# Inequality: Mind the Gap

Inequality has risen up the global agenda in recent years - everyone's talking about it, from Davos to the Vatican. Income inequality, for instance, is increasingly being linked with slower economic growth, poorer societal health and environmental degradation. And since 2011 the World Economic Forum (WEF) has repeatedly listed social inequality amongst their top 5 global systemic risks, central to driving a range of other problems – from unemployment to migration. The future of policy making will need to tackle inequality through a greater onus on redistribution, transparency, and stronger data to understand why the gap between the rich and the poor is getting bigger in different parts of the world.

Despite this new momentum there are still many unanswered questions about inequality. The corporate, national and international architecture for tackling inequality is still very new and very incomplete. We need a better understanding of the dynamics and geography of inequality, and a clearer picture of how it connects with other issues. Better tracking and measuring can help – and alignment across levels of measurement can catalyse this improvement.

## Measure What Matters

Measure What Matters (MWM) is a project that aims to drive alignment between measurement frameworks at corporate, national, and international level to deliver better decision making.

The paper 'Inequality: Mind the Gap' provides a background on how inequality - as a key thematic issue for all stakeholders - is being monitored and measured across these three levels. We engaged different experts and stakeholder communities to contribute ideas on aligning measurement processes, and assess whether inequality measurement frameworks are fit for purpose, and how we can achieve alignment for better data and decision making.

## Approach and Key findings

Inequality is a diverse and complex concept to measure at any level – you can legitimately focus on important inequalities in a diverse range of areas; from income, to gender inequality, to resource access.

In our discussion paper we asked 3 questions around **measuring**, **aligning**, and **improving** monitoring frameworks for inequality:

- MEASURE: How is inequality being measured by international institutions, national governments or corporations?
- ALIGN: Do these measurement frameworks align with each other?
- IMPROVE: What are the opportunities for better alignment?

Read below for a summary of our findings on each of our 3 levels – corporate, national, and international.

### Corporate – Strong measurement, but misaligned

- At the corporate level, inequality is most often understood in the context of pay inequality and gender inequality.
- Key corporate reporting frameworks tracking inequality include those from Global Reporting Initiative (GRI), UN Global Compact, and Global Impact Investing Rating System (GIIRS), or assessors like Social Accountability International's SA8000 Standard or the UK Living Wage Foundation.
- Data quality is often high, if spread across many bespoke measures that are not scalable to national or international levels, causing unavoidable misalignment.
- High quality inequality data are often very poorly reported due to company level concerns about reputational risk if the information is shared or made public.

### National – Detailed, yet incomplete

- At the national level the most common measurement of broader inequality is through the Human Development Index (HDI) or Inequality-adjusted Human Development Index (IHDI).
- More narrowly, income inequalities are often measured by the GINI Index or the Palma ratio, but national governments also track figures for wage rates per hour, weekly wages, and employment/unemployment rates.
- Alignment can seem strong, with GINI data for 153 countries back to 1960 recorded in the Standardised/World Income Inequality Database (WIID/SWIID), but even these data sets suffer from a lack of standard rules for surveying income or consumption, limiting comparability.

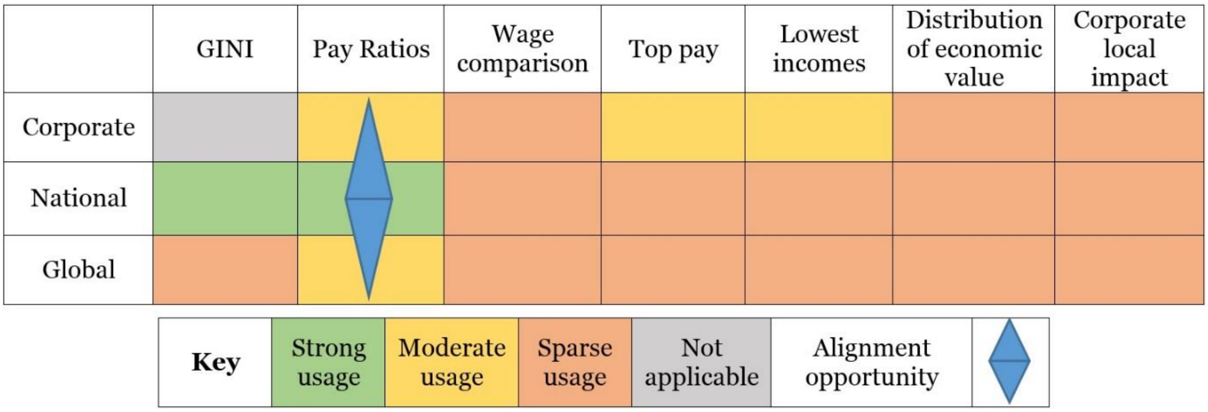
### International – New momentum brings complexity

- Key international reporting frameworks include the Millennium Development Goals (MDG), Sustainable Development Goals (SDGs) indicator set, and the World Bank 'Shared Prosperity Indicator'.
- The momentum behind the SDGs means there is new interest and momentum behind global reporting on a range of issues, including inequality. This has driven a proliferation of targets and measures.
- Indicators of inequality are still poorly aligned, with SDG 10 on inequality wide-ranging and with important targets that are difficult to measure.

### IMPROVE – Steps toward stronger alignment

Overall, alignment of measurement methods and metrics across corporate, national and integration is poor, with the strongest common measurement around issues of gender and income inequality. For income inequality, multi-level usage of pay/income ratios offers a potential alignment opportunity (see Table 1).

*Table 1 – Income inequality measures & usage*




- All areas of inequality need much stronger alignment efforts if corporate and international measures of progress are to be comparable.  And despite data richness on income inequality, the many complex factors that influence it in nations and companies count against it as a focus of alignment. Gender therefore may offer the next best chance for coordinated progress on inequality given its prioritisation at all levels.
- A key example of existing alignment is shown by GRI 4 corporate reporting on gender disaggregated wage data (G4-LA13, G4-EC5), which aligns with the SDG 8.5 target on 'equal pay for work of equal value'.
- Poor financial inclusion, and the role of banks and credit creators in combating this, is a potentially key aspect of inequality that is missed by frameworks across all levels.

### Conclusion

Overall, the emerging picture of inequality measurement is one of incomplete frameworks but highly detailed metrics, all supercharged by new momentum from growing global concerns and the SDG framework.

This picture is one of both risk and opportunity. The risk that debates around detailed but poorly scalable income measures halt the momentum toward greater alignment. But the - greater - opportunity is that the SDGs catalyse governments to work with business on aligned approaches to measuring inequality, and help drive a new global consensus around tackling gender inequality.