AFRICAN CENTRE OF EXCELLENCE FOR INEQUALITY RESEARCH

Inequality trends in Africa: Some reflections from three countries on the WIID

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ACEIR's work on inequality

- Several focus areas:
  - **Inequality diagnostics**
    - Reports for South Africa (2019), Ghana (2020) and Kenya (2020)
    - Compiled in consultation with national Statistical Offices
    - Focus on getting a multi-dimensional view of inequality in our countries
  - **Improving the evidence base for inequality research**
    - Making data available (*inter alia* via DataFirst, ISSER data portal)
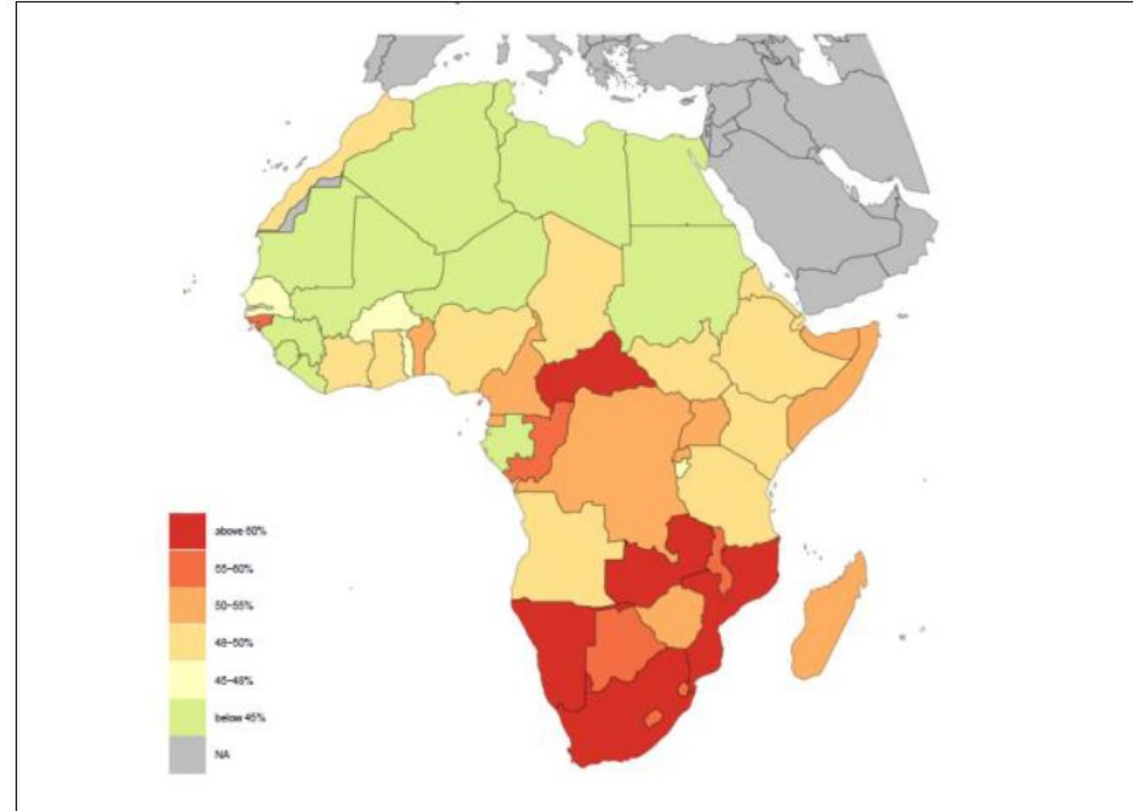   - Research on the comparability of income and expenditure surveys

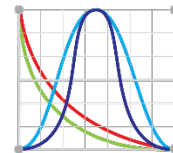# What can we say about Inequality in Africa?

World Bank (2016) Consumption data
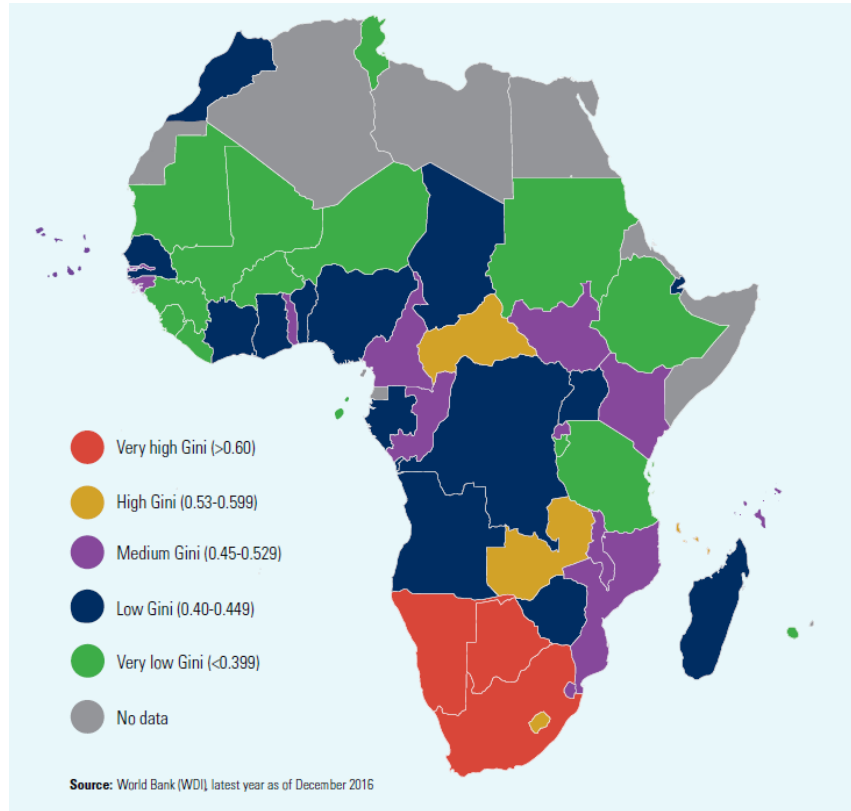
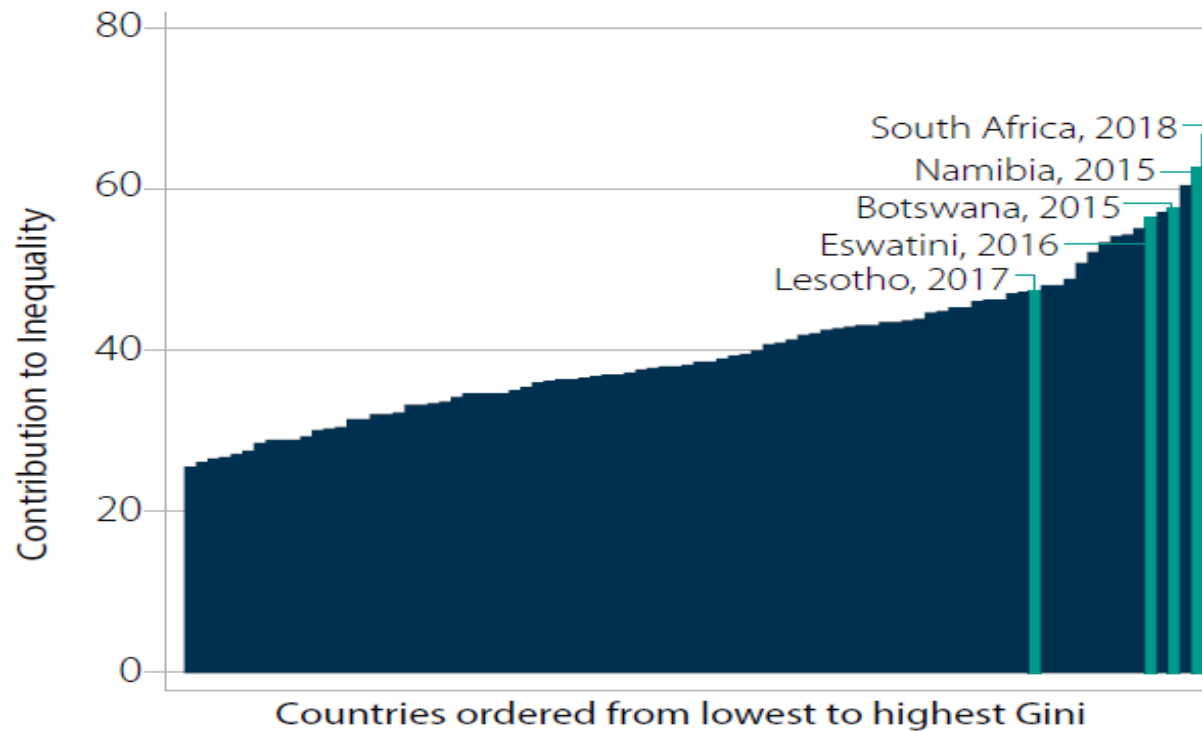WID (2019) Combo of survey, fiscal, national accounts data

(World Bank, 2022)
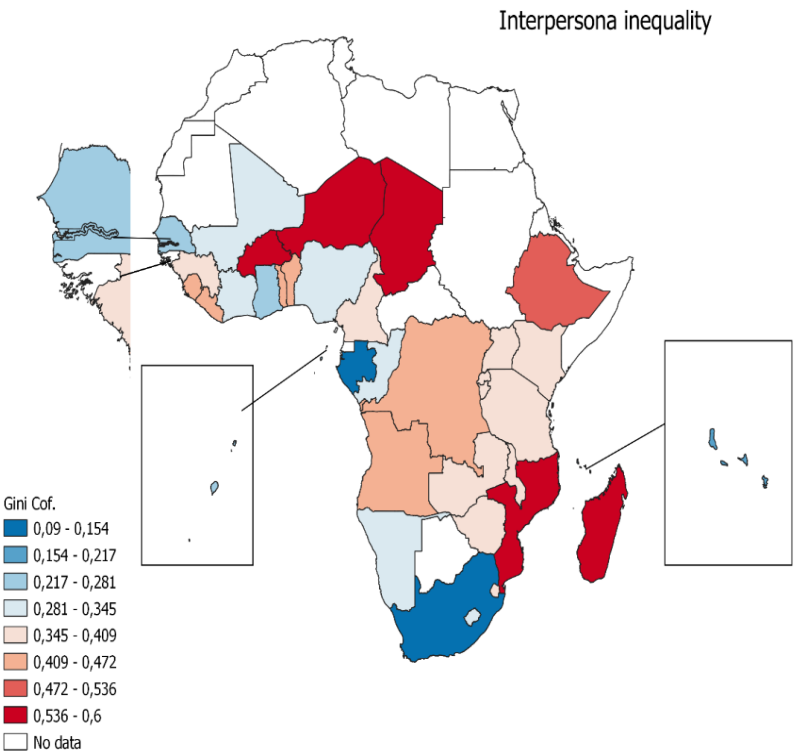
What can we say about Inequality in Africa?

Consumption(or income) inequality

Basic services inequality

a. Gini coefficients of countries

South Africa, 2018
Namibia, 2015
Botswana, 2015
Eswatini, 2016
Lesotho, 2017

Contribution to Inequality

Countries ordered from lowest to highest Gini

(World Bank,2022)

Interpersona inequality

Gini Cof.
0,09 - 0,154
0,154 - 0,217
0,217 - 0,281
0,281 - 0,345
0,345 - 0,409
0,409 - 0,472
0,472 - 0,536
0,536 - 0,6
No data
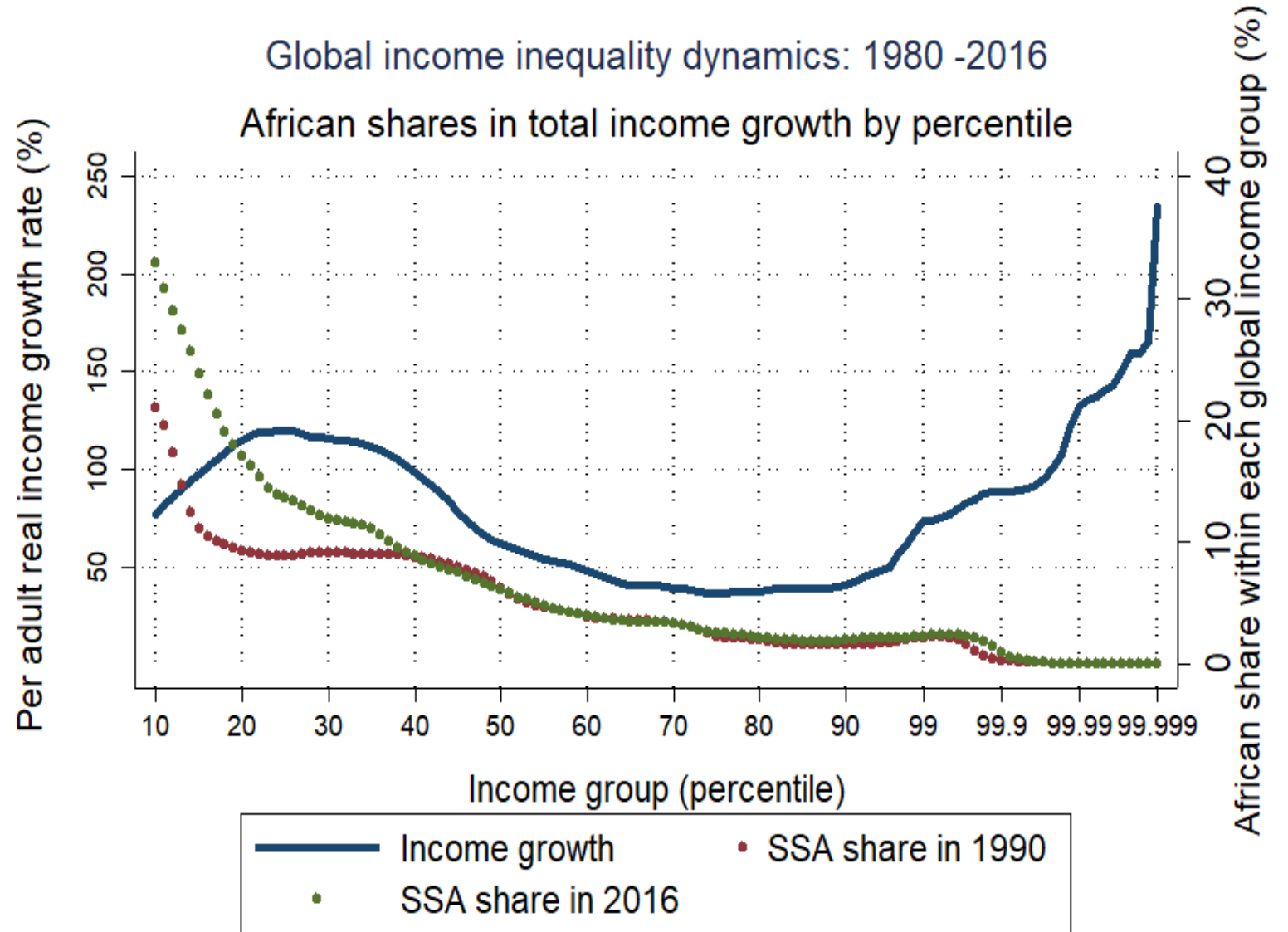
(Shifa & Leibbrandt,2022)
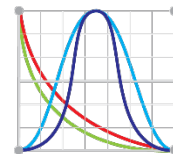
Describing the different patterns and trends between growth, poverty, and inequality in Africa

Global income inequality dynamics: 1980 -2016

African shares in total income growth by percentile

Income group (percentile)

— Income growth
• SSA share in 2016
• SSA share in 1990

Cumulative growth rate between 1980 and 2016 of pre-tax national income measured in 2016 PPP euros.
Key: Incomes within percentile p99p99.1 (bottom 10% of the top 1% of global earners) grew at 73% between 1980 and 2016.
The top 1% captured 28% of total growth. All data from WID.world.
In 2016, 33% of the population of the world's 10th percentile of the income distribution were residents of Sub-Saharan Africa

between growth, poverty, and inequality in Africa

Global income inequality dynamics
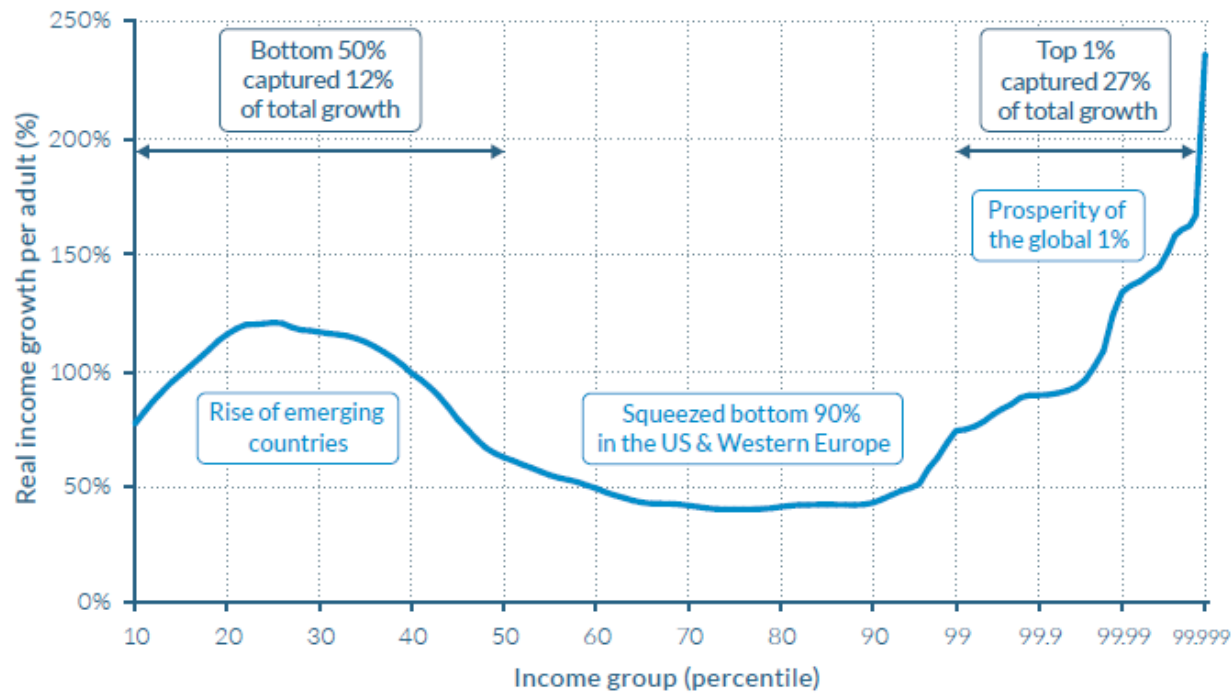
Source: WID.world (2017). See wir2018.wid.world for more details.

On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The Top 1% group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10% among the world's richest 1%), growth was 74% between 1980 and 2016. The Top 1% captured 27% of total growth over this period. Income estimates account for differences in the cost of living between countries. Values are net of inflation.

African income inequality dynamics
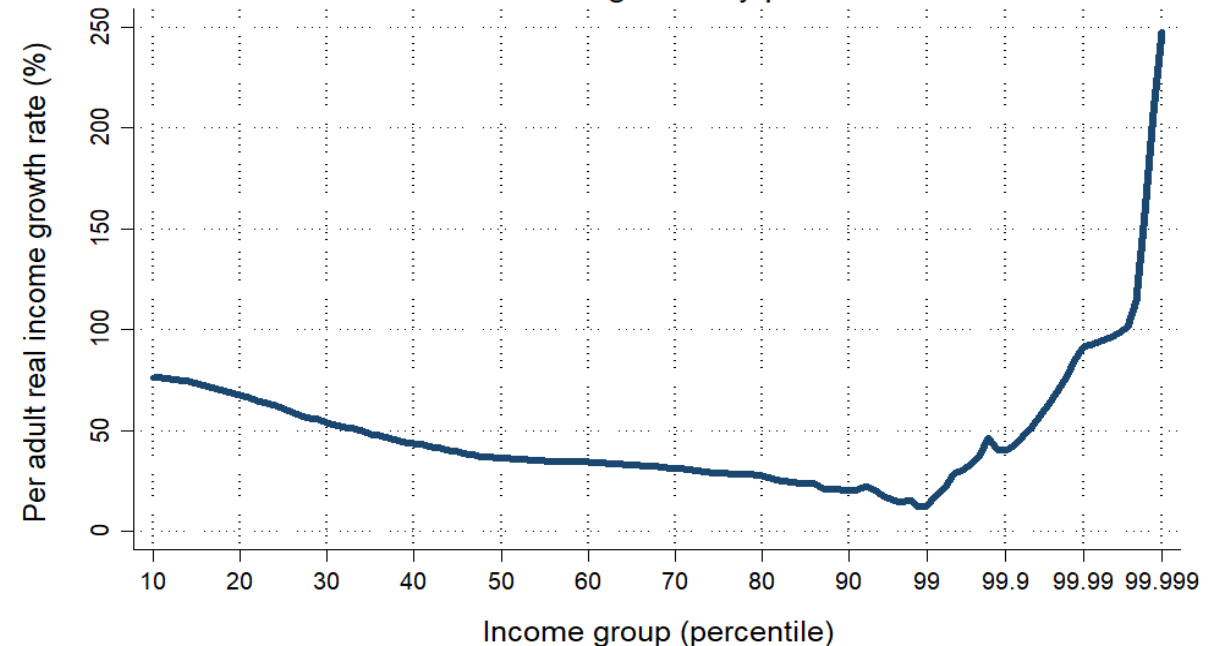
Cumulative growth rate between 1980 and 2016 of pre-tax national income measured in 2016 PPP euros.
Key: Incomes within percentile p99p99.1 (bottom 10% of the top 1% of global earners) grew at 13% between 1980 and 2016.
The top 1% captured 27% of total growth. All data from WID.world.

# How does this work intersect with the WIID?

Key points:

- Income inequality vs other forms of inequality
- WIID as a **compendium** of estimates and "series"
- Do the WIID data present trends that square with our understanding?

Privileging Income Inequality

- Reasons for doing so:
  - Arguably they provide money-metric measures of the same (related?) welfare concepts
  - Arguably income inequality can be seen as a **driver** of consumption inequality

- Reasons for caution:
  - Incomes are very poorly measured in many of our countries (Ghana, Kenya)
    - Both for the poor and the rich
  - Measured income inequality is higher than consumption inequality because
    - Consumption is a smoothed measure of well-being AND
    - There is systematic measurement error in incomes
  - The adjustments made in the WIID companion are unlikely to sort these issues out
  - Focusing on income inequality does not interrogate the way in which different dimensions of inequality intersect (highlighted in our diagnostics)
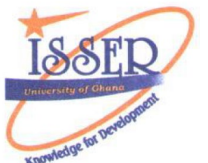
The WIID as a compendium of estimates and "series" (1)

- The full WIID database has over 20 000 observations
    - Too many?
    - The WIID companion reduces this to one preferred estimate per country per year
    - The process by which this is done is:
        - Identifying "series" – privileging the LIS & PovCal Net data
        - Linking and adjusting the series
        - Standardising other forms of inequality measures to per capita net income, using regressions
- Does all of this make sense?

The WIID as a compendium of estimates and "series" (2)

- Remember that the WIID companion is seeking for cross-country comparability

- Base info for Kenya and Ghana takes World Bank's PovcalNet (now PIP) as the basis and makes an adjustment at the percentile level that is reflecting the findings for Ivory Coast in LIS where the Gini is much higher for income.

- The key question is whether the underlying distributions (from the World Bank) are or not reliable, based on the author's expertise or whether there is a better adjustment using info from the country (if income is available in the survey and can be considered reliable.
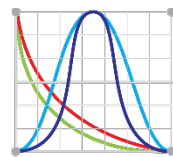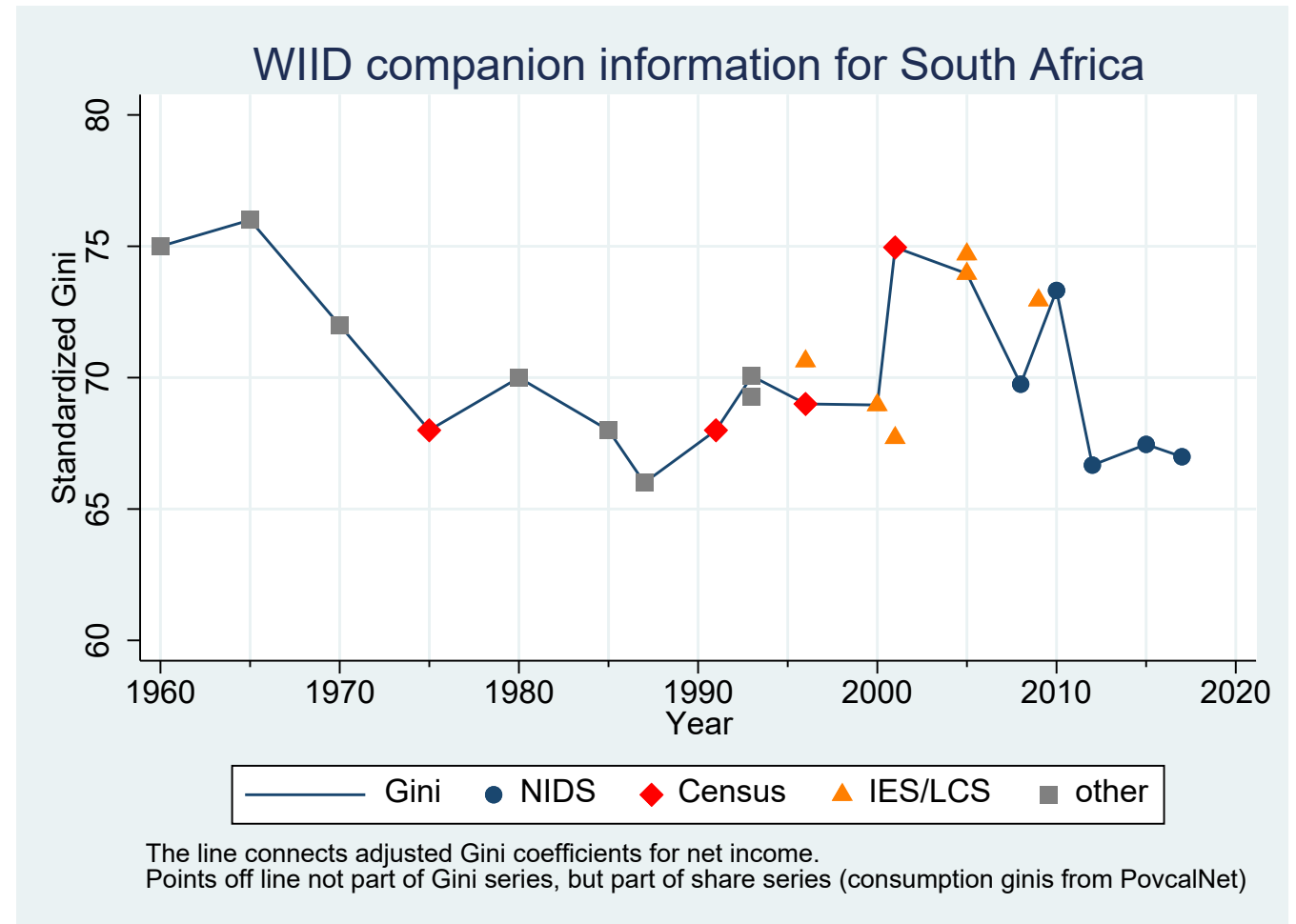
  - Seems not in Ghana and Kenya!

The WIID as a compendium of estimates and "series" (2)

- SA estimates use much of the available data (income, expenditure, census/survey) and there is a lot

- Gaps are not so evident: e.g. income inequality estimates from IESs/LCSs reported in some research reports – but rarely form part of the same series as PovcalNet

- Where there are two estimates for the same year, this overlap is used to "adjust" series up or down, instead of highlighting questions around accuracy
  - In the case of South Africa the LIS and PovcalNet series overlap in 2010 and 2015 – would lead to very different "adjustments"
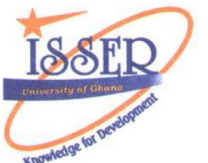
The WIID as a compendium of estimates and "series" (4)

- The final WIID companion series for South Africa puts very different series together
- The changes in levels between 1993 and 2017 are big and occur over very short time frames
- Not really believable
- Graph would have been different if series had been linked at 2015 instead of 2010

WIID companion information for South Africa

The line connects adjusted Gini coefficients for net income.
Points off line not part of Gini series, but part of share series (consumption ginis from PovcalNet)

Work to be done

- Further work on the breaks **within** "series"

- Work on the comparability of estimates across different instruments

- Then there work on the comparability across time, within country, and space

- These are all issues on the agenda of ACEIR

- THIS IS CRUCIAL WORK!

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