Income Inequality- Is it Global or Native Issue?

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Abstract: Income inequality is a big issue that deserves much more coverage in the policy discussion. Irrespective of the size and social status every nation is very familiar with inequality phenomenon. Present study is an attempt to detect whether it is a native issue or global? Different famous measures or methods have been employed for measuring income inequality for Bangladesh as well as some foreign countries and found that income inequality is growing worldwide, with increasing per capita GDP. The lowest 40% of the world’s population gains less than 25% of the total income. The growing national income is accrued to the wealthiest people around the globe. In many nations, the top 1% of people is receiving an increasing share of income. Not only the poor or developing countries, but also the developed economies are suffering from this disease. This paper noted that income inequality is a global problem, and nations should come out from this crisis; if not, the recent growth will be growth without equality. Since income inequality can be eliminated, and it is a matter of policy choice, policymakers should, therefore, take appropriate measures in this regard.

1. Introduction
The main aim of this study is to document the trends of income inequality in Bangladesh and around the world for the last decades. In a situation where resources, wealth, or income are disproportionately spread in a group or a population or among the countries is called an inequality (SESRIC and COMCEC, 2015). Inequality can appear in terms of wealth, income, expenditure or saving, or other varieties. Among other disparities, this paper will study the scenario of income inequality in Bangladesh as well as around the globe. Although income is a reason to ensure complacency of humankind, it can be employed by one group of people against another. Furthermore, income has a propensity to accumulate towards a small number of individuals, which makes the rich richer and the poor poorer. It is revealed that very few people are healthy, well equipped, and happy in conventional society while large numbers of people are squalid and ill-fated. The incorrect distribution of income is created this variation in the society (Haque, 2019).

Issues related to income discrimination are momentous. The opinion and desire regarding income and welfare patterns among different nations indicate that people do not like income discrimination. Inadequate investment and productivity, underutilization of resources and low level of consumption may be observed due to income inequality which hinders economic growth (Arif, Saeduzzaman, & Student, 2015).

In spite of sustainable economic growth over the last decades, income inequality is a matter of concern in all economics. It is widely recognized that the per capita GDP of the countries is increasing gradually. Table-1 figure out per capita GDP of some selected countries where we get an increasing trend. But different reports on
inequality indicate the sharp picture of the rise in disparity. The report estimates that 82% of the global wealth created in 2017 has gone directly to the 1% richest around the globe. On the other hand, the lowest 50% (3.7 billion) people got 0% of these assets. As stated in the CRI Index 2018, out of 157 countries, Bangladesh positions are 148th that is an effort to lessen the gap between rich and poor is insignificant here (Khan, 2018).

Table-1: Per capita GDP (constant 2010 US$) [Source: World Bank Indicator]

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<thead>
<tr>
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https://data.worldbank.org/indicator/NY.GDP.PCAP.KD

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Thus, growing per head income cannot ensure a more substantial and fair distribution of income to the broader population. The discrepancy of income remains higher year to year, and a large part of the community stays below the poverty line.

Bangladesh has maintained a high GDP growth rate (6%-7%) for nearly a decade. However, this lofty growth does not bring equality to society (Haque, 2019).

Inequality can be measured by a popular index known as Gini Coefficient\(^2\), the analysis of measuring inequality is conducted by two inter correlated methods: the Lorenz Curve\(^3\) and the Gini Coefficient. To better understand, divide the whole population into five equal groups. Each group is known as a quintile, and the 1st quintile has 20% of the lowest income population, and the 5th quintile contains 20% of the highest income population. If each family received the same income, then 20% of income is accrued in every quintal, which is a perfect income equality condition that appears in the straight line AB in Figure-1. This line is known as the Lorenz curve, which refers to the cumulative portion of the income accumulated in different quintiles of the population. If equality perfect, the Lorenz curve will be a 45° angled straight line. Now consider a situation of perfect inequality where all income accrues to the 5th quintile. In this case, the Lorenz curve would see as well as a reflection of the letter L. The actual Lorenz curve lies below the perfect-equality situation (Borjas, 2016). The Gini coefficient is defined as

\[
\text{Gini coefficient} = \frac{\text{Zone between perfect equality Lorenz curve and actual Lorenz curve}}{\text{Zone under perfect equality Lorenz curve}}
\]

The value of the Gini factor ranges from 0 to 1, while zero (0) means perfect equality i.e., everybody in society has precisely the same income, and one(1) refers to absolute inequality i.e., a single person has all the income, and there is nothing for others. It is therefore clear that the lower the value of the Gini coefficient higher the degree of equality (Matin, 2015).

Income inequality can be shown by the different ways observing the income distribution of the population according to the quintile (divide the population in five equal groups), deciles (divide the population in ten equal groups), lowest 5% or upper 5% or taking ratio of income of top 10% of households to bottom 10% households.

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2 Max Otto Lorenz published an article in an American Statistical Journal in 1905 that explains the methodology

3 This index of income inequality was released by Corrado Gini afterward in 1912.

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Dympna James Jemson et al/ The Acceptance of Mobile Learning for the Subject of Geography among Pre University Students (Form 6)

The International Journal of Social Sciences and Humanities Invention, vol. 7, Issue 02, February, 2020
The past decade, a time of steady decline in inequality, household income growth at the bottom of income distribution was significantly higher in most countries than at the top. Following diagram represents the GIC of Latin America and Caribbean region from 2000 to 2017.

Figure-1: Lorenz Curve

Statistics from the World Bank reveal a wide range of inequality indicators, for example, comparison of income or consumption growth of the wealthiest 40% of the country's population with the poorest 40%. Likewise, SDG 10.1 expects the earnings of the lowest 40% should grow quicker than the country's average by 2030. Improvement is determined by the gap between the increase in the bottom 40% consumption or income and the increase in mean consumption or income of the overall population (World Bank, 2019). In Bangladesh, this information can be found in the Household Income and Expenditure Surveys released from 1973-74 by the Bangladesh Bureau of Statistics. However, some other reliable measurements are using to evaluate the income inequality in all countries, which will discuss in section-Two(2).

2. Popular Measures of Income Inequality

Besides Gini coefficient there are some other different indices for measuring income inequality. Such indices are technically reliable and at the same time harmonious to practical issues and policy guidelines. However the assessment of inequality is not universally accepted. The following subsection addresses the most widely used indexes of inequality worldwide.

The Growth Incidence Curve (GIC)

The Growth Incidence Curve (GIC) graphically depicts the annualized per capita income growth rate between two points in time for each quintile or percentile of the income distribution (SESRIC and COMCEC, 2015), (World Bank, 2019).

The GIC compares the frequency of growth in poorer segments of the population with that of wealthier segments or the growth rate of average income. Over the past decade, a time of steady decline in inequality, household income growth at the bottom of income distribution was significantly higher in most countries than at the top.
the specified circumstances among individuals, like family background, gender and ethnicity.

**Income Polarization**
Income polarization focuses a procedure that income is concentrated in two different poles or clusters (say income moves from middle income group to rich or poor income groups). Income polarization may occur if variations in income leads those in the middle group migrate towards rich or the poor pole, or if population growth only exits among the poor or the wealthy, not within the middle-income pole. It can also happen if the level of income inequality among the wealthy decreases so that affluent incomes approximated to the mean income of the rich group it also occur for poorer section similarly (Dinca-Panaitescu & Walks, 2015).

**Decile Dispersion Ratio**
The decile dispersion ratio is a simple and common indicator of inequality, showing the average income or consumption ratio of the richest 10% to the poorest 10%. This ratio can be explained easily by presenting the rich’s income as multiples of the poor’s. It overlooks income information in the middle of the income distribution and does not use income information in the top and bottom deciles or percentiles (World Bank, 2019).

**Generalized Entropy Index (GE)**
The generalized entropy index is a proposed measure of population’s income inequality [Wikipedia], which is denoted by GE(α). The parameter α reflects the weight of income differences at different parts of the income distribution, and may take any real value from zero to infinity. If α=0 then GE is more sensitive to changes in the lower tail of the distribution and is more sensitive to changes affecting the upper tail for higher values such as α=2 (World Bank, 2019).

**Atkinson's Inequality Measures**
Atkinson (1970) suggested another mechanism for discrimination that is used from time to time. It has a weighted parameter ε that measures antagonism to inequality. It the parameter ε increases, the index becomes more sensitive to transfers at the bottom of the distribution and less sensitive to transfers at the top. A linear utility function is found when ε=0 (World Bank, 2019).

**Inequality-adjusted Human Development Index (IHDI)**
The IHDI compares the mean success in health, education and income of a nation with how these achievements are distributed among the people of the country by “discounting” mean value each category according to its level of inequality. The IHDI is therefore distribution-sensitive average level of HD. The IHDI is equal to the HDI under perfect equality, but falls below the HDI as inequality increases. The gap between IHDI and HDI is the cost of human development inequality, also called the loss to human development due to disparity (Human Development Reports, 2019).

**2.9 Palma Ratio**
The Palma ratio is measured as the proportion of the richest 10% relative to the poorest 40%. This indicates that the variation in the income distribution of different countries is largely the result of changes in the ‘tails’ of the distribution because the proportion of income that goes to the middle group appears to be relatively stable (Tahsin, 2019). If the wealthiest 10% in a country receive half of the country’s income, and the poorest 40% earn one-tenth of the national income, the Palma ratio is 5 (0.5 divided by 0.1).

**3. Income Inequality Scenario in Bangladesh**
In 2018, Bangladesh achieved status of middle-income country from the least developed nations. The status is projected to be permanently retained in 2024 if the criteria given by United Nations are met (Khan, 2018). The economy grew at a rate of 7.86% in 2018 satisfactorily up from 7.28% in 2017. The per capita GDP reached 1203.22 US dollar in 2018 from US$1127.27 in 2017 (BANGLADESH ECONOMIC REVIEW-2018). Maternal mortality ratio was 258 in 2016 and it was found 173 in 2017, fertility rate in 2010 was 2.32 and in 2017 it is 2.062, Gross saving (% of GDP) also increasing which was 38.78% in 2010 and 33.27% in 2018. Immunization (% of children ages 12-23 months) increase from 94% to 98% from 2010 to 2018, female participation in labor force is increased by 25.95% to 30.52% from 2010 to 2019. Life expectancy is increased 69.88 years to 72.052 years from 2010 to 2019. Literacy rate increased...
by 58.76% to 73.91% from 2011 to 2018, neonatal mortality rate is increased from 27.4% to 17.1% from 2010 to 2018 (World Bank). All these figures show that growth factors are rising in Bangladesh and there is very little risk that we will not reach a stable medium-income status (Khan, 2018). But the latest survey published by the Bangladesh Statistics Bureau in 2016 found that 1.01% of the total national income received by the poorest 10% of the households in 2016 and in 2010 it was 2%. For contrast, the wealthiest 10% of the individuals earned 38.16% of national income in 2016 that was 35.84% in 2010. In order to ensure, poor people are growing poorer rich people are growing wealthy day after day (Khan, 2018). Thus Bangladesh fails to achieve SDG 10 is the reduction of inequity. The goal is to achieve and maintain the income growth of the poorest 40% of the population by 2030 at a rate higher than the national average. It encourages more fair distribution of income and wealth among the weaker segments of population aimed at reducing inequality (Khan, 2018). Gini coefficient is the most popular and efficient composite indicator to determine the amount of concentration of household income. This tests the deviation of a society's real distribution of income from the absolute position of equality. Gini coefficient '0' indicates no concentration and '1' indicates total concentration. The Gini co-efficient of national, rural and urban area is 0.467, 0.428 and 0.497 respectively in 2005. Among these areas in 2010 the co-efficient was 0.458, 0.431 and 0.452 respectively and it was 0.483, 0.454 and 0.498 respectively in 2016. This result shows that Gini-coefficient is more than 40% in all area and all period of the study. In rural areas, income inequality has risen more dramatically than urban areas. If a country's Gini index rises over time, it can be concluded that that country's income distribution is becoming unequal gradually.

### Table-2: Income Gini Index of Bangladesh

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<tr>
<td>1986</td>
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<td>2005</td>
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<td>2010</td>
<td>0.48</td>
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<td>2016</td>
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Source: Bangladesh Bureau of Statistics (BBS)

The Palma ratio which is focused on extreme inequality rose from 1.68 in 1964 to 2.93 in 2016 at the national level; this grew from 2.00 to 2.96 in urban areas and increased from 1.38 to 2.51 in rural areas over the same period. The middle 50% share has remained relatively stable over the period; while the poorest 40% have typically lost their income share, the wealthiest 10% have gained (Mujeri, 2018).

Therefore in all indicators the inequality has increased in Bangladesh in recent decades is inescapable. Income inequality is one of the areas where Bangladesh has limited success and needs to traverse long way.

### 4. Income Inequality over the World

Income inequality is a solemn issue around the world and is noted not only by scholars but also by politician, grantor and central bankers (Shibli, 2017). While the planet has ample resources to feed everybody, the resources are not distributed fairly.

According to the United Nations, disparity remains higher in many countries around the world and there are still significant gaps in access to assets, housing, schooling, health, occupations and other facilities (Mujeri, 2018). Due to unequal ownership of private and public capital, almost all regions of the world, income inequality has risen. Since 1977 approximately 60% of the increase in US’s gross domestic product (GDP) has grown to the richest 1% of the population (Haque, 2019).

In North America and Asia, income inequality has risen since 1980, dressed moderately throughout Europe, and maintained at a very high level in the Middle East, Sub-Saharan Africa and Brazil. At the same time, the world's top 0.1% population has absorbed as much growth as the lowest half of the population. Among individuals between the worldwide bottom 50% and top 1%, income growth was slow and nearly zero (0), while 1% share of income rose from 16% in 1980 to 22% in 2000.

In 2011, the income share earned by the lowest 10% in India was 3.5%, which was 3.80% and 3.70% in 1987 and 2004 respectively. On the other side highest 10% was at level of 30.1% in 2011, which was 27.40% in 1987 and 29.10% in

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1 Household Income and Expenditure Survey-2016
2 Reduce inequality within and among countries
2004. In 2015, Pakistan's income share of the lowest 10% was 3.9%.

Although Pakistan's income share of the lowest 10% has fluctuated significantly in recent years, it appeared to decline by 3.9% through the period 1996-2015. In 2001 and 2010 it was 4.10% and 4.20% respectively. Fluctuation was also shown in income share held by highest 10% for Pakistan continued to rise through 1996 - 2015 period ending at 28.9 %. In 2001 and 2010 it was 26.20% and 25.80% respectively.

In 2016, the income share earned by the lowest 10% in Sri Lanka was 2.9%, deduced from 3% in 2012. In 2002 and 2009 it was 2.90% and 3.20% respectively. In comparison, at the same time the income share earned by the top 10% was 32.9%, up from 32.2 % in 2012 and which was 33.20% and 29.90% in 2002 and 2009 respectively. United Kingdom (UK) income share held by lowest 10% was 2.9 % in 2015. In 2010 and 2012 it was 2.90% and 3.10% respectively. On the other hand income share by highest 10% for United Kingdom was 25.4 % in the same time. In 2011, 2012, 2013 and 2014 it was 25.30%, 24.60%, 25.30% and 26.10% respectively. In 2016, the income share earned by the lowest 10% in the United States of America (USA) was 1.7%., unchanged from 2013. In 2000 and 2010 it was 1.90% and 1.70% respectively. In 2016, income share held by highest 10% for USA was 30.6 %. Although the share of USA income held by the top 10 % fluctuated significantly in recent years, it continued to rise to 30.6 % through the period 1986-2016. In 2000 and 2010 it was 30.40% and 29.40% respectively. In Japan income share held by bottom and highest 10% was 2.7 % and 24.7 % respectively in 2008. In 2013, income share in Canada received by the lowest 10% was 2.4%, down from 2.7% in 2010. In 1994 and 2000 it was 2.90% and 2.70% respectively. In 2013 Canada’s income share of the top 10% was 25.3%, below from 25.7% in 2010. In 1994 and 2000 it was 23.60% and 25.50% respectively. This statistics reveals that income inequality is seems to over the world. It is matter of poor, developing and developed countries (Knoema).

5. Causes of Inequality
The disparity in the nations is the result of economic forces, public policy choices, level of a minimum wage, and investment in the social sector. This study has found the following reasons for income inequality.

1. The initial distribution of wealth and human capital is a common and influential factor for inequality. Researches showed that children born in well-off societies have an immense starting advantage in both wealth and social capital, which continues to increase with time. Consequently, ascending opportunities tend to be much more restricted for the disadvantaged group of society than for the wealthy (Khan, 2018).

2. The low levels of government spending on human development and social security still lead the inequality in society. Many countries are spending a smaller amount on education, health, income transfer to the poor and vulnerable families. For this reason, the productivity of workers is not improving, which is a barrier to reduce inequality. At the same time disparity of getting opportunities to above mention issues also increase the inequality (Khan, 2018). In Bangladesh, only 2.2% of GDP is spent on social protection, and it will be only 1.6 % if civil service pensions are omitted, while European countries are spending 12-19% in this sector (Khan, 2018). In fact, there are serious concerns regarding the quality and efficiency of this spending.

4. Economic growth, wage growth, and employment creation are isolated in many countries. Over recent years, GDP growth has increased, but employment and real wage growth have declined. Poor persons do not have enough scope to generate new income in the country. As a result, there is slow progress in reducing inequality (Parvez, 2019).

5. Individuals and firms with low-income still face challenges in retrieving financial facilities because of a lack of adequate information, complicated procedures, burdensome paperwork, and other market failures. (Parvez, 2019).

6. Policy Recommendation
It is proved that inequality is a global problem, but it is not irremovable. So we need a strong willingness to fight against it. Various vulnerable groups should be identified, and appropriate strategies should be implemented that effectively discourse their situations. This research recommends the following remedies to reduce income inequality.
1. Inequality has many dimensions, some having worse effects than others. Two major dimensions are extreme inequalities and structural inequality. The first one is most detrimental to inclusive and stable economic growth and threatens sociopolitical stability. The later describes the condition in which an unjust position is assigned to a cluster of people in comparison to another cluster. Policymakers should take separate measures to remove the above mentioned two dimensions of inequalities.

2. To resolve the lopsidedness government should be taken long-term strategies that empower the poor with human capital, enhancing the opportunities to engage in economic activities. Good public finance policies will reduce the disparity in income. The government should raise taxes on the rich and increase spending on the poor and vulnerable (Khan, 2018).

3. Unequal opportunities, dynamics of systemic discrimination, and segregation restrict poor and disadvantaged communities to obtain socioeconomic and political services, leading to 'inequality traps' and preserve inequality for decades. Equal chances will level the field so that birth conditions i.e., ethnicity, class, poor or rich, do not unfavorably affect the chances of a person to step forward in life.

4. Needs-specific policies should be adopted and implemented along with the wide-scale social movements should include all categories of people, so nobody is kept alone on the road to development (Editorial, 2017).

5. The mismatch between skill gain through education and employment constitute a hurdle in the improvement of income inequality and living standards. The government should allocate the necessary budget to reduce this gap.

6. Equal opportunities are known to be the springboard of income equality. The government should, therefore, implement the fundamental rights and ensure that everyone has the same chance to make use of their skills and succeed.

7. The government should raise the minimum wage or living wage, for example, increasing the wage of garment workers leads to decrease the inequality.

Income disparity is a global problem, and Bangladesh is not protected from the effects of the free market economy in the world. It must also continue to fight, as the remedy is attainable. To lessen income disparity in Bangladesh, many more requirements to be addressed to boost access jobs, education, and healthcare for the lowest half of the population. We have to meet the challenge of reducing inequality as well as enhancing knowledge and health care while developing the economy of the country (Shibli, 2017). In addition to that, the following measures can be taken for Bangladesh

1. The progressivity of tax policy and redistribution of tax money is a useful instrument in reducing income inequality. However, the number of income taxpayers is very low (only 1% of people are now in income tax, and 45 -65 percent of our economy's assets are not taxed). As a result, a substantial part government's revenue comes from indirect taxation, such as VAT. That applies to all individuals irrespective of their income. Poor people spend a significant proportion of their income, while rich people spend a minor portion of their income. This insufficiency is a significant cause of spreading inequality. Therefore the government should reduce the VAT and increase income tax for super-rich people (Ahasan, 2018).

2. In Bangladesh, the impact on income distribution with phenomenal GDP growth is marginal. To improve this situation, the government should introduce some cash-based transfer payments program instead of a food-based program under the National Social Security Strategy6 (NSSS) (Commission, 2015).

3. Bangladesh has been at risk of climate change in the long run; a singular drive to boost growth at the cost of environmental damage will lead to increased disparities in income. Therefore, it is imperative to revisit the country’s position and essence and its ideology of economic growth that will create an environment for an equal society and follow an environmentally sustainable growth path (Mahmood, 2017).

7. Conclusion
This paper is tried to investigate the scenario of income inequality over the world. GDP and per capita GDP and growth rate of the countries are increasing, and the socio-economic indicators are also observed positive. But along with these

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6 A service for teenagers, living age older and disabled people- with a special emphasis on youth and helpless women
developments, income inequalities are also growing over the world. In almost all countries, income inequality has extended in the past few decades. The world's top 1% earners received doubled as the poorest 50% (World inequality report -2018). The study has found that if the income share of the top 20% increases, then GDP growth declines over the medium term associated with increased GDP growth (Dabla-Norris, Kochhar, Suphaphiphat, Ricka, & Tsounta, 2015). Inequality is, therefore, obviously a significant issue that deserves much more focus in the policy debate. The elimination of disparity, from the other side, is one of the main objectives of sustainable development. We need to fight persistently to reduce the inequalities. If not, growth can become worthless, and we turn out to be a globe with no equity.

In terms of purchasing power parity, the economic trend shows that Bangladesh has become the 31st world’s largest economy to become the 28th through 2030. Bangladesh is projected to be the 23rd world’s largest economy as a developed economy around 2050. To reduce inequality in Bangladesh Somewhat more needs to be done to improve access for the lowest half of the population to jobs, education, healthcare, and welfare. Inequality is not unavoidable, and it is a policy choice. Our legislators must make the correct decision. However, if we, as a country, want to prove that Bangladesh is imbued with the basic philosophy of the liberation war we must ensure the inequality which was at the root of our independence.

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