

Income Inequality in the Middle East

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Abstract

This brief looks at the evolution of inequality in the Middle East from 1990 to 2021. The last decade was one of the most turbulent decades for the Middle East. The rising inequality led to a series of popular movements, which called for more social justice, shedding light on the high level of inequality in the region compared to the rest of the world. This was accompanied by a pandemic which exacerbated the situation especially of the most vulnerable and those depending on daily income. Our findings show that the regional top 10% share has been persistently high for the last four decades, capturing 56% of the national income and that of the bottom 50% has been persistently low capturing only as little as 10% in 2021. The Middle East is thus a highly unequal region, with Gulf countries mainly driving the regional inequality. Moreover, this high level of inequality is not driven by between-country inequality but rather by within-country inequality.

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Introduction

During the last decade, and until this day, popular movements have become increasingly common in the Middle East. The main demand of demonstrators was social justice, suggesting that income inequality might be one of the factors responsible for the uprising. Yet, a number of studies claim that the region has one of the lowest levels of inequality in the world (Hlasny and Verme, 2015; Bibi and Nabli, 2010), and that the Gini index of the region has decreased over time (UNDP, 2011). These findings are in conflict with the demonstrators' frustration. The Arab Spring led researchers to question this paradox, which became known as "the Enigma of Inequality" (UNDP, 2011) or the "Arab Inequality Puzzle" (Ianchovichina, Mottaghi, and Devarajan, 2015). In this issue brief however, and based on the latest available data, we argue that there is in fact a high level of inequality in the region, due to large income differences between countries and a severe concentration of income at the top of the distribution. We obtain our estimates by combining income surveys, tax and national accounts data in a transparent and systematic manner (Bajard and Moshrif, 2021; Moshrif, 2020; Alvaredo, Assouad, and Piketty, 2017). However, given the limited amount of data available in the region, some of these estimates should be considered fragile and could be subject to potential revisions. We find that income inequality in the Middle East is among the highest in the world, with 56% of national income accruing to the top 10% income earners in 2021, and the top 1% earning twice as much as the share of the bottom 50%.

General trends in the Middle East in 1980-2021

The bottom 50% of the population in the Middle East has the lowest share of national income, when compared with the share of the top 1% and top 10% (Figure 1). Since the 80's, there has not been much

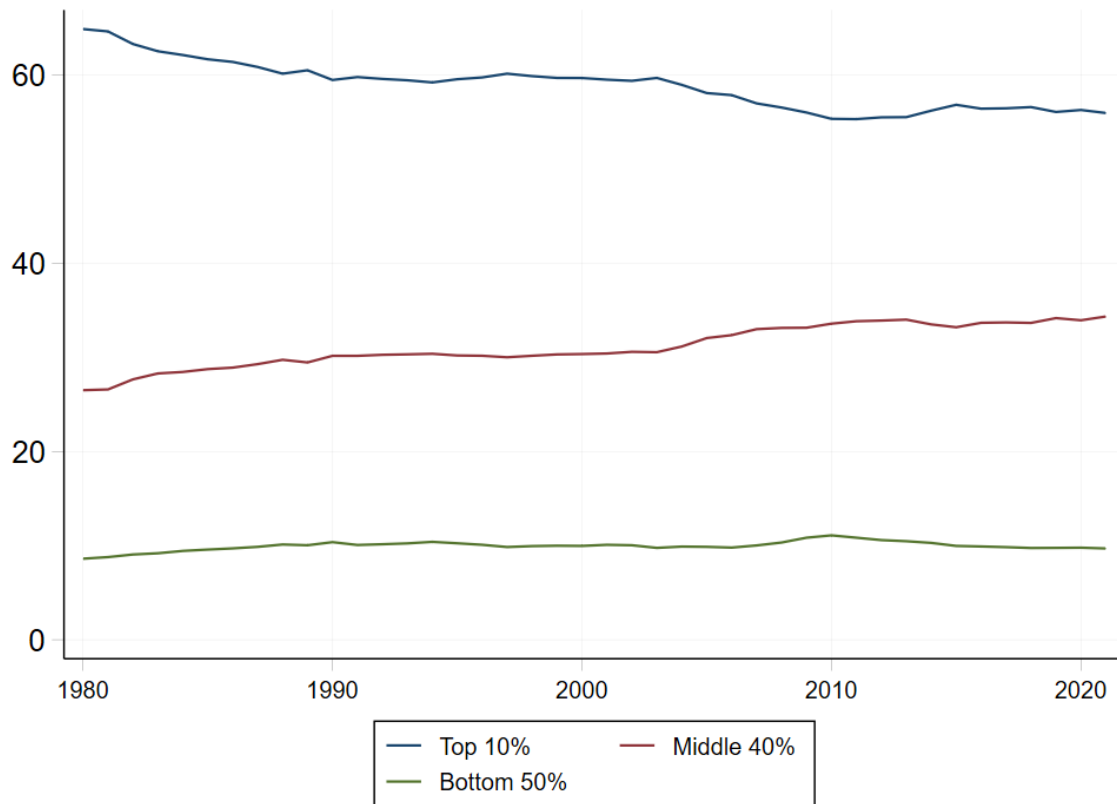
change in the distribution of the shares of income. However, when looking at the ratio of the top 10% average income over the bottom 50% (Figure 2), we can see that in 2021, the top 10% earn 28 times more the income of the bottom 50%. Despite that inequality has decreased in the 80's, it has remained constant since the 90's with the exception during 2008 financial crisis.

It would be understandable that the 2008 crisis affected the richer more, which is what led to the decrease in the gap between the average income of the top 10% of the distribution and bottom 50%. Additionally, the rise in the top 10% share since 2010, is related to the decrease in the share of bottom 50%. For the recent years, the Egyptian economy has gone through a number of policy changes (cut subsidies, flotation of Egyptian pound), that led to a decrease of income level for the bottom 50% and Middle 40%, hence, the rise of inequality in the region (Said, Galal, and Sami, 2019) post 2010.

Gulf countries are driving inequality in the region

Inequality has been consistently high in the Middle East over the period 1990-2021. The top 10% share of national income varies between 60% and 47% and the bottom 50% share between 8% and 15%. The income is especially concentrated among the top 1% income earners, whose share of the national income varies between 15% and 24%. The 1990-2021 period has been a period of rapid population growth for the Middle East: total population grew by 80%, from less than 225 million in 1990 to over 420 million in 2021. Average income has been growing at a slower pace. Using purchasing power parity (expressed in 2021 euros), per adult national income rose from 18,500 euros in 1990 to 21,600 euros in 2021, a cumulative growth of 18%. It is essential to stress the differences in average income and population between Middle East countries. The region can be divided between two groups of countries: The oil-rich gulf countries (UAE,

Figure 1. Income share distribution in the Middle East



Source :World Inequality Database (<https://wid.world>).

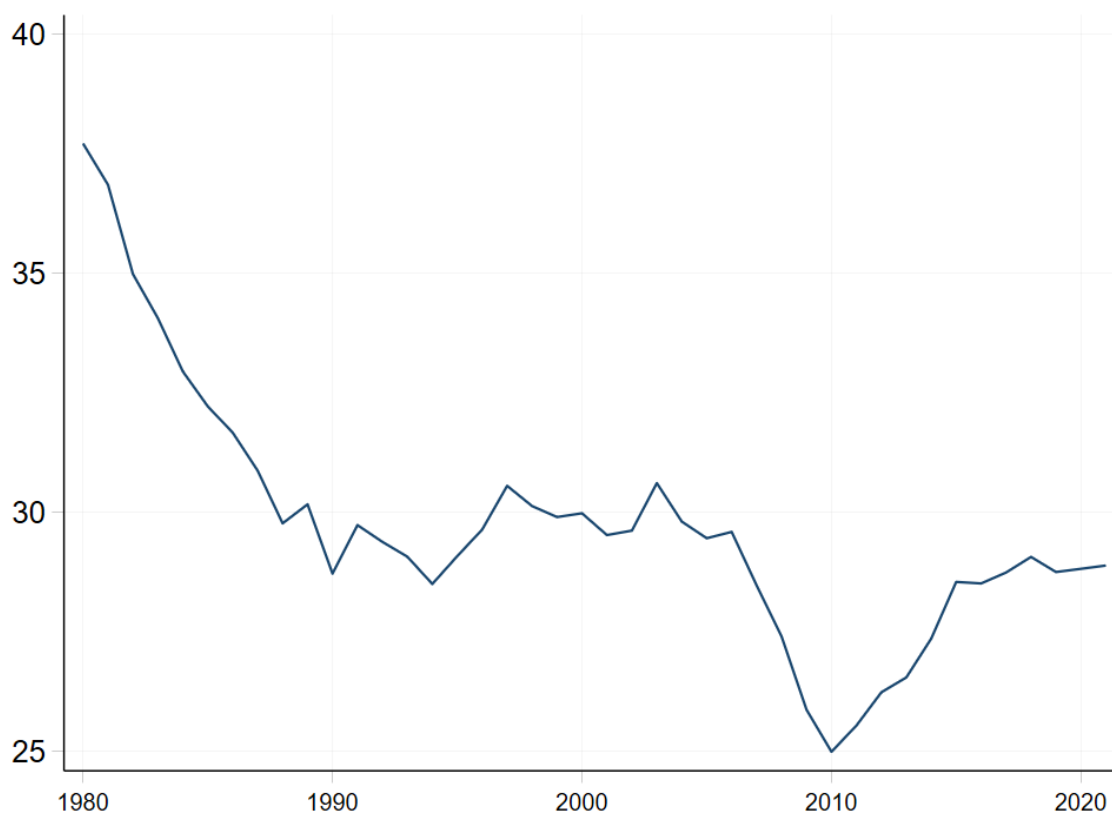
Kuwait, Oman, Bahrain, Saudi Arabia and Qatar); and the much more populous non-gulf countries. The oil endowment that the Gulf countries have and the lower population density makes their wealth and income distribution dynamics different hence the distinction between the two groups.

Figure 3 shows us that gulf countries are among the most unequal countries in the Middle East, for example in Qatar, the top 10% earns 29 times more than the bottom 50%, while in Egypt it stands at 15 times more, almost half the gap of Qatar. The gulf's high concentration of income at the top of the distribution is not surprising, given that their economies have mainly relied on State oil-rent sharing, and that non-nationals

workers do not benefit from the same rights as nationals.

The inequality level of Gulf countries reveals important aspects of their political economy. Low-paid foreign workers living in difficult conditions, do not share the same privileges as national citizens. Living in a highly subsidized economy, with no income tax and nor good and accessible public healthcare and education, national citizens tend to restrain naturalization against migrants, and control their stay by imposing a sponsorship system or "kafala system". This creates a polarized society with two groups that are legally, socially and economically unequal. The only country that has higher inequality (in terms of top10/top50 ratio)

Figure 2. Evolution of the top10/bottom50 ratio in the Middle East



Source : World Inequality Database (<https://wid.world>).

is Yemen which has been affected by war since 2014, pushing millions of Yemenis into extreme poverty to the point of food insecurity¹.

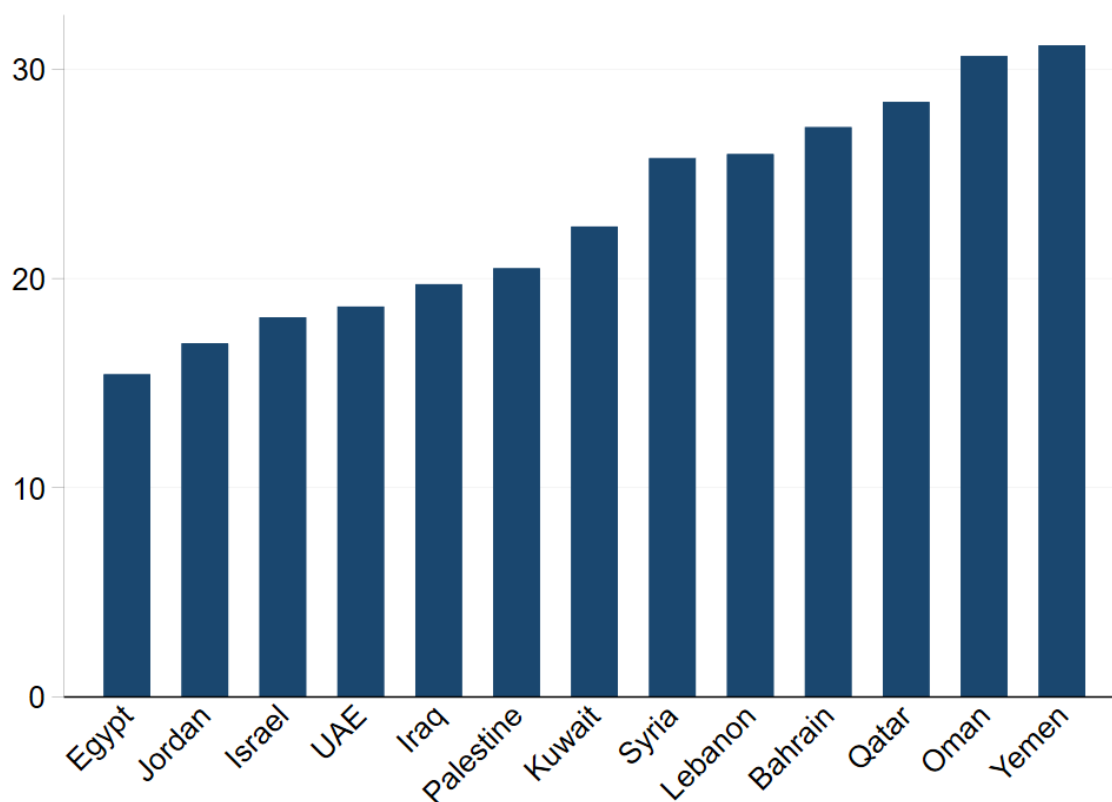
Better data and more transparency are highly needed in the Middle East

Inequality in the Middle East remains extreme within and between countries. It is assumed that the within-inequality should be trending upwards but due to data limitations and the lack of tax data, we are unable to capture the high income earners at the top of the distribution, hence income inequality is under-estimated. Access to better quality data might lead us to revise some

of these conclusions. Rising within-country inequality is found in other countries across the world, e.g. in the USA, Europe, Latin America, India, China, Russia, South Africa, with different magnitude. For this reason, we need more transparency on income and wealth, and better access to such data.

¹According to the World Food Program 17.4 million Yemenis are food insecure

Figure 3. Ranking of the top10/bottom50 ratio in 2021



Source : World Inequality Database (<https://wid.world>).

The World Inequality Lab

The World Inequality Lab aims to promote research on global inequality dynamics. Its core mission is to maintain and expand the World Inequality Database. It also produces inequality reports and working papers addressing substantive and methodological issues. The Lab regroups about twenty research fellows, research assistants and project officers based at the Paris School of Economics. It is supervised by an executive committee composed of 5 co-directors. The World Inequality Lab works in close coordination with the large international network (over one hundred researchers covering nearly seventy countries) contributing to the database.

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