gini Coefficient	
	Mid-1990s	Mid-2000s	Mid-1990s	Mid-2000s

Source: World Bank PovcalNet.

Table 2 reveals the income inequality profile in selected EMEs from the mid-1990s to Mid-2005. It compares the income ratio of the top to the bottom decile, as well as indicating the Gini Coefficient over the same period.

Indications are that worrisome levels of income inequality in EMEs are now exacerbated by the COVID-19 Pandemic, which has devastated the global economy since 2020. This development has partly reversed gains recorded on income inequality over the previous two decades.

Findings from World Bank (2022) report shows simulations for a sample of 34 EMDEs with adequate data that income inequality measured by Gini Index, has increased in 2020 by 0.3 points, reversing the continued decline in income inequality associated with EMDEs since the 2000s. However, the magnitude of the increase is deemed relatively small, compared to an annual average decline in within-country inequality in the preceding two decades in the sample. This is illustrated in figure 5.

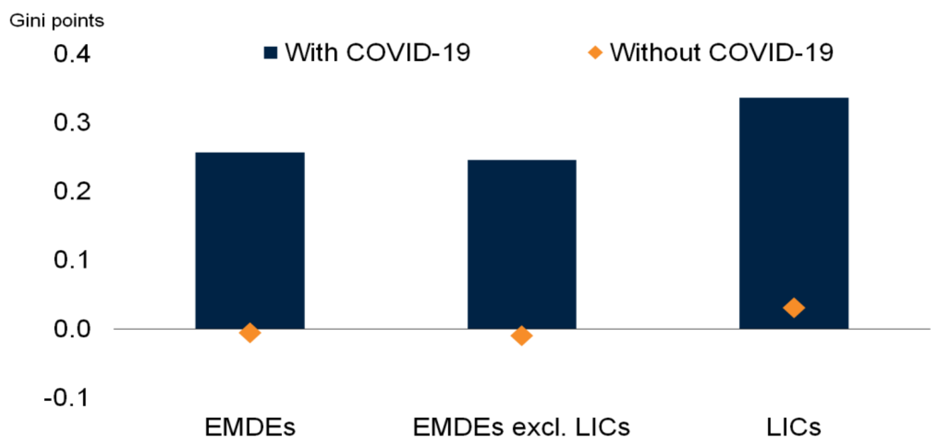

Figure 5: Average Change in the Gini Index in the COVID-19 scenario and no-pandemic counterfactual scenario

Source: World Bank, 2022

Figure 5 shows the difference between the estimated average change in the Gini index in the COVID-19 scenario and the no-pandemic-counterfactual scenario. The simulations estimated the changes in the income distribution of households in a sample of 34 countries.

In a report on the world economic situation and prospects in 2020, the United Nations (2020) acknowledges the nexus of COVID-19 pandemic and income inequality. It reveals the pandemic crisis is wreaking havoc on labour markets in EMEs, as millions of people are either out of jobs or coping with reductions of their income against the backdrop of lockdowns at the dawn of the COVID-19 pandemic. This development has exacerbated pre-existing inequalities. For example, in India, unemployment surged above 20% in April, 2020, while in Brazil unemployment trended to an all-time high above 14% and in Nigeria unemployment rose above 30%. These developments hold grave consequences for pre-existing inequalities as shown in Figure 6.

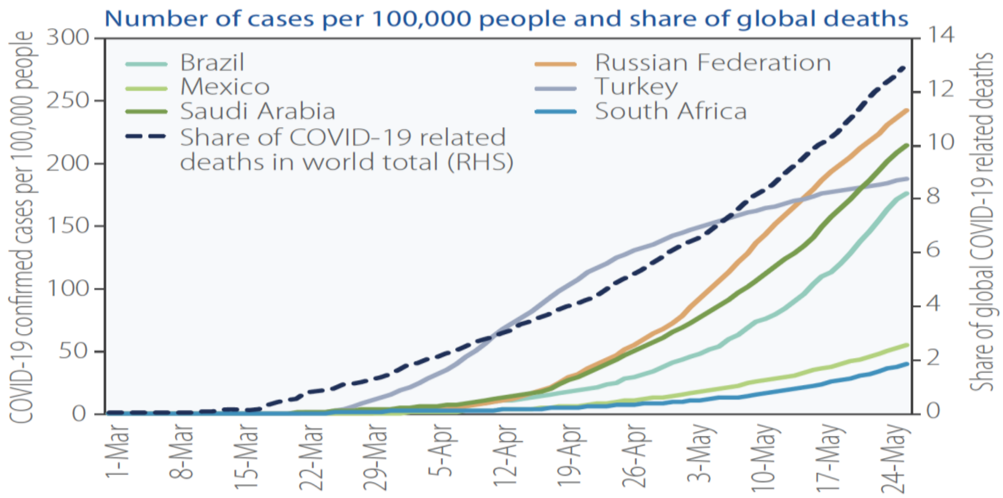

Figure 6: The Impact of the COVID-19 Pandemic on Emerging Market Economies, May, 2020

Source: UN DESA, 2020

Figure 6 shows COVID-19 is exacerbating pre-existing inequalities, as the scourge impacts educational, gender, age, racial and migration divides. The United Nations (2020) report reveals that COVID-19 has spawned pre- existing inequalities in emerging markets' labour conditions. Elevated informality, driven by the pandemic in EMEs, is assuming a disturbing trend. For example, India, Indonesia and Mexico feature informality rates above 60%, while in Brazil and South Africa, informality is between 30 and 40%.

2.2 Consequences of Income Inequality

The consequences of income inequality are multi-dimensional, ranging from negative economic outcomes, conflict and migration, among others. The IMF, in a 2015 report acknowledges that higher income inequality lowers growth by depriving the ability of low-income households to stay healthy and accumulate physical and human capital. It noted that countries with higher levels of income inequality tend to feature lower levels of mobility between generations, with parent's earnings becoming a more important determinant of children's earnings.

The effect of inequality on aggregate output was elaborated in a paper by Brucker and Lederman (2015). The study presents estimates of the within-effects that income inequality has on aggregate output. Findings in the paper reveal that for the average country in the sample during 1970-2010, increases in income inequality reduce GDP per capita. Specifically, the findings reveal that, on average, a 1% increase in the Gini coefficient reduces GDP per capita by about 1.1.% over a five year period; however, the long-run (cumulative) effect is larger, amounting to around -4.5%. The study therefore concludes that increases in the level of income inequality have a negative long-run impact on the level of GDP per capita.

An OECD (2018) report on inequality in emerging market economies reveals that rising inequality has negative effects on socio-economic outcomes. It acknowledges significant gaps in educational outcomes in low-income households. Rising inequality also has detrimental impact on health outcomes in emerging markets. The case of South Africa, where the probability of dying before age 70 is particularly high, is a sobering reflection of life expectancy.

In an empirical study on income inequality and health outcomes in emerging Asian economies, Chang and Gao (2021) acknowledge that income inequality has been rising dramatically in the region over the past few decades, with serious consequences for health outcomes. The study explores the impact of income inequality on health outcomes in emerging Asian economies from 1991 to 2019. Findings reveal that income inequality has a negative effect on life expectancy, particularly in the long run.

3.0 INCOME INEQUALITY IN BRAZIL

3.1 Preamble

Brazil is the largest economy in South America and is the eighth largest in the World (Amadeo, Kelly and Rubu, 2022). Its economic output in 2019 is estimated at US$3.22 trillion, measured by purchasing power parity (PPP). However, the nation's economic performance has faltered over the past few years, fuelled by the global economic recession. The trend is illustrated in Table 3.

Table 3: Brazil: Key Macroeconomic Indicators, 2015-2019

	2015	**2016**	**2017**	**2018**	**2019**
Population (million)	203	205	207	208	210
GDP per capita (USD)	8,827	8,774	9,973	9,040	8,760
GDP (USD bn)	1,796	1,800	2,063	1,885	1,839
Economic Growth (GDP, annual variation in %)	-3.5	-3.3	1.3	1.3	1.1
Domestic Demand (annual variation in %)	-6.3	-4.8	1.5	1.9	1.7
Consumption (annual variation in %)	-3.2	-3.8	2.0	2.1	1.8
Investment (annual variation in %)	-13.9	-12.1	-2.6	3.9	2.2
Industrial Production (annual variation in %)	-8.3	-6.6	2.9	0.8	-1.1
Retail Sales (annual variation in %)	-4.2	-6.6	2.5	2.3	1.8
Unemployment Rate	8.5	11.5	12.7	12.3	11.9

Source: Focus Economics, 2022

An analysis of Table 3 shows Brazil's annual GDP faltered steadily, declining from-3.5% in 2015 to -3.3% in 2016. However, it increased modestly in both 2017 and 2018 at 1.3% and declined slightly to 1.1% in 2019.The nation's economic outcome also reveals rising unemployment rates, driven by falling output over the period 2015 to 2019.

3.2 Recent Trends and Developments

Inequality is a perennial issue in Brazil, dating back to the colonial era. This development has prompted Brazil to be perceived as one of the most unequal societies in the world (Oxfam, 2021, Tomaghi, 2021). However, Brazil's success in slashing extreme poverty from 12 to 4% of the population between 2004 and 2014 lifted millions out of the vicious circle of poverty into a virtuous circle of prosperity. This development also had positive effect on mediating inequality, which declined from 0.60 in 1990 to 0.51 in 2014 (World Bank, 2016). Yet, inequality remains high in Brazil. An IMF (2017) report reveals that "adjusted" Gini coefficient for Brazil has declined at the country level from 0.55 in 2004 to 0.50 in 2014. The adjusted income measure is aimed at facilitating comparison across the states in Brazil, according to the IMF report. The report shows that there was pronounced decline in equality among the country's regions between 2004 and 2014. However, within-state income distributions vary across the states. For example, in 2014, the Gini coefficient of the most unequal state was 18% higher than the national Gini ratio, while the Gini coefficient of the least unequal state was almost 20% lower than the national ratio. These differences according to the IMF (2017) report were narrower than in the past, with the standard deviation of state Gini coefficients declining from 0.035 to 0.033 between 2004 and 2014. Between – states inequality also declined as a share of total inequality, as income rose faster, particularly in the poorer regions of the North, Northeast and Midwest. Therefore, convergence in average incomes led to declining share of total inequality depicted by between-state inequality.

In another study of inequality in Brazil, Neri (2019) affirmed that Brazil has been one of the most unequal countries in the World since the 1970s until the beginning of the Millennium, when inequality fell every year until 2014. The author reveals that after three decades of persistently high inequality, Brazil began to witness a decline until 2014. The trend towards equality was accompanied by an acceleration of GDP growth, as well as household income. The study shows that while the falling inequality in Brazil was average for Latin America countries, the high household income growth associated with the GDP was however unique to Brazil. Indeed, between 2002 and 2012, Brazil was ranked third among the 17 Latin American countries in respect of household income growth. Until 2014, median income grew three fold faster than the GDP on average, and for the bottom 5%, incomes spiked fivefold. Between 2003 and 2015, the yearly income growth of the bottom 40% was 6.39%, in a development that exceeded average income growth rate of 3.79%. Figure 7 shows social welfare (Gini per capita earning) based across concepts and data sets.

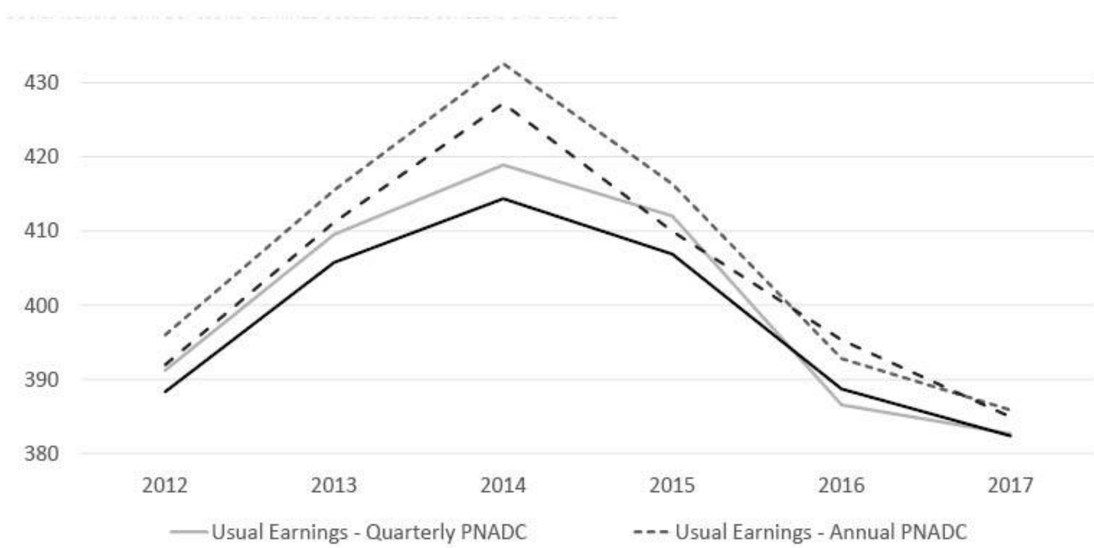

Figure 7: Inequality in Brazil across various data sets, 2012-2017

Source: Neri, 2019

It is noteworthy that after of persistently high inequality, the Gini coefficient for Brazil fell to 0.52 in 2014, according to Neri (2019). However, indications are that the trend was reversed in 2015, driven by changes in the labour market. The author reveals that there was an increase in the level of earnings' inequality for almost every quarter between 2015 and 2018, spiking labour inequality for four consecutive years.

In a report on inequality in Brazil, Oxfam (2021) affirms the deteriorating state of income inequality in decades. According to the Oxfam (2021) report, compared to its neigbours; Brazil is 35 years behind Uruguay and 30 behind Argentina. In an attestation to the level of inequality in Brazil, the report noted that an individual earning the minimum monthly wage would have to work for 19 years to earn the same money a Brazilian from the richest 0.1% of the population makes monthly. Also, the report reveals that Brazil's six richest individuals command the same wealth associated with the poorest 50% of the population, or about 100 million people. Also, the nation's richest 5% have the same income as the remaining 95% of the population.

Meanwhile, indications are that the COVID-19 pandemic has exacerbated the already high state of rising trend of inequality in Brazil. Tomaghi (2021) affirms the rising trend of inequality in Brazil in recent times. The author reveals that Brazil's Gini coefficient has risen to 0.674 in the first quarter of 2021, the highest level ever recorded. Latest findings reveal that earnings for the poorest 40% shrank by a third in 2020, while the top 10% of earners lost only a paltry 3% of their income in the same year.

3.3 Causes and Consequences

The causes and consequences of inequality in Brazil are widely debated in literature (OECD, 2011, 2018; United Nations, 2020; World Bank, 2022). In a World Bank (2004) report on inequality and economic development in Brazil, four major causes of inequality were identified as follows:

i. Distribution of assets across the population might be more unequal than in other countries. Critical assets are educational attainment, land and capital;

ii. Price differential of these assets – particularly education – might be steeper in Brazil than elsewhere.

iii. It may well be that Brazil's excess inequality arises neither from unequal distribution of assets nor excessive wage differential by skill, but from behavioural differences or differential patterns of use of these assets. Indeed, labour force participation, occupational choice, and fertility decision may well account for considerable differences in the distribution of household per capita incomes.

iv. The distribution of claims and entitlements to state transfers might be less progressive than in other countries, with particular emphasis on retirement pension programmes.

Corrigan (2015), in a report on inequality in Brazil, identified poor education and health outcomes as factors fueling inequality. Indeed, only three of Brazil's upper-middle-income country peers rank lower on perceptions of the quality of education; yet only three spend a higher proportion of their GDP on education, an indicator that Brazil's education system delivers poor value for money. According to the author, Brazil's education system is failing children, particularly from less-wealthy families.

In a study of social inequality in Brazil, Jakobeit (2010) acknowledges the prevalence of high inequality in Brazil. The author identified the colonial history, as well as industrialization and welfare policies as driven of inequality. Regarding the former, the author noted that the Portuguese colonial era in Brazil was characterized by anti-egalitarian, patrimonial and personal values, which ensured retention of power in the hands of the elite and the obedience of the rest. For example, the colonial administration neglected education, as the first university in Brazil was only established in 1932, much later than in other Latin America countries. In addition, slavery was widespread during the colonial era as a source of cheap labour, which reinforced social stratification in Brazil. The economy under the Portuguese colonial empire had a strong focus on mining and agriculture, resulting in extreme regional inequalities. On the other hand, the latter driver of inequality is associated with the industrialization and welfare policy of President Vargas (1930 – 49; 1950 -54). His policies reinforced inequality, as he established laws in favour of urban workers, who constituted a small proportion of the population, while rural workers were excluded from social welfare.

The consequences of inequality in Brazil are sobering and multi-dimensional. In a study of Inequality, violence and ecology in Brazil, Minayo (1994) traced the foundation of inequality in Brazil to the colonial era. The author attributed the so-called "lost decade" (the 1980s) to the concentration of income within the top echelon of Brazil's social pyramid. The author further reveals four types of social violence, all fueled by extreme inequality that permeates the Brazilian society. According to the author, the first is structural violence, associated with the economically and politically dominant class and group, unleashing violence through laws and institutions to perpetuate class privileges over the majority of the population. The second type is cultural violence. While it is similar to structural violence, it embraces more features, including male chauvinist domination, or 'machismo," with consequences to racism, nationalism, colour prejudice, as well as imposition of adults over other age groups, and the suppression of cultural expression, particularly of minority groups, which undermines their human dignity. The third type is delinquency, which is a manifestation of the decay in traditional values. It features deeply ingrained male chauvinism, disrespect for individual and social rights, consumerism generated by materialistic expectations that promote profit as a higher value, as well as the demoralization of national authorities, governments, politicians and the elites. The fourth type of violence is resistance by socio-economically, politically and culturally dominated class against the forces of subjugation.

Another element of extreme inequality in Brazil that fuels conflicts is the land issue. Economic inequality is rife in Brazil, rooted in geography, class, land distribution, and access to education. In a study by Talarico (2007), it was revealed that, land ownership inequality in Brazil is staggering, with 50% of arable land owned by a paltry 4% of the population. While the 350,000 indigenous people in Brazil may claim ownership of 11% of the land; in practice, they are denied real ownership through years subjugation by powerful land owners that trace their ancestry to the Portuguese colonists. The struggle for land equality in Brazil has led to the emergence of the largest social movement in Latin America.

Perhaps no other issue has brought to light Brazil's inequality than the COVID-19 pandemic, which emerged in China late in 2019 and has since spread across the world. Fueled by health inequality, Brazil has suffered high levels of mortality and morbidity, arising from the pandemic. By end-September, 2021, the nation witnessed more than 590,000 deaths, second only to the United States; in addition to 21 million cases of the pandemic, ranking it behind the United States and India. Indeed, Brazil accounted for 16% of all recorded COVID-19 related deaths worldwide since its peak in March, 2021 (World Bank, 2021).

3.4 Strategies to Tackle Inequality

Given the high levels of income inequality in Brazil, policy makers have employed different strategies to tackle the scourge. Adopting minimum wages has played a critical role in reducing income inequality in Brazil. The redistributive impact of minimum wage lies on its potential to raise earnings at the bottom levels of wage distribution (particularly for poor workers) more than those at the middle or top levels of the distribution (higher earners). Although, this may not be uniform, the trend was observed in the formal sector for 10 of 19 Latin American countries and the informal sector for 14 of 19 countries in the region (Mudronova and Isaacs, 2015). The national minimum wage was increased by 70% between 2004 and 2012 in Brazil, triggering a decline in overall Gini coefficient from 0.58 to 0.52, while wage inequality also reduced from 0.47 to 0.40 and real wage, as well as median earnings increased by 28 and 46%, respectively. The authors further reveal that increases in wages and changes in the distribution of labour earnings accounted for between 40% and two-thirds of the fall in income inequality in the 2000s.

Social expenditure and taxation policies in Brazil are critical to addressing income inequality. These policies play a significant role in tackling poverty and reducing inequality. For example, the pension system features the bulk of social spending in Brazil. However, conditional cash transfers, such as the Bolsa Familia and other social programmes under Brazil Sem Miseria (Brazil without poverty), are becoming effective instruments for combating inequality. While accounting for less than 1% of GDP, indications are that cash transfers are responsible for 13% inequality decline in Brazil (OECD, 2013; 2015). The Bolsa Familia is a conditional cash transfer programme initiated by former president Luiz Inacio Lula da Silva in 2003 as a pillar of Brazil's social welfare strategy. The most basic feature of the programme embraces a payment of 70 reais a person to any family living below the poverty line 140 reais a month. It is noteworthy that over the next ten years, the number of recipient families rose from 3.6 million to 13.8 million, covering about 25% of the population (Watts, 2013). In recent times, recipients have increased considerably to 46 million people, or one in every four families in Brazil. The scheme covers vulnerable segments of the Brazilian population, with 75% of the beneficiaries identified as Afro-Brazilians, while 54% are women (Cirkovic, 2019). Less effective however is the redistributive role of the Brazilian tax system, which actually increases inequality, according to the OECD (2015) report. This is attributed to Brazil's high reliance on indirect taxes, which are regressive; low progressivity of the personal income tax; and a cap on social security contributions. Thus, indirect taxes in Brazil reduce income inequality by 5%, compared to 12% on average in the OECD area.

Improved access to education and healthcare services has played a significant role in lowering inequality in Brazil. Increased access to education has allowed more Brazilians to secure better-paid jobs. In the health sector, progress in universal, publicly-funded healthcare services has played a key role in improving health conditions of the population, particularly those that cannot afford private health insurance.

4.0 INCOME INEQUALITY IN INDIA

4.1 Preamble

India has emerged as the world's fourth largest economy (Amadeo, 2020). Despite the onslaught of the global economic recession in recent times, India's economy has demonstrated resilience, with the GDP rising from 8.0 to 8.3% from 2015 to 2016. It however declined marginally in 2017 to 7.0 and further to 6.1% in 2018 (Focus Economics, 2022a). India's key macroeconomic indicators from 2015-2019 are shown in Table 4.

Table 4: India: Key Macroeconomic Indicators, 2015-2019

	2015	2016	2017	2018	2019
Population (million)	1,283	1,300	1,317	1,334	1,352
GDP per capita (USD)	1,633	1,766	2,018	2,023	2,113
GDP (USD bn)	2,096	2,295	2,657	2,699	2,857
Economic Growth (GDP, annual variation in %)	8.0	8.3	7.0	6.1	-
Consumption (annual variation in %)	7.9	8.1	7.0	7.2	-
Investment (annual variation in %)	6.5	8.5	7.2	9.8	-
Industrial Production (annual variation in %)	3.3	4.6	4.4	3.8	-1.2
Public Debt (% of GDP)	68.8	68.7	69.4	69.4	71.9
Money (annual variation in %)	11.5	6.7	21.8	14.3	10.3
Inflation Rate (CPI, annual variation in %, eop)	4.8	3.9	4.3	2.9	5.9
Inflation Rate (CPI, annual variation in %)	4.9	4.5	3.6	3.4	4.8
Inflation (PPI, annual variation in %)	-3.6	1.8	2.9	4.3	1.7
Policy Interest Rate (%)	6.75	6.25	6.00	6.25	4.40
Stock Market (annual variation in %)	-9.4	16.9	11.3	17.3	-23.8

Source: Focus Economics, 2022a

Table 4 reveals an economy with robust performance, against the backdrop of the global economic recession, which continued to undermine India's trade and investment partners around the world. Sustained economic growth in India, particularly in recent times has implications for income inequality across the nation.

4.2 Recent Trends and Developments

While India's economy is ranked the fourth largest in the world; in an ironic twist, it also features one of the highest income inequalities. In a study of economic inequality in India, John (2021) acknowledges the nation with one of the fastest growing economies in the world, which has lifted millions out of the vicious circle of poverty in recent times. In a paradox, however, India has also witnessed a steady increase in inequality. For example, it is ranked 147 of 157 countries on Oxfam's "commitment to Reducing Inequality" Index in 2018, with a Gini index of 35.2 in 2011. It also ranked 95th out of 157 nations in terms of income inequality, according to John (2021). The author also reveals that India witnessed a 108% increase in the number of billionaires from 2010, bringing the total to 102 by 2020. During the same decade; however, overall poverty spiked by 1%; translating to 30 million people falling below India's official poverty line.

While the top 20% of both urban and rural population increased their level of consumption, the vast majority of the population experienced stagnation. Indeed, India's income inequality is now at its highest since the inception of the Income Tax Act (1922), according to John (2021). While income gaps between the bottom and top earners narrowed between 1951 and 1980, the trend was reversed between 1980 and 2014. Beginning from the 1980s, income share of the top 1% has trended upwards, climbing to 22%, while the share of the bottom 50% fell to 14.7%. Furthermore, during this period, the income growth for the top 0.1% of earners grew by a staggering 1,138%, while the average growth was 187%, and income growth for the bottom 50% was negligible, at 89%. The overwhelming differences between the rich and the poor have caused India to be ranked alongside the world's most unequal societies.

An element of inequality in India is the regional dimension of the phenomenon. In a report by the United Nations (2007) on the state of inequality in India, findings reveal that sharp increases in regional inequality manifested in India, particularly in the 1990s. For example, the per capita Net State Domestic Product (NSDP) of the richest state, Punjab, was about 4.7 times that of Bihar, the poorest. The ratio did increase from 4.2 during the period 1993-94. Indications are that inter-state inequality increased in the 1990s, driven by government's liberalization agenda.

The latest trends associated with income inequality in India were captured in the World Inequality Report (2021). The report reveals India as a poor and unequal country, with the bottom half of the population earning only 13% of the nation's income, while the top 10% controls 57% by 2021. The report acknowledges India with affluent elite, as the top 10% and 1% income earners control 65% and 33% of national income, respectively. India's middle class is rated as relatively poor, with 29.5% of the nation's income. The report also reveals that the bottom 50% of households controls a paltry 6% of national income in 2021, while the top 10% earned more than 20 times that of the bottom half.

4.3 Causes and Consequences

Income inequality in India presents an interesting phenomenon. It is noteworthy that while the nation has lifted millions out of poverty in recent times, accelerated economic growth has also spawned income inequality, in a development that creates a worrisome dimension. India, like in other emerging market economies, features several causes and consequences of income inequality.

In a study on the causes of income inequality in India, Pradhan (2021) identified social inequality as a driver of poor income distribution. The author classified social inequality in the country into three broad categories. Caste, regional and gender inequality, which are examined in turn:

Caste Inequality: This arises from the discriminatory perception associated with different classes of people in the Indian society, with some classified as "pure", while others are regarded as "polluted". The basis of this discrimination is birth, which is firmly rooted in long-held religious beliefs and practices; feeling of superiority and prestige; lack of education which fuels ignorance; as well as old practices of social distancing from people of lower castes.

Regional Inequality: Regional inequality is attributed to the colonial era, when the British colonists developed some urban areas to promote economic benefits for the colonial power. Some geographic regions, particularly the northeastern states, were marginalized, remaining disconnected from "mainland" India for long time. Also, poor infrastructure was a binding constraint to regional economic development. However, the coastal states fare better, driven by trade activities within and beyond India.

Gender inequality was also identified by Padnan (2021) as a main driver of poor income distribution in India. Women have suffered disproportionate and even alarming bouts of sexual harassment, sex-selective abortions, child marriages, high dropout rates in school enrolment, among many others. These developments have fueled income inequality, with women as victims.

In yet another report on the causes of inequality in India, the United Nations (2007) identified the following factors as drivers of inequality and poverty: (i) stagnation of employment generation in both rural and urban areas; (ii) Declining employment was widespread across various sectors of the economy, ranging from agriculture, industry and services; (iii) The problem was exacerbated by economic reform agenda manifesting in commercialization and privatization of state-owned enterprises, particularly during the 1990s; (iv) Also, huge inter-state disparities in healthcare and education remain a cause of inequality in India, with low-income households unable to afford critical healthcare services.

The consequences of inequality in India were revealed in a report by Oxfam International (2019). The report claims that inequalities fuel social conflict in India, particularly among caste groups like Jaats, Maratha, and Patels, who are demanding reservations, but which are opposed by other caste groups already benefiting from such reservations. Indeed, inequalities among ethnic groups have fueled conflict and triggered ethnic movements demanding separate states or autonomous regions, or even complete secession from India. For example, the Northeast has been undermined by several ethnic movements, particularly the Nagas demanding greater Nagalim.

The Oxfam (2019) report also affirmed the consequences of economic inequality on India's public healthcare and education system. It reveals that the upper and middle classes have very little vested interest in well-functioning public healthcare and education system, preferring to access more expensive private healthcare and education facilities.

Consequences of inequalities can be very problematic, particularly for vulnerable, low-income groups in India. Children born to parents in low-income households, for example, are at higher risk of child mortality and morbidity. In a study on the impact of economic inequality in India, ChidFund (2013) reveals that 28% of Indian children born between 2006 and 2010 were underweight at birth, while about 48% of children under the age of 5 were victims of moderate to severe growth stunting attributed to malnutrition.

The consequences of inequality in India were brought to light in the wake of the COVID-19 pandemic. Income inequality has been blamed for the suffering of migrant workers, as well as recent farmers' protests in India. Also, inequality has increased government budget and the burden associated with subsidies, as stimulus packages have been rolled out to provide relief to economically weak sections (EWS)(Oxfam International, 2021).

4.4 Strategies to Tackle Inequality

Inequality challenges in India cannot be overemphasized, particularly in recent times. In a recent report by Oxfam, India (2018); findings reveal the rising state of inequality in the country. Titled 'Widening Gaps: India Inequality Report 2018,' Oxfam, India ranked the nation 147 of 157 countries with the commitment to reduce inequality Index. India was also placed 151st on the index for public spending on healthcare, education and social protection; 141st for labour rights and wages, and 50th for taxation policies.

Despite the inadequacy of India's commitment to tackling inequality, the nation features an array of social protection initiatives, with the overall expenditure on social protection (excluding public healthcare) estimated at about 1.5% of GDP, a level lower than many middle-income countries (United Nations, 2020b). Most social protection programmes in India are designed to address extreme deprivation, particularly food and nutrition insecurity, unemployment, lack of access to healthcare and education services. Contingent social security, on the other hand, covers mostly organized sector workers, who comprise only 8% of India's workforce. In an effort to address inequality in India, policy makers have designed social protection floors, with pre-defined sets of basic social security guarantees, which secure protection and aimed at tackling poverty, vulnerability and social exclusion. Social protection floors comprise two main elements: Basic services, such as availability, continuity, and access to public services (particularly sanitation, healthcare, education, training and family-focused social work support, etc.) The other element comprises social benefits, like essential social transfers, both in cash and in kind paid to the poor and vulnerable to foster food and nutrition security, provide minimum income security, as well as access to essential services, including education and healthcare.

India has evolved a variety of social protection schemes in recent times, both at the national and state levels, catering for different segments of the population. However, the size, increasing informality (90% of the workforce is in the informal economy), as well as heterogeneity of the workforce constrain the effectiveness of social protection, leading to increasing vulnerability among India's workforce. In order to address this challenge, policy makers have designed social health protection through contributory and non-contributory schemes, covering about 140 and 120 million people, respectively. The government also aims to scale-up the non-contributory scheme (PM-JAY) to capture 500 million beneficiaries. Among other things, India government's priorities in the short-term are to (ILO, 2021):

- Better manage the national and state social protection systems, with expanded coverage and increased access by 2022;
- Provide medical insurance for 100 million families through the National Health Protection Mission; and
- Expand old-age pension access for informal workers.

5.0 INCOME INEQUALITY IN SOUTH AFRICA

5.1 Preamble

South Africa features the second largest economy in Africa, behind Nigeria. However, the nation's economy is one of the most advanced on the continent, driven by a robust, technology-led industrial sector, and accompanied by an extensive infrastructure (Heritage, 2022). The economy was already in a weak position in the wake of the COVID-19 pandemic, which weakened it even further. This development led to a contraction of the economy by 6.4% in 2020 (World Bank, 2021a). Table

5 shows the dynamics of economic growth in South Africa from 2015 to 2019. It reveals faltering growth, estimated at 1.2% in 2015, which declined to 0.4% in 2016. It, however, rose marginally by 1.4% in 2017, declining again to 0.8% in 2018, and further to 0.2% in 2019.

Table 5: South Africa: Key Macroeconomic Indicator, 2015-2019

	2015	**2016**	**2017**	**2018**	**2019**
Population (million)	55.4	56.3	57.1	57.9	58.8
GDP per capita (USD)	6,022	5,291	6,220	6,137	6,121
GDP (USD bn)	317	297	350	368	360
Economic Growth (GDP, annual variation in %)	1.2	0.4	1.4	0.8	0.2
Consumption (annual variation in %)	1.9	0.6	2.1	1.8	1.1
Investment (annual variation in %)	2.5	-3.5	1.0	-1.4	-0.9
Industrial Production (annual variation in %)	0.0	0.7	-0.5	-	-
Unemployment Rate	25.4	26.7	27.5	27.1	28.7
Fiscal Balance (% of GDP)	-3.7	-3.6	-4.1	-4.0	-6.3
Public Debt (% of GDP)	49.3	51.5	53.0	56.7	62.2
Inflation Rate (CPI, annual variation in %, eop)	5.3	6.7	4.7	4.5	4.0
Inflation Rate (CPI, annual variation in %)	4.6	6.3	5.3	4.6	4.1

Source: Focus Economics, 2022b

It is noteworthy that faltering growth holds implications for income inequality in South Africa, manifesting in GDP outcomes from 2015-2019, as revealed in Table 5.

5.2 Recent Trends and Developments

South Africa features, perhaps, the largest income inequality in the world, characterized by a steep racial divide which was reinforced by centuries of colonialism and decades of apartheid system until its transition to multi-racial democracy in 1994. The nation has witnessed high levels of racial inequality, accompanied by uneven distribution of national income (Van Der Berg, 2010). Consequently, South Africa's social indicators, such as life expectancy, maternal or child mortality are similar to those of lower-middle income, or even low-income countries.

In a manifestation of the post-apartheid era of South Africa, income distribution began to improve considerably, with the Gini coefficient revealing a marked decline in the 1990s (Gelb, 2004). The shift in income distribution is characterized by movement away from the top quintile to the middle 40% in particular, while the bottom 40% of the income distribution has also gained slightly relative to its position in 1991, according to the author. Indeed, it is noteworthy that overall income distribution had deteriorated considerably between 1975 and 1991, particularly for the bottom 40%, which lost one-quarter of its share of income during the period. However, the trend had been reversed during the 1990s. Indeed, by 1995, households in the top quintile had incomes more than 7.63 times the incomes of households in the lowest quintile, but the ratio reduced significantly to 5.78 in 2000. The developments are illustrated in Table 6.

Table 6: South Africa's Indicators of Household Inequality, 1975 – 2000

	1975	1991	1995		2000	
Gini coefficient, all households	0.68	0.67	0.56		0.57	
Percentage of total income going to:						
Top decile	49.2	51.2	46.8		45.2	
Bottom decile	n.a	n.a	0.5		0.4	
Percentage of total income going to:						
Top Quintile	70.9	70.5	65		64.9	
2nd Top Quintile	23.9	25.6	18.2	27.8	20.1	29.0
Middle Quintile			9.6		8.9	
2nd Bottom quintile	5.2	3.9	5.4	7.3	4.5	6.1
Bottom quintile			1.9		1.6	

Source: Gelb, 2004

Table 6 reveals a shift in income distribution in South Africa's households between 1975 and 2000. During the period, the nation's income inequality declined, with Gini coefficient reducing steadily from 0.68 in 1975 to 0.57 in 2000. The development is also accompanied by a marginal reduction in income distribution in the top quintile of households, from 70.9% in 1975 to 64.9% in 2000. On the other hand, the bottom quintile's share of income increased from 5.2% in 1975 to 6.1% in 2000.

However, South Africa's income inequality remains relatively high, perhaps the highest in the world (Webster; 2019). Indications are that income inequality has deepened in recent times across the country. In 2019, the top 1% of South African earners controlled almost 20% of national income, while the top 10% earned 65%. On the other hand, the remaining 90% of South African earners acquired 35% of national income. It is noteworthy that inequality in South Africa has racial, gender and spatial dimensions. According to Webster (2019), the average income of a white individual, estimated at R24, 646.00 is more than three times that of his black counterpart, at R6, 899.00; between 2011 and 2015.

Generally, female workers earned about 30% less than male workers during the same period. Also, rural workers earned less than half of the value of income attributed to their urban counterparts. In a development that mirrors South Africa's deepening inequality; the real wages of the bottom 10% of earners declined, contracting by 25% between 2011 and 2015; the nation's median incomes also declined by 15%. On the other hand, the earnings of the top 2% rose by 15% over the period, while those in the top 1% witnessed earnings rising phenomenally by 48%.

In another affirmation of South Africa's designation as the most unequal country in the world, Leibbrandt, Ranchhod, and Green (2018) acknowledge the nation with the highest inequality rates in the world. The authors however noted its marginal decline between 1993 and 2014. During this period, the nation's Gini coefficient dropped marginally, from 0.68 to 0.66, but still remained at alarming levels. While the rate of inequality may have improved slightly, with the top 5% of earners' income increasing by 5% per annum, the average income for the other 95% largely stagnated between 2003 and 2015. An analysis of earnings distribution in South Africa between 2001 and 2014 reveals that the average real earnings of workers rose from R5, 740 to R7, 951. However, measured by the Gini coefficient, inequality also rose from 0.55 to 0.63, a sobering development. Leibbrandt et al., (2018) also reveal that the earnings divide between whites and Africans fell from 67 to 57% and, similarly, the gap between the earnings of men and women reduced by 5%.

In one of the latest reports on inequality in South Africa, the IMF (2020) acknowledges that the nation's inequality has remained at high levels. The phenomenon is characterized by a highly skewed income distribution pattern, with the top 20% of the population controlling 68% of national income. This compares to a median of 47% in similar emerging market economies. On the other hand, the bottom 40% of the population earns 7% of income, compared to 16% in emerging markets. This development is captured in figure 8.

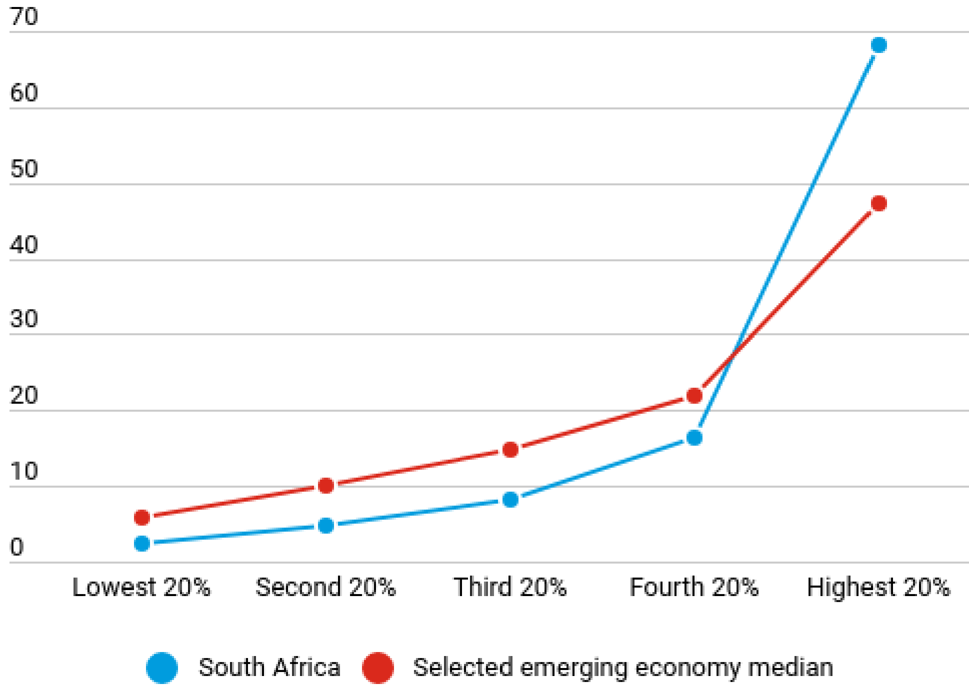

Figure 8: Income Inequality in South Africa Compared to Selected Emerging Economies

Source: IMF, 2020

Similarly, the IMF (2020) report also shows significant disparities in South Africa's regional income distribution patterns. For example, income per capita in Gauteng, the main economic hub, where urban centres like Johannesburg and Pretoria are located, is almost twice the level associated with mostly rural provinces, like Limpopo and Eastern Cape. Thus, locations nearer economic centres are accompanied by increased job and income prospects.

5.3 Causes and Consequences

A major cause of income inequality and why it has remained at high levels in South Africa is the inability of the economy to generate jobs for the unemployed. Keeton (2014) examined the critical issue of unemployment in South Africa. The author reveals that inequality remained at high levels in large part because job opportunities had hardly kept pace with the growth in the labor force over the previous two decades. Consequently, unemployment remained high, estimated between 25 and 35%. The author identified structural challenges in South Africa's labour market that continue to fuel inequality. While 76% of the 6.2million jobs created in South Africa between 1994 and 2004 were skilled and semi-skilled, only 1.4 million low-skilled jobs were created. Consequently, new entrants into the labor market require necessary skills, which were often lacking, owing to falling standards in the nation's education system, according to Keeton (2014).

Perhaps no other factor drives South Africa's high level of income inequality than the twin legacy of colonialism and apartheid. These legacies held black South Africans at disadvantaged positions of inequality, reinforced by laws and regulations (Gelb, 2004; Van der Berg, 2010, Webster, 2019). Indeed, racism lies at the core of South Africa's inequality profile. It marginalized the black majority from economic opportunities, while the white minority benefited from economic opportunities around the nation. Long-standing discriminatory policies continue to impact the lives of non-white people in South Africa. This segment of the population was excluded from the workforce during the apartheid era and therefore have fewer skills and are more likely to be unemployed than white people. This development largely accounts for the large disparity in the unemployment rate of black South Africans, estimated at 31.4% in 2017, in sharp contrast to their white counterparts, which stood at 6.6% (Roy, 2018).

A major consequence of inequality is the prevalence of crime (Becker, 1968; Blau and Blau, 1982). In an empirical study of crime and local inequality in South Africa, Demombynes and Özler (2002) reveal that inequality was highly correlated with both burglary and vehicle theft. Also, property crime was strongly correlated with mean expenditure in the jurisdiction, showing that returns from crime were major determinants of property crimes. Findings from the study reveal that the locally wealthiest neighbourhoods were hotspots for residential burglary. It also reveals that violent crimes were more likely to occur in areas with high expenditure inequality. The study further reveals that most of the correlation between overall inequality and violent crimes is attributable to inequality within racial groups. However, between-group inequality also demonstrated small correlation with crime.

South Africa's high levels of inequality have exacerbated the vulnerability of poor and low-income groups to the COVID-19 pandemic, which emerged in China late 2019 and has since spread across the world. In South Africa, the pandemic has worsened the state of inequality. For example, the closure of the National School Nutrition Programme (NSNP), without contingency plan to feed 9 million economically vulnerable children during the national lockdown was particularly sobering. More than 13 million children across South Africa were affected by school closures (HRW, 2020). The pandemic exerted a huge toll on South Africa's fragile health system, with more than 750,000 confirmed cases of COVID-19, and 20,556 deaths by late 2020.

5.4 Strategies to Tackle Inequality

The extreme nature of inequality in South Africa has driven policy makers to adopt measures to mitigate the trend. A major approach to stem the tide is a strategy to embrace minimum wage as an instrument to tackle income inequality. Indications are that wage differentials, not unemployment, are the main drivers of inequality in South Africa, which also account for about 56% of inequality, while unemployment is responsible for approximately 35% and differences in remittances and investment income account for the remainder (Mudronova and Isaacs, 2015). Adopting minimum wage in South Africa is aimed at reducing income inequality, given the worrisome disparity in the nation's wage profile. On average, the top 10% of wage earners in South Africa received 24 times more than the bottom 10%, while the top 5% earned almost 50 times more than the bottom 5%, up from more than 30 times in 2010, according to the authors.

The South African government has deepened social protection services in contemporary times through various legislative frameworks, including the Children's Act of 2005, which sets out principles aimed at fostering care and protection of children, and defines parental rights and responsibilities. It also deals with Early Childhood Development (ECD), drop-in centres and early intervention, children in alternative care centres, as well as the adoption of children. Another related initiative is the Older Persons Act of 2006, which establishes a framework for empowering and protecting the elderly, as well as promoting and maintaining their status, rights, well-being, safety and security. The framework also provides for older people to enjoy high-quality social services, while staying with their families and communities for as long as possible. It also makes provision for older people to live in residential care facilities. Similarly, the Social Assistance Act of 2004 provides a legislative framework for the provision of social assistance. The Act and its regulations provide an array of grants payable, including social relief, as well as their qualifying criteria (RSA, 2022).

In concerted efforts to address poverty and inequality in South Africa, the government has deepened Social Assistance Programmes. The initiatives have become more targeted, providing considerable benefits to the poorest households. The social assistance system effectively mitigates poverty and inequality. It embraces cash transfer schemes, which have positive impacts on a wide array of incomes, particularly food and nutrition security, educational attainment, health, labour supply, and livelihoods. In addition, the grant system establishes effective delivery mechanisms that identify beneficiaries and include registration, payment, and grievance redressal processes, which can be scaled-up during emergencies. Accounting for about 3.3% of GDP and 15.4% of annual government budget, the cost of South Africa's social assistance system is relatively high, compared to the average of other Upper Middle-Income Countries (UMICs). A considerable proportion of South Africa's social assistance programme is earmarked for the vulnerable segments of the population. For example, about 38% of the social assistance programme is targeted at the Child Support Grants and similar initiatives, such as the Care Dependency Grant and the Foster Child Grant. Also, 51% of spending supports the Older Persons Grant to strengthen social pensions (World Bank, 2021b).

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Conclusive Remarks

Inequality is a socio-economic phenomenon that has continued to undermine the global economy for a long time. However, several studies reveal that inequality has slowed down since 1980, as policy makers applied effective measures to mediate the scourge. Emerging market economies have also featured challenges associated with rising inequality, particularly in recent times. This is against the backdrop of accelerating economic growth in several emerging market economies. Brazil, India and South Africa are leading economies in Latin America, Asia and Africa, respectively, with disturbing inequality trends. An analysis of income inequality in these nations reveals high levels of Gini coefficients, a measure of inequality. Income inequalities in these countries are driven by many forces, ranging from the legacies of colonialism, cultural practices, economic under-performance, and poor policies. The consequences of income inequality in emerging market economies have grave implications for sustainable development. The phenomenon has fueled conflict, increased crime rates and spawned migration in several countries. These developments hold serious challenges for meeting the 2030 Sustainable Development Goals.

6.2 Recommendations

This section presents recommendations aimed at mediating income inequality in emerging market economies. They are as follows:

- Promote Progressive Tax Structure: In several emerging market economies, the tax structure is skewed in favour of the rich, a development that exacerbates income inequality. Policy makers should promote progressive taxation, resulting in the rich paying more, while people with low income pay less.

- Embrace Social Protection for the Poor: In several emerging markets, vulnerable segments of the population, particularly the elderly, women, children, the infirmed, the unemployed, etc. are left to their fate. This development fuels inequality. Consequently, policy makers should embrace social safety nets for the poor and vulnerable that guarantees income transfer as a measure of income redistribution to mediate income inequality.

- Invest in Skills Acquisition and Training programmes: In emerging market economies, job seekers usually lack requisite knowledge and skills for gainful employment. Therefore, policy makers need to invest in skills acquisition and training programmes for school leavers and graduates to improve their chances for gainful employment.

- Reform Educational Curriculum: It is becoming increasingly worrisome that graduates in several emerging markets often lack skills required by industry. This development continues to fuel income inequality. Consequently, policy makers need to effect changes in academic curricular to reflect the needs of industry.

- Combat Gender Discrimination: Women and girls continue to experience discrimination across emerging market economies through sexual violence, early marriages, and violation of human rights. Consequently, policy makers should engage in the establishment of laws that protect females against discrimination and violence.

- Deepen Healthcare Infrastructure: A major challenge in emerging market economies is health inequality, driven by lack of accessibility to affordable healthcare services. This leaves vulnerable and low-income groups without good healthcare coverage, with grave consequences for mortality and morbidity. The consequent health outcome fuels health inequality. Therefore, policy makers should embark upon comprehensive healthcare insurance that is universal in scope and leaves nobody out of coverage.

- Create Enabling Environment for Labour-Intensive Industry: A major feature of economic development in emerging markets is rising unemployment, usually accompanied by an emergent demographic explosion. This combination is a recipe for rising income inequality. Therefore, policy makers need to leverage both economic and financial incentives and collaborate with the private sector for the promotion of labour-intensive industry that would generate employment, with positive consequences for more equitable income distribution.

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