International Labour Organization

Trends in inequality across countries

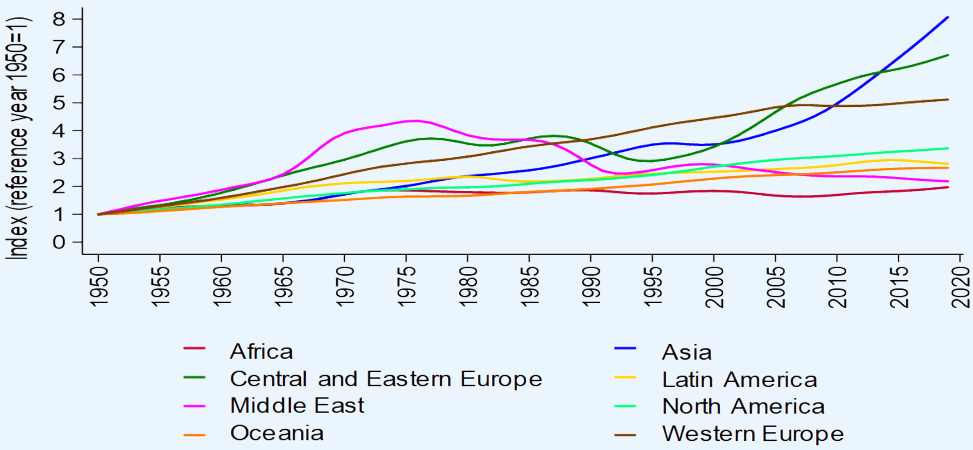
12 November 2021

When referring to inequality, it is usual to distinguish inequality in standards of living between countries – most frequently measured in terms of differences in gross domestic product (GDP) per capita across countries – and inequality in standards of living within countries – which is usually measured through inequality in disposable household income, an indicator of how material resources are distributed within a country. The present fact sheet presents some data regarding inequality between countries.

1. Inequality *between* countries is very high, with annual GDP per capita in 2018 ranging from about US$600 at purchasing power parity (PPP) in the poorest country to more than US$115,000 (PPP) in the richest country, a ratio of more than 190:1.[1] These differences in average living standards across countries tend to be correlated with other indicators of the quality of life. For example, life expectancy varies between 81 years in Norway, one of the richest countries, and 55 years in Niger, one of the poorest.[2] Low-income countries also tend to have a higher incidence of households living in poverty, and poorer access to health care and sanitation, for example.

2. Inequality between countries is largely a reflection of differences in average labour productivity between countries. Where GDP per capita is higher, this is also generally the case for GDP per worker, which is a standard measure of average labour productivity (the average value of goods and services produced by workers, on average). Thus, in the long run, a country's ability to improve its average standard of living over time depends on its ability to raise its output per worker.[3] Reducing inequality between countries therefore depends on the capacity of poorer countries to accelerate productivity growth. As figure 1 shows, trends in productivity growth have differed significantly across regions since the 1950s. In fact, productivity growth across the world has been sluggish in recent decades, in both developed and developing countries, and reinvigorating productivity has become a central priority for the global development agenda.

Figure 1. Cumulative labour productivity growth, 1950–2019



Note: Oceania refers to Australia and New Zealand.

Source: ILO, based on: The Conference Board, Total Economy Database. The Hodrick-Prescott filter was applied to obtain the trend for each region.

1 The use of PPP exchange rates to convert GDP from national currencies into a common currency seeks to eliminate the differences in price levels between countries and hence produce GDP figures that are comparable in terms of their purchasing power.
2 Brian Keeley, *Income Inequality: The Gap between Rich and Poor* (Paris: OECD Insights, OECD Publishing, 2015).
3 Paul Krugman said that: "Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker", quoted in Christopher Colford, "Productivity for Prosperity: 'In the long run, it is almost everything'", World Bank Blogs, 15 November 2016.

3. Inequality between countries has tended to diminish, even though absolute differences in GDP per capita between the richest and the poorest countries have increased. China and India, for example, have been catching up rapidly with the living standards of high-income countries. Between 2000 and 2018, the ratio of the GDP per capita between the United States of America and China fell from 12:1 to 3:1, while the ratio between the United States and India fell from 18:1 to 8:1. The gap in GDP per capita between the 20 richest and 20 poorest countries in the world also decreased between 2000 and 2018, from a ratio of 48:1 to 42:1, although differences increased in absolute terms. Indeed, the average GDP per capita in the 20 richest countries increased by about 11 per cent between 2000 and 2018, from around US$54,500 PPP per year to US$60,600 per year.[4] During the same period, GDP per capita in the poorest 20 countries – most of them in Africa – increased by about 29 per cent, from an average of about US$1,130 PPP per year to about US$1,450 per year.[5]

4. Rising average incomes in some of the large emerging economies, including China, Indonesia and India, have contributed to less global inequality. When measured using the Gini coefficient, global inequality increased sharply between 1820 and 1990, but has declined moderately since 1990.[6] This decrease in global inequality was the first one ever recorded since 1820, the first year for which such data is available, and reversed a small part of the increase in inequality over the past two centuries. Some observers have noted that extraordinarily strong economic growth for some developing countries in the last decade has led to improved living standards in those countries, which have also seen a large reduction in extreme poverty and a significant expansion of the middle class.[7]

5. Economic growth and productivity growth, particularly in China and other dynamic developing countries, have also enabled a reduction in poverty in the world. While in 1990, about 1.9 billion people, representing 36 per cent of the global population, lived in extreme poverty with less than US$1.90 PPP a day, this number had fallen to 736 million people in 2015, approximately 10 per cent of the world population.[8] Yet, 1.9 billion people, approximately a quarter of the world population, still live on less than $3.20 per day, and nearly five in every ten people (46.5 per cent) globally live on less than $5.50 per day. Poverty has increased in several countries in sub-Saharan Africa, as well as in countries in fragile and conflict-affected situations. As pointed out by the World Bank, poor households are mostly located in rural areas, have a large number of children, and suffer from a lack of education. Whereas the percentage of men and women living in poor households is very similar, resources are not always shared equally within households. Women and children tend to have relatively less access to resources and basic services.

6. The COVID-19 Crisis may affect the evolution observed during the last decade about inequality between countries. The share of people fully vaccinated against COVID-19 is considerably higher in high-income than in low-income countries. Higher vaccination rates provides not only better protection to people, they are also conducive to stronger and faster labour market and economic recovery. This means that the slow roll-out of vaccination in developing countries is undermining and delaying labour market and economic recovery, increasing the divergence with high income countries. Moreover, fiscal constraints in developing countries, particularly low-income countries, undermine their ability to implement the stimulus package required to support an inclusive and sustainable recovery.

4 ILO calculations based on: IMF, World Economic Outlook Database, October 2019 edition. The 20 richest countries in this estimate are: Qatar, Luxembourg, Singapore, Brunei Darussalam, Ireland, Norway, United Arab Emirates, Kuwait, Switzerland, United States, Netherlands, Saudi Arabia, Iceland, Sweden, Germany, Australia, Austria, Denmark, Bahrain and Canada. The 20 poorest countries are: Ethiopia, Guinea, Rwanda, Solomon Islands, Kiribati, Burkina Faso, Guinea-Bissau, Haiti, Togo, Eritrea, Comoros, Madagascar, Sierra Leone, Liberia, Mozambique, Niger, Malawi, Democratic Republic of the Congo, Burundi and Central African Republic.
5 On the difference between relative inequality and absolute differences, see also: Miguel Niño-Zarazúa, Laurence Roope and Finn Tarp, "Global Inequality: Relatively Lower, Absolutely Higher", *Review of Income and Wealth* 63, No. 4 (2017), 661–684.
6 Bourguignon, *The Globalization of Inequality*.
7 Dani Rodrik, "The Past, Present, and Future of Economic Growth", *Challenge* 57, No. 3 (2014), 5–39.
8 All the figures in this paragraph are from: World Bank, Poverty and Shared Prosperity: Piecing Together the Poverty Puzzle, 2018.

Contact details

International Labour Organization
Route des Morillons 4
CH-1211 Geneva 22
Switzerland

Conditions of Work and Equality Department
E: workquality@ilo.org