

What's New About Income Inequality in Africa?

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Overview

This brief provides insights about the magnitude and evolution of income inequality across African countries using the most recent data available on WID.world. It also introduces a different dimension of inequality using new data on gender inequality as measured through the female labor income share (Neef & Robilliard, 2021). Three key results are worth highlighting: first, despite some decrease, income inequality as measured by the top 10% income share, remains very high in the Africa region and the patterns highlighted previously - in particular the distinctive North-South gradient - remain valid ; second, gender inequality exhibits important variability across the continent with the female income share ranging from 8% in Somalia to 41% in Guinea-Bissau ; third, the top 10% share and the female labor income share appear to be positively correlated and possible interpretations for this puzzling finding are discussed.

Poverty has long been the main focus of research in development economics on Africa (Acemoglu & Robinson, 2010). However, human development and poverty indicators have not improved as expected and reports by the World Bank on the attainment of Millennium Development Goal (MDGs) targets have shown that poverty has been decreasing in all regions of the world with the exception of the African continent (Bank, 2015). This stands in contrast with statistics showing that African countries have enjoyed a significant resurgence in growth since in the mid 1990s (Fosu, 2015). Solving this apparent conundrum has sparked interest in studying inequality as one of the potential factors behind the low elasticity of growth to poverty reduction in Africa (Fosu, 2009; Thorbecke, 2013; Cornia, 2019). This brief contributes to this research area by providing insights about the magnitude and evolution of income inequality across African countries using the most recent data available on WID.world.

How high is inequality in Africa?

The data from the 2022 WID regional update confirms that income inequality remains very high in the Africa region¹. Looking at country level inequality, [Figure 1](#) shows that the share of income accruing to households belonging to the richest decile is estimated at 49% on average in 2021 with values ranging from 37% (Guinea) to 65% (South Africa). Furthermore, apart from South Africa - consistently found to be one of the most unequal country in the World - four countries exhibit top10 income shares above the 60% bar: the Central African Republic, Mozambique, Namibia, and Zambia. As a point of comparison, the top10 income share in the US is estimated at 46.8% and that of France at 32.4%.

Another measure of inequality is the share of regional income earned by the top 10% of African households at the level of the continent. As shown in [Figure 2](#), this

share is estimated at 54%. Furthermore, the ratio of average Top 10% income to Bottom 50% income in Africa is estimated to be the second highest after the Middle East, another striking indication that inequality levels in the African region are extremely high.

African inequality over space and time

[Figure 3](#) shows the map of top 10 shares across African countries estimated in 2021 using data from the 2022 WID regional update (Robilliard, 2022). The picture exhibits a distinctive North-South gradient of increasing inequality which is consistent with contemporary African inequality levels reflecting both the situation at Independence and the political economy and institutions that followed (Cornia, 2019)².

Considering the last five decades, available data suggests that within-country inequality has changed very little in the Africa region. More specifically, as shown in [Figure 4](#), our estimate indicates that the average top10 share was around 53% in the early 80s and went down to 50% in the early 2020s, a 3% decrease that is probably smaller than the confidence interval of our estimates. [Figure 4](#) also shows however that dynamics at the sub regional level are contrasted, with average country-level inequality decreasing more significantly in Southern and Western Africa as well as in Northern Africa. Countries of Eastern and Northern Africa experienced little change on average. Investigating the determinants of these contrasted trends is left for future work. In addition to historical and institutional factors, the probable determinants are the dynamics of the qualification premium, the increase in direct taxation and transfers, the evolution of commodity prices, etc.

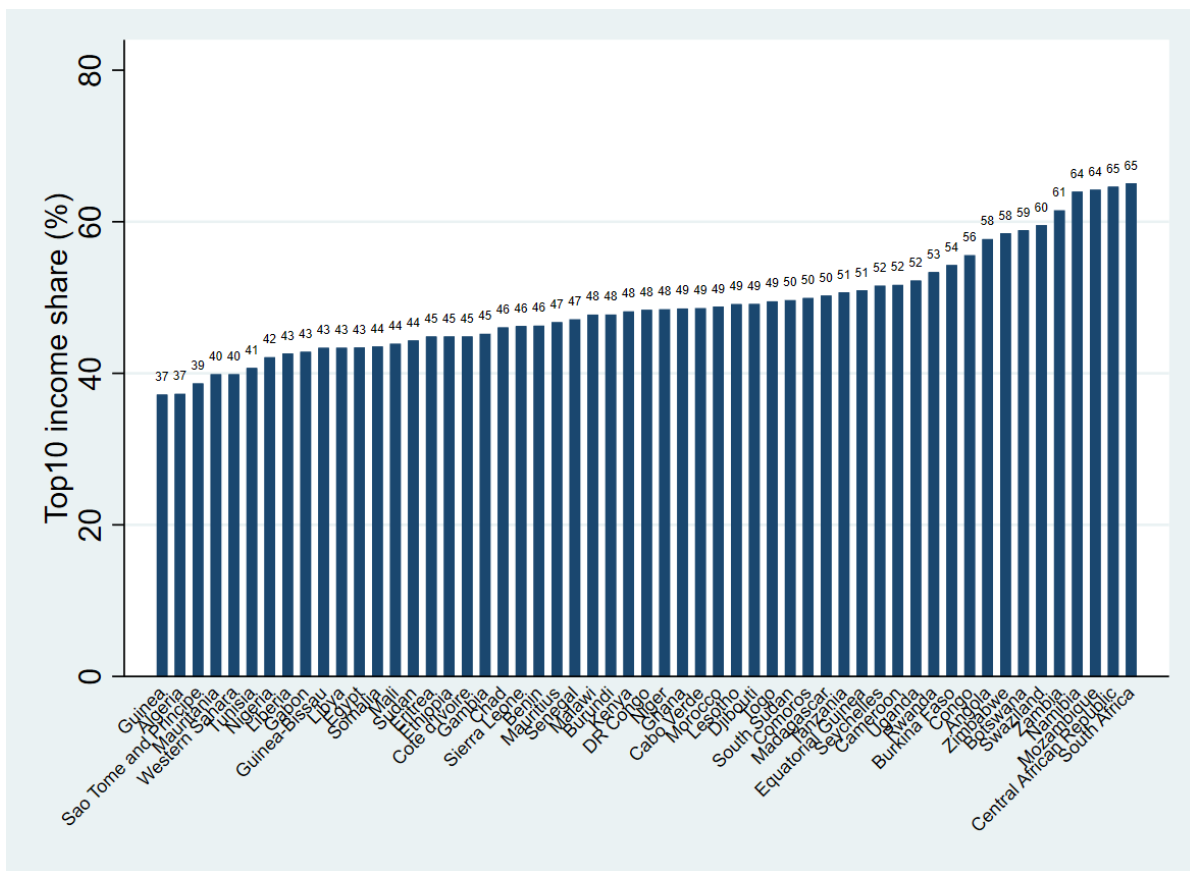
Gender inequality through the lens of the female labor income share

Using different sources of data and advanced imputation methods, Neef and Robilliard (2021) estimate that women earned about 30% of global labor income in the

¹As detailed in Robilliard (2022) and Chancel and Piketty (2020), the 2021 inequality estimates rely on the straightforward extrapolation of income distribution obtained using the adjustment of the latest survey data tabulation available on Povcalnet/PIP in each country. Compared to last year's update, the database includes contains 16 new country-year data points for Africa

²See Robilliard (2020) for a discussion of this pattern

Figure 1. Top 10% income shares across African countries, 2021



Source: World Inequality Database 2022. Note: These estimates are obtained using different methods and some degree of extrapolation. See Robilliard (2022) for more details.

early 1990s and 35% today³. Given that women represent around 50% of the working age population, gender equality in terms of labor income would be reached at 50%. As shown by Neef and Robilliard (2021), no country achieves gender equality from the perspective of labor income, both because female labor force participation is lower than male labor force participation and because, when working, female earnings are lower than male earnings.

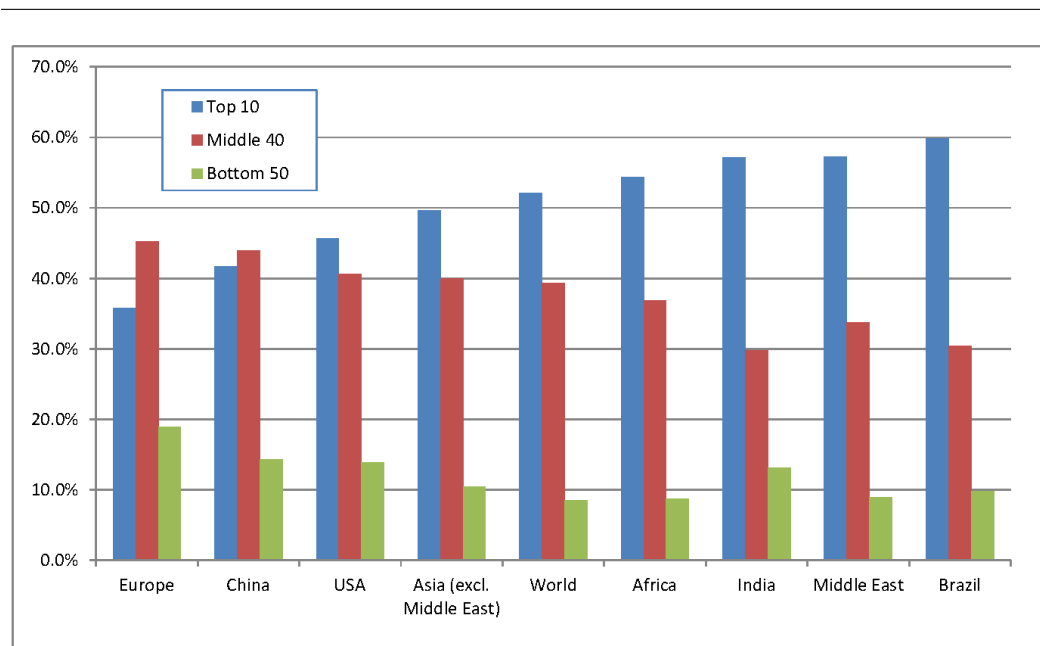
Neef and Robilliard (2021) also show that the female la-

bor income share varies across countries with some distinctive regional patterns. The MENA region exhibits the lowest female labor income share with about 15% in 2019. Latin American countries stand at about 36% today while Western Europe stands at 38%. The Former Eastern Bloc countries show the highest shares with about 40%. For countries of the African continent, the share of labor income earned by women is estimated at 30%. However, as shown in Figure 5, there appears to be significant spatial variation around this average value with the female labor income share ranging from 8% in Somalia to 41% in Guinea-Bissau.

A number of factors are likely to explain why the female labor income varies across countries. In the case of Africa, as shown in Figure 6, a North-South gradient of increasing female labor income share is observed.

³Neef and Robilliard (2021) bring together employment and labor income data from the International Labour Organization (ILO), the Luxembourg Income Study (LIS), and the European Union Statistics on Income and Living Conditions (EU-SILC) to estimate the share of labor income earned by women at the national level for 182 countries. This indicator considers gender differentials in earnings as well as labor force participation and is thus more comprehensive than usual measures of gender inequality.

Figure 2. Inequality levels across world regions, 2021



Source: World Inequality Database 2022.

This can be explained by the fact that countries of North Africa exhibit very low female labor force participation while countries of Southern Africa exhibit both relatively high female labor force participation rates and low gender earning gaps. As shown by Neef and Robilliard (2021), the female labor income share is highly correlated with the share of women in wage work.

Income inequality and the female labor income share

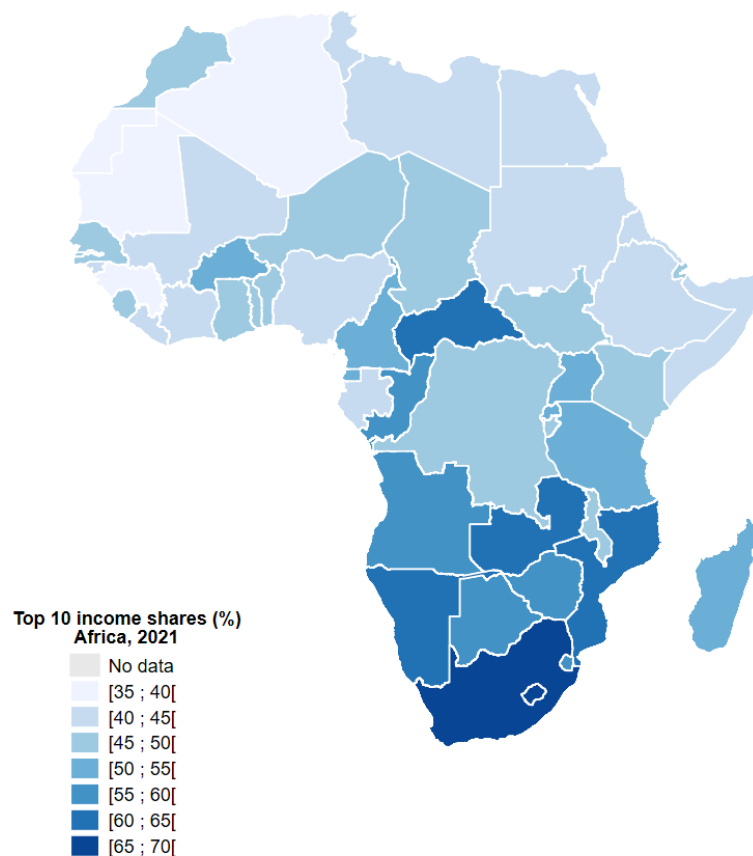
In this section, we discuss the relationship between the two dimensions of inequality presented above: income inequality as measured by the top10 income share and gender inequality as measured by the female labor income share. (Figure 7) shows that these two indicators are positively correlated: high levels of income inequality at the country level are associated with high values of the female labor income share. Since high levels of the female labor income share correspond to low gender inequality we uncover a surprising fact : gender equality is highest in countries where income inequality

is high.

This puzzling correlation could be explained by underlying drivers of both dimensions of inequality. Indeed, the female labor income share is correlated with the share of women in wage work (as a percentage of wage employment) and this share increases with the rate of wage employment at the national level (as a percentage of total employment). In others words, countries with high rates of wage employment usually are found to have high shares of women in wage work. In turn, income inequality is also likely to be correlated with the rate of wage employment as formal employment represents a small share of total employment and formal wages are significantly higher than agricultural and informal earnings⁴. This "structuralist" interpretation related to labor force allocation between sectors and the "dual" nature of many African economies is also supported by Cornia (2019).

⁴In principle, the positive correlation is likely to be observed at least until formal employment reaches 50% of total employment

Figure 3. Top 10% income shares across Africa, 2021



Source: World Inequality Database 2022. Note: These estimates are obtained using different methods and some degree of extrapolation. See Robilliard (2022) for more details.

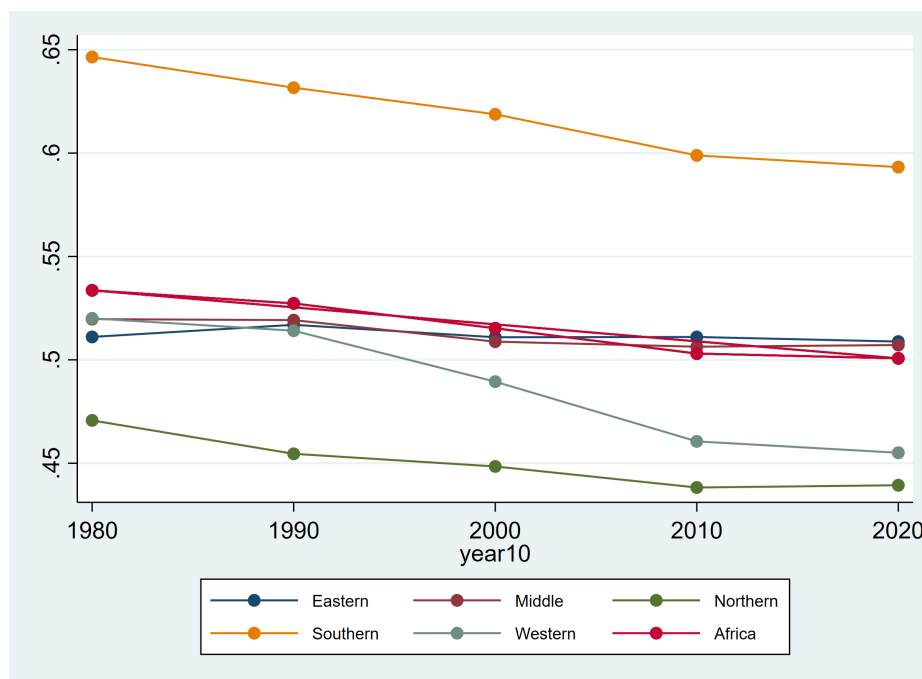
What next?

A more thorough understanding of inequality patterns and dynamics in Africa is needed. In particular, research on the distribution and returns of human capital is an interesting line of research as the continent has been marked by strong progress in education in the last decades. While this progress is encouraging in itself, it could have fueled income inequality in contexts where higher education and formal sector employment are only available to a minority of the labor force. This will be investigated more thoroughly in the near future.

Another important dimension is data quality. Although the availability of household survey data has increased significantly over the past decades, quality and compa-

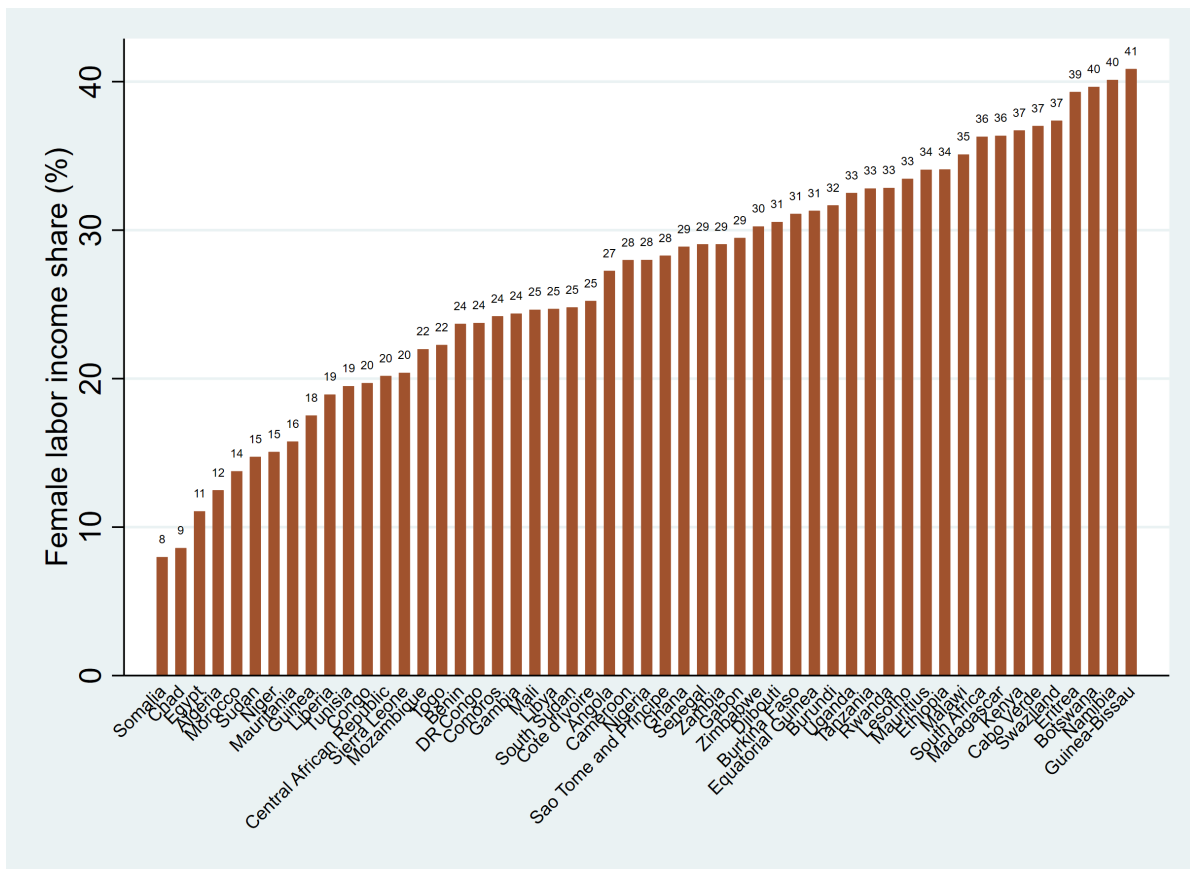
rability remain an issue, especially when it comes to measuring inequality (Figure 8). The methods developed at the World Inequality Lab aim to increase the level of comparability of inequality estimates. They remain imperfect as most African countries still do not publish tax statistics. Investing in statistical capacity and transparency is essential to assess the impact of economic policies in Africa.

Figure 4. Average top 10% shares by sub region over time



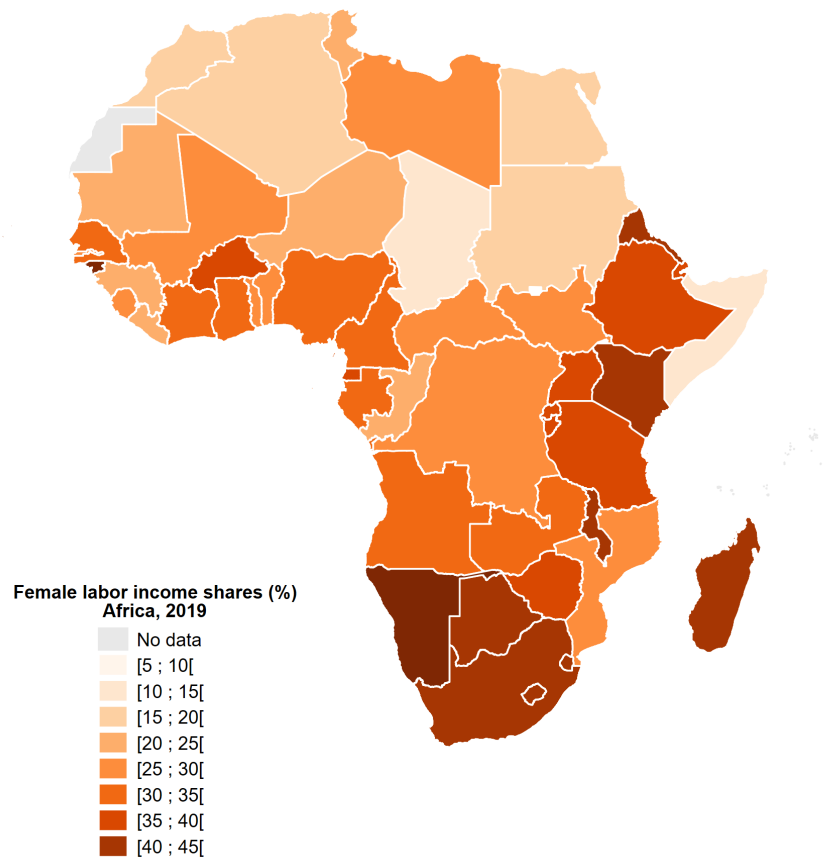
Source: World Inequality Database 2022. Note: "All points" series. These estimates are obtained using different methods and some degree of extrapolation. See Robilliard (2022) for more details.

Figure 5. Female labor income shares across African countries, 2019



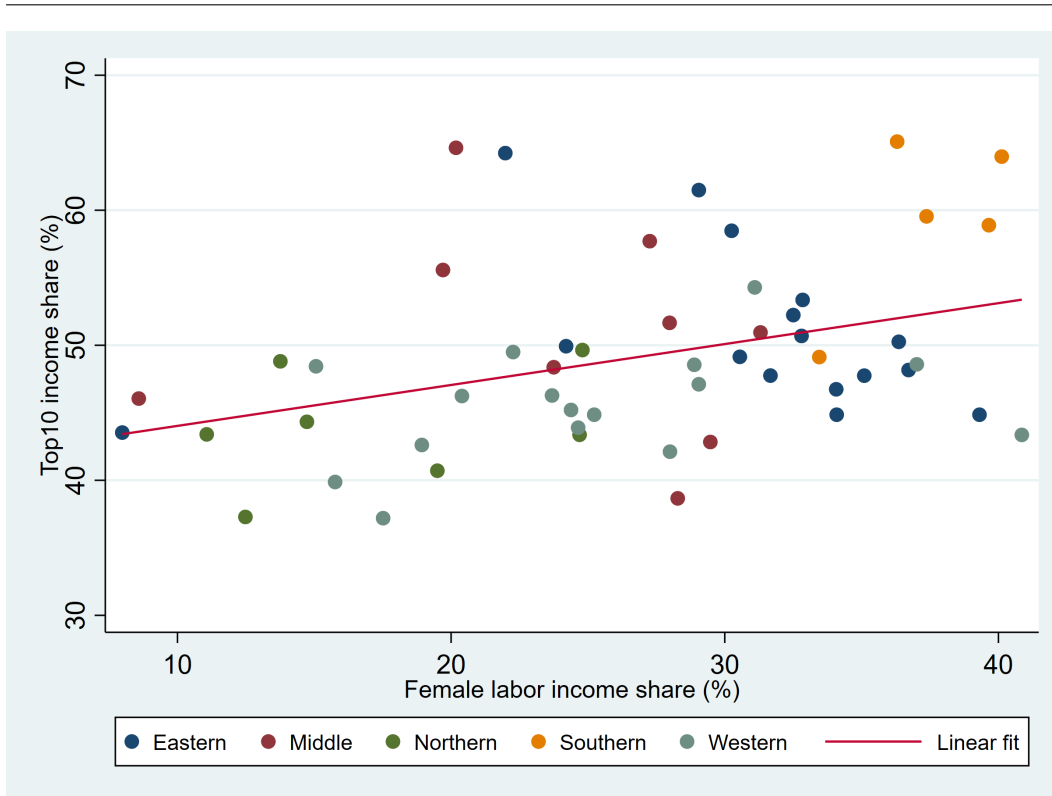
Source: World Inequality Database 2022. See Neef and Robilliard (2021) for more details on estimation methods.

Figure 6. Female labor income shares across Africa, 2019



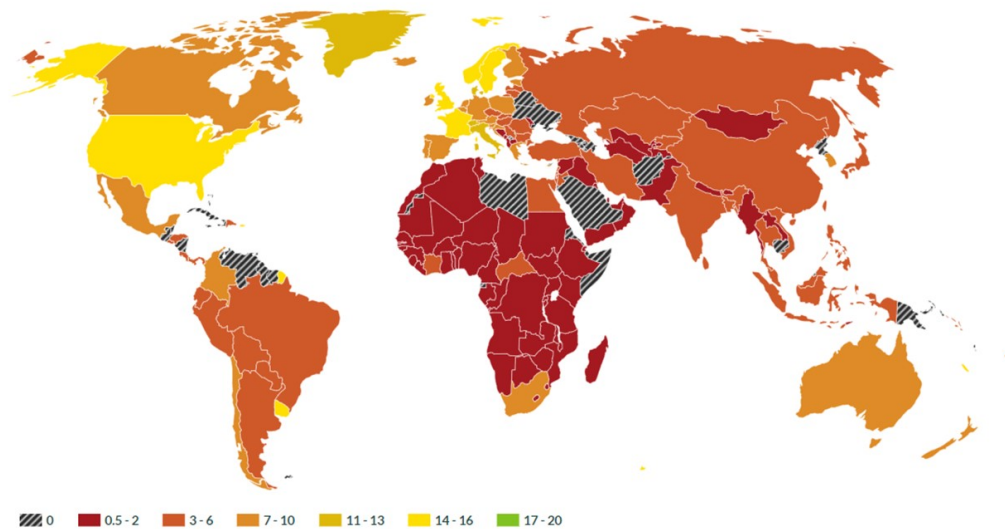
Source: World Inequality Database 2022. See Neef and Robilliard (2021) for more details on estimation methods.

Figure 7. Top 10 vs Female labor income shares in the Africa region



Source: World Inequality Database 2022. See Robilliard (2022) and Neef and Robilliard (2021) for more details on estimation methods.

Figure 8. Inequality Transparency Index



Source: World Inequality Database 2022. For more details: <https://wid.world/news-article/inequality-transparency-index-2020/>.

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The World Inequality Lab

The World Inequality Lab aims to promote research on global inequality dynamics. Its core missions are the extension of the World Inequality Database, the production of inequality reports and working papers addressing substantive and methodological issues, and their dissemination in academic and public debates. 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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