Reduced inequalities

10 Reduce inequality within and among countries

The income and consumption of the poorest 40 percent of the population (the "bottom 40") grew faster than the national average in 49 of 83 countries between 2008 and 2013. By providing a platform for sustained income growth among the poorer segments of society, Goal 10 aims to reduce inequalities between a country's citizens and to promote shared prosperity and gains in wealth for all.

While the growth of the poorest 40 percent outpaced the national average in more than half the countries with data, it was negative in eight countries. Most were high-income countries, among them Iceland, the Netherlands, Portugal, the United Kingdom, and the United States (see figure 10c on page 58, left).

By contrast, in 34 of the 83 countries with data, per capita income or consumption of the bottom 40 grew slower than the national average from 2008 to 2013. In 15 of the 34 the income or consumption of the bottom 40 contracted. In most of these 15 countries (such as Greece and Serbia), living conditions deteriorated overall but even more quickly among the poorest (see figure 10c on page 59, right).

To reduce inequality and promote shared prosperity, Goal 10 looks to achieve sustained income growth among the poorest 40 percent of the population (the bottom 40) at a rate higher than the national average (target 10.1).

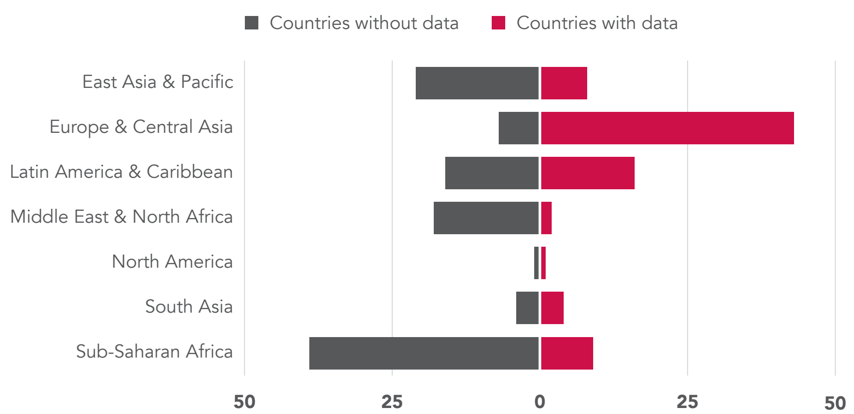
The World Bank's Global Database of Shared Prosperity covers 83 countries, with 75 percent of the world's people, with most recent estimates available for 2013. In the Middle East and North Africa only 2 of 20 countries have sufficient data for estimating shared prosperity indicators. Estimates are available for 8 of 29 countries in East Asia and Pacific and for 9 of 48 countries in Sub-Saharan Africa (figure 10a).

Reducing the costs of migration

Goal 10 also seeks to address inequality by facilitating orderly, safe, regular, and responsible migration and mobility of people (target 10.7).

As advanced economies demand more nontradable services, the need for low-skilled labor in

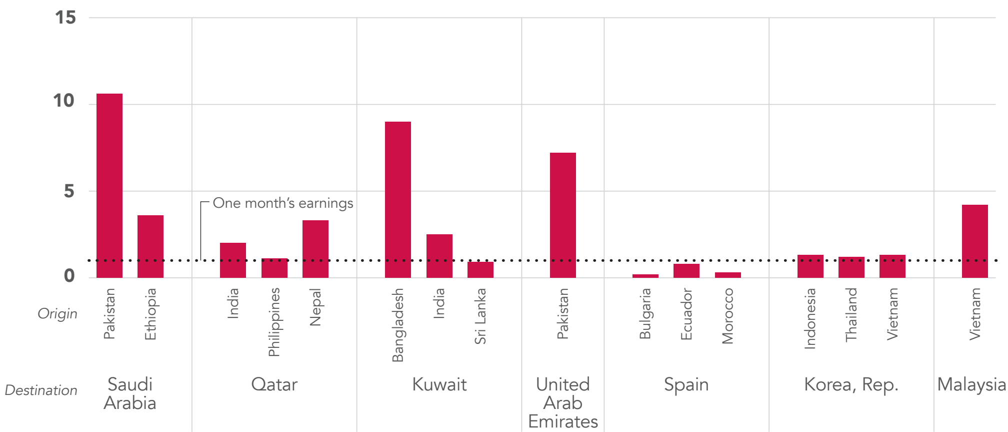
10a The geographical coverage of shared prosperity data is uneven across regions
Shared prosperity data availability (number of countries)



Source: World Bank Global Database of Shared Prosperity; WDI (SI.SPR.PC40.ZG, SI.SPR.PCAP.ZG).

10b Recruitment costs are often higher than one month's earnings

Recruitment costs (months of earnings at destination)



Note: All surveyed Sri Lankan workers in Kuwait were females engaged in domestic help services.
Source: KNOMAD survey data of migrant workers.

construction, caregiving, and domestic help has been rising. Although transport costs declined in the 20th century, the costs of moving between countries remain high.[1] This is especially pertinent for the low skilled, who, unlike the high skilled, tend to pay their initial recruitment costs out of pocket, which can amount to several years of earnings in home countries. These high costs inhibit global mobility of the low skilled, especially the financially constrained poor, and reduce potential remittances.

Recruitment costs can be grouped in three major categories: costs to comply with laws and regulations of origin and destination countries (such as obtaining work permits or medical check-ups), fees paid to recruitment agents, and internal and international transportation costs.

Those costs vary considerably across migration corridors.[2] For workers from various countries of origin going to Spain and Korea, and workers from the Philippines going to Qatar, they amount to about one month's earnings (or about 8 percent of annual earnings). But for workers from Pakistan in low-skilled jobs in Saudi Arabia, the recruitment costs are about 11 months' earnings (or about $4,400 in 2014 dollars), and for those from Ethiopia about 4 months' earnings (or close to $1,000 in 2014 dollars) (figure 10b).

Lowering remittance transaction costs

In addition to recruitment costs, many migrants incur costs sending money home. Remittances totaled an estimated $582 billion in 2015, sent by about 232 million migrants. Of this, $432 billion went to low- and middle-income countries.[3]

The costs of remitting money can be very high relative to the amount sent and relative to the low incomes of migrant workers and their families in the home country. Goal 10 calls for reducing the transaction costs of migrant remittances to less than 3 percent and for eliminating remittance corridors with costs higher than 5 percent (target 10.c). This target includes the G20 commitment to reduce the global average to 5 percent.

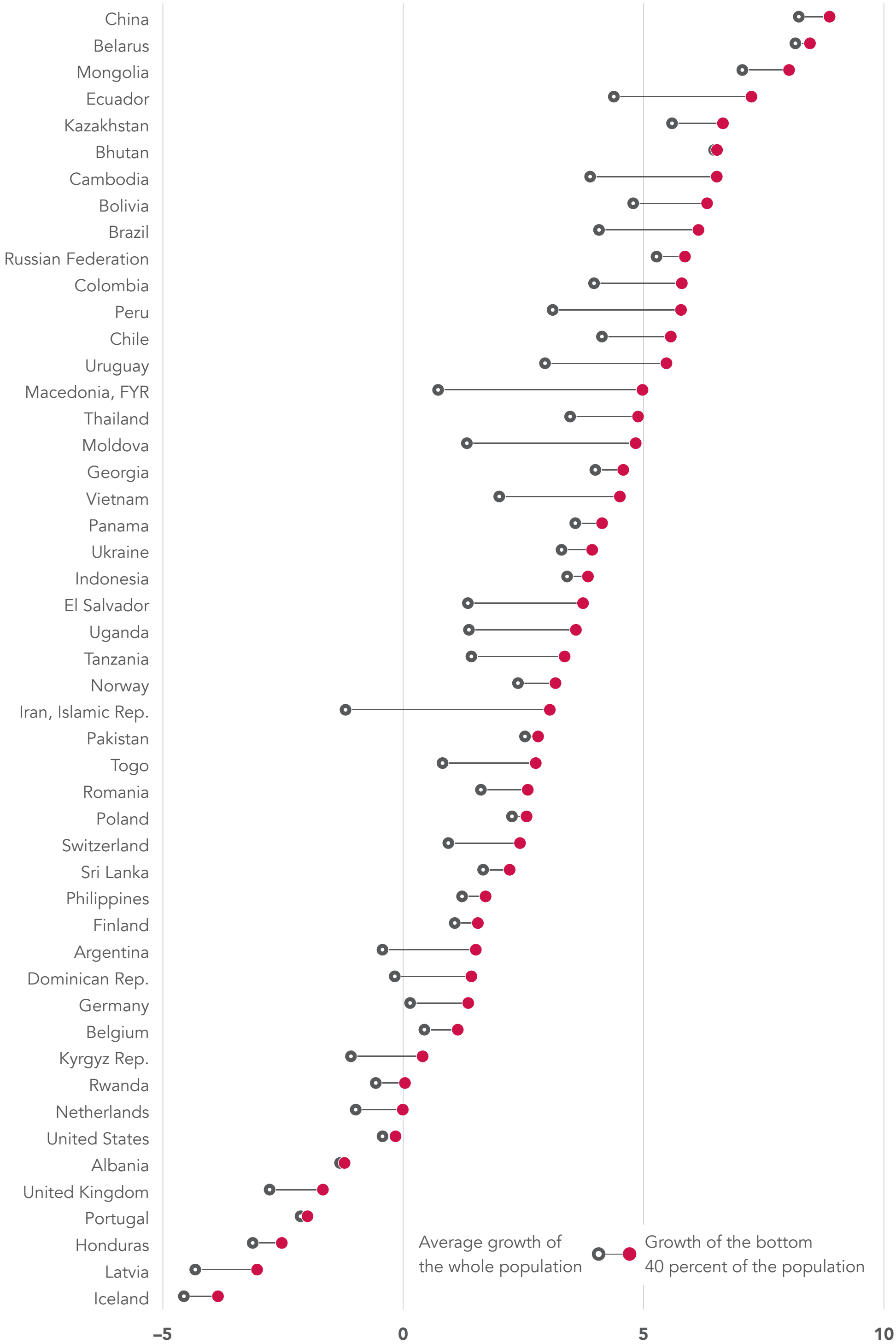
At an average cost of 15 percent of the total sent, for those countries with available data, South Africa was the most costly G20 country to send money from in 2015; at 2 percent Russia is the least costly (figure 10d). Among remittance-receiving G20 countries, China is the most expensive to send money to, at 10 percent of the total sent, and Mexico the cheapest, at 6 percent (figure 10e).

Moreover, sending money through post offices and money transfer operators (at a little over 6 percent) is cheaper than going through a

10c In 6 of 10 countries with data the per capita income or consumption of the bottom 40 grew faster than the national average between 2008 and 2013

Annualized per capita growth rate, 2008–13 (%)

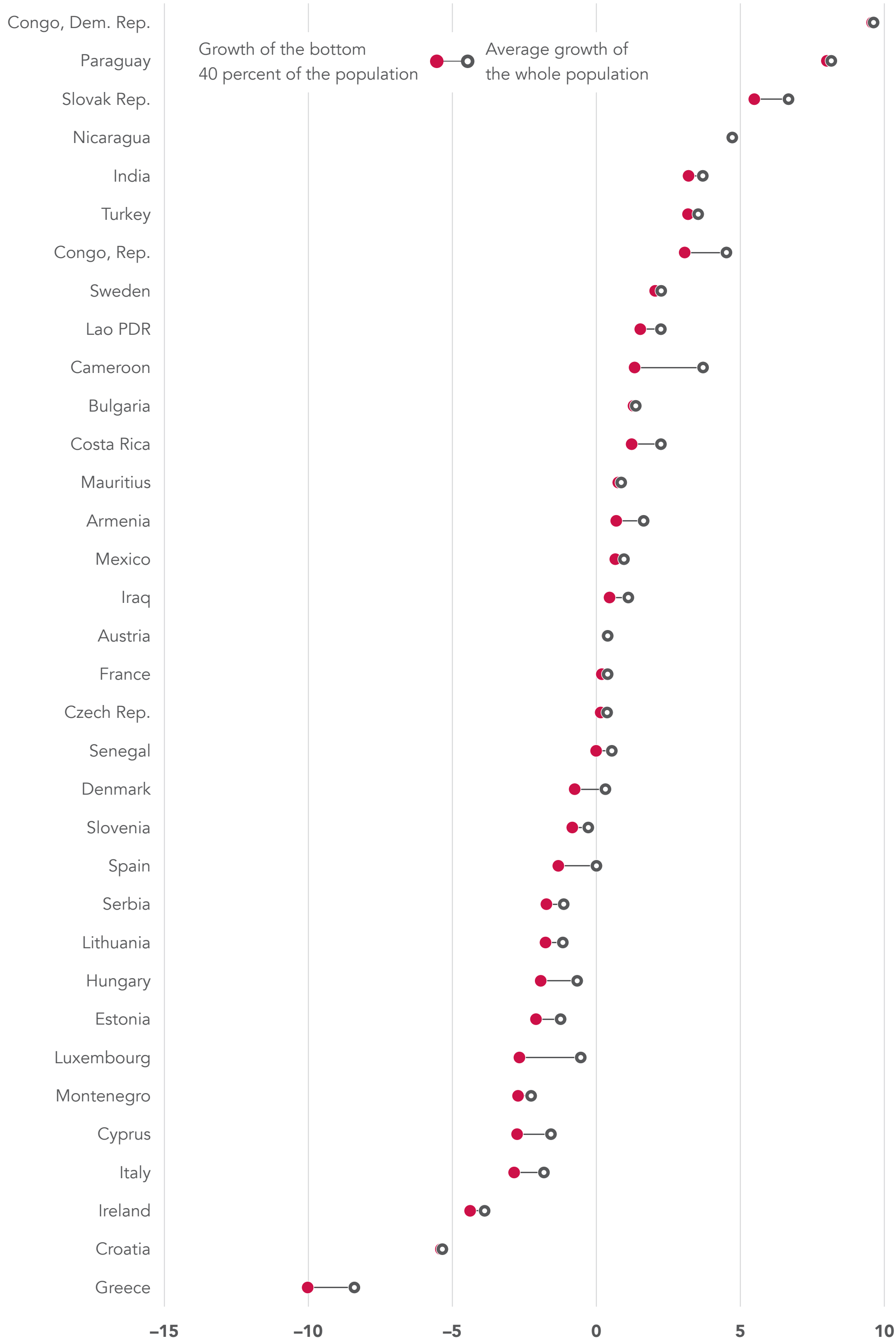
Where incomes of the poorest people are growing faster than average



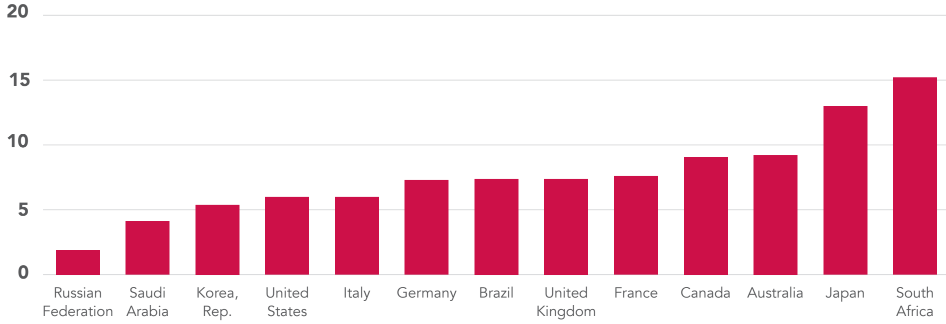
Source: World Bank Global Database of Shared Prosperity; WDI (SI.SPR.PC40.ZG, SI.SPR.PCAP.ZG).

Annualized per capita growth rate, 2008–13 (%)

Where incomes of the poorest people are growing slower than average

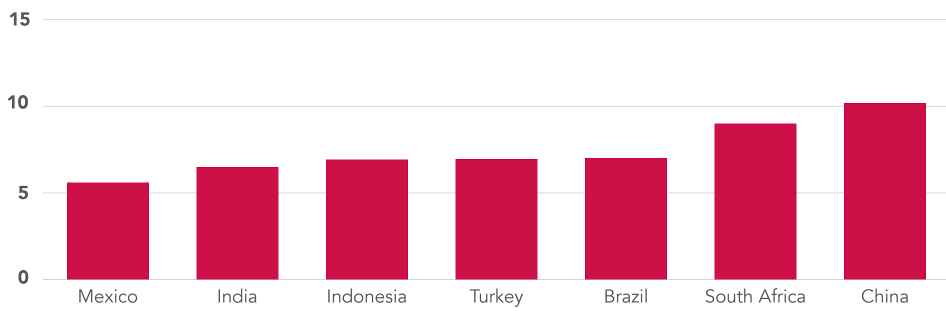


10d Among G20 countries with data, South Africa is the costliest to send remittances from
Average cost of sending the equivalent of $200 in remittances from G20 countries, 2015 (%)



Note: Data available for 13 G20 countries.
Source: World Bank Remittance Prices Worldwide database (http://remittanceprices.worldbank.org/en); WDI (SI.RMT.COST.OB.ZS).

10e Among G20 countries with data, China is the costliest to send remittances to
Average cost of sending the equivalent of $200 in remittances to G20 countries, 2015 (%)



Note: Data available for 7 G20 countries.
Source: World Bank Remittance Prices Worldwide database (http://remittanceprices.worldbank.org/en); WDI (SI.RMT.COST.IB.ZS).

commercial bank (at 11 percent). With new and improved technologies, prepaid cards and mobile operators have become the cheapest ways of sending money home, reducing the cost to 2 to 4 percent.

Elsewhere, in non-G20 countries remittance costs can remain high for receiving countries —such as in Sub-Saharan Africa (on average 10 percent), a large outlay for a region where many families rely heavily on overseas remittances.

In the 22 countries where total personal remittances received were more than 10 percent of GDP in 2015, the cost varies greatly (figure 10f). It is less than 3 percent of the total in Armenia, Georgia, Kyrgyz Republic, and Tajikistan, where the majority of the remittances originate from Russia—one of the least expensive countries for remitting money. In the remaining 18 countries, costs are much higher, well above the 3 percent target. In 2015 it was most expensive to send remittances to Lebanon at 13 percent, and 16 percent of Lebanon's GDP came from personal remittances. In Nepal the top recipient country in remittances as a share of GDP, the cost is 4 percent.

Changing the focus of aid delivery

Goal 10 encourages the flow of aid to where the need is greatest (target 10.b). Since 2010, 70 percent of bilateral aid has been channeled directly to recipient countries by donors, and the remaining 30 percent through multilateral institutions. But a marked change in its composition reflects the increasing demands of humanitarian crises and, more recently, the surge in refugees and migrants into European countries that belong to

10f The average cost of sending remittances to top receiving countries remains very high

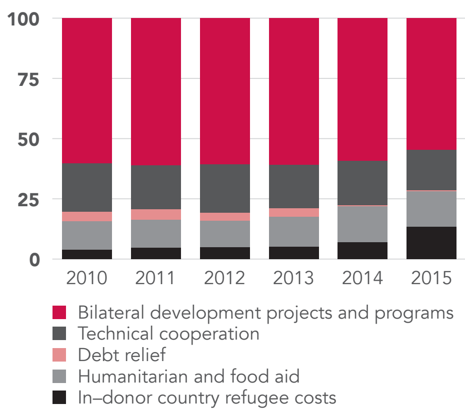
Note: Data are the annual average for remittances receiving countries. Data on the cost of sending remittances for Kiribati are for 2011.
Source: World Bank Remittance Prices Worldwide database (http://remittanceprices.worldbank.org/en); WDI (SI.RMT.COST.ZS, BX.TRF.PWKR.DT.GD.ZS).

the Organisation for Economic Co-operation and Development Development Assistance Committee. Humanitarian and food aid and in-donor country expenditure on refugees, taken together, doubled in volume between 2010 and 2015, and their combined share of all net bilateral aid rose from about 16 percent to 28 percent (figure 10g).

This upward trend in in–donor country refugee costs contrasts with an observed slowdown in net bilateral aid for development projects and programs, including technical cooperation. In 2015 the latter rose only by an estimated 1.8 percent in real terms.

10g Shares of in–donor country refugee costs and humanitarian and food aid have increased significantly since 2010

Distribution of net bilateral aid flows (%)



Source: OECD–DAC.

Notes

1. Flanagan, Robert J. 2006. *Globalization and Labor Conditions: Working Conditions and Worker Rights in a Global Economy*. New York: Oxford University Press.
2. To better understand the magnitude and structure of migration costs, the World Bank's KNOMAD (Global Knowledge Partnership on Migration and Development) has compiled a novel dataset on migration costs incurred by low-skilled migrants, in collaboration with the ILO. The dataset is based on interviewing migrants who went to foreign jobs mostly through a regular channel.
3. World Bank Remittance Prices Worldwide database.