THE DEEP ROOTS OF INEQUALITIES

SUMMARY AND KEY RECOMMENDATIONS

The status and drivers of economic inequalities within and between countries – with specific examples from India and Indonesia

To read the full report, please go to www.eurodad.org/the_deep_roots_of_inequalities

ABOUT THIS BRIEFING

This briefing is a summary of a report that has been coordinated and published by the European Network on Debt and Development in cooperation with its partners – Aksi! for gender, social and ecological justice, Asian Peoples' Movement on Debt and Development, National Campaign on Dalit Human Rights, Safai Karmachari Andolan, Society for International Development, and Solidaritas Perempuan.

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Women's Consultation: Addressing Economic Inequality and Strengthening Community Voices / Photo credit: Aksi!

INTRODUCTION

With the 2030 Agenda for Sustainable Development, adopted at the United Nations (UN) in 2015, the world's governments decided to "leave no one behind" and adopted the target of reducing inequalities between and within countries by 2030. These elements are strongly interlinked. On the one hand, inequalities between countries greatly constrain and limit the scale of resources available in developing countries to ensure that no one is left behind. And on the other hand, equality within countries is crucial for ensuring that the available resources reach those most marginalised and in need.

With five years to go before the deadline, the report 'The Deep Roots of Inequalities' looks at the state of economic inequalities globally and the role that the international tax rules play in increasing or reducing inequalities between countries.

Furthermore, the report assesses the state of economic inequalities in two focus countries, namely Indonesia and India, and looks specifically at the situation of communities faced with economic inequalities linked to discrimination. The intersectionality of economic and gender inequalities is the focus in relation to Indonesia, while for India, the report assesses the interlinkages between economic inequalities and discrimination in relation to caste, with a special focus on safai karmachari communities – or people engaged in or affected by manual scavenging, manual scavenging, which refers to the removal of human excreta or sewage by hand.

Lastly, the report also assesses the role of the national tax systems in relation to economic inequalities in Indonesia and India.

KEY FINDINGS

Inequalities globally

The state of global inequalities is dire. Estimates suggest that the richest 10 per cent of the world's population captures over 50 per cent of all income and currently owns 76 per cent of the world's wealth. In terms of inequalities between countries, developing countries started off on an unequal footing after the colonial era, and they continue to be hampered by a global economy that drives extraction of natural resources and labour from the global south. While inequalities between countries have reduced significantly since the 1980s, they remain high, and estimates suggest that the trend might be turning back towards an increasing gap between rich and poor countries.

Rather than serving to reduce inequalities, global tax rules contain clear biases in favour of global north countries, which undermine developing countries' ability to tax wealthy individuals and multinational corporations. At the same time, loopholes continue to allow these actors to use tax havens to lower their effective tax payments. This, coupled with a global race to the bottom on corporate tax rates and other progressive policies, has led to a rise in regressive taxes, which place a disproportionate burden on the poorest and fuel further inequalities.

However, a historic opportunity for change has opened up, as the United Nations has initiated an intergovernmental negotiation of a new Framework Convention on International Tax Cooperation, which is set to be finalised by 2027. With the mandate to establish "an international tax system for sustainable development", as well as to develop commitments on the equitable taxation of multinational corporations and effective taxation of high-net worth individuals, this negotiation provides a much-needed beacon of hope in the fight against inequalities.

Inequalities within countries – Indonesia and India

The examples of Indonesia and India serve as a stark reminder that inequalities within countries can constitute another – very serious – hindrance for the achievement of economic equality.

Both countries have seen the formation of a super-wealthy elite, and the World Inequality Lab has estimated that the richest 1 per cent in Indonesia captures 18.3 per cent of income, while the figure in India is even higher, namely 22.6 per cent. The same elite also holds a very large share of the wealth in the two countries – namely 29.3 per cent in Indonesia and 40.1 per cent in India.

Meanwhile, communities faced with discrimination must fight to overcome massive disadvantages.

In Indonesia, women's estimated earned income is just half that of men's, and their labour-force participation rate remains as low as 53 per cent. One key reason is the stark differences in the amount of unpaid care work performed by women and men in Indonesia – a problem that is exacerbated by Indonesia's relatively low level of public investment in care policies. The women that do participate in the labour market are more likely than men to work in the informal sector, which entails higher income instability and lower benefits, job security, and recognition.

Indonesian women are also faced with legislative discrimination, for example in relation to inheritance rights, as well as lack of recognition of women as rights holders in laws related to protection of the rights of fishers and farmers. The lack of integration of women's perspectives in decision-making also puts women at risk of being negatively impacted by, for example, large-scale development projects and exploitation of natural resources. Women human rights defenders who advocate for land rights and environmental protection risk facing intimidation and harassment.

In India, despite a very clear and explicit constitutional ban on caste-based discrimination, as well as numerous laws to address the problem, very significant challenges remain, and there are substantial mismatches between written words and the lived realities. The Dalit communities in India continue to be faced with severe disadvantages, including less access to education and discrimination when it comes to job opportunities. This problem is also clearly visible in the economic statistics, where Dalits remain overrepresented among the poorest segments of the population. This problem mirrors a larger international problem, where there is still no international legal framework against discrimination based on work and descent, despite the fact that this problem impacts millions of people worldwide.

The situation for India's safai karmachari communities, or people engaged in manual scavenging, constitutes an extreme example of the problems related to discrimination based on work and descent in India. Even within the Dalit group itself, safai karmachari communities find themselves at the bottom, and have sometimes been referred to as 'untouchables among the untouchables'. In recent decades, this practice has repeatedly been banned by law in India, together with provisions to assist people engaged in manual scavenging to transition to other work. However, these laws have remained largely unimplemented, and legislative requirements for public institutions to collect reliable data on manual scavenging in India have not been fulfilled. At the same time, public budgets to support the rehabilitation of safai karmacharis have been underspent, and subsequently cut. The lack of implementation of the laws has led to several strong rulings by the Supreme Court of India, ordering public authorities to fulfil their duties when it comes to people engaged in manual scavenging, including collecting reliable data, ensuring compensation in the case of disabilities and deaths, and taking the necessary steps towards ending manual scavenging in India.

In both Indonesia and India, progressive taxation could be a very important and targeted way to reduce the economic inequalities that are faced by discriminated groups and communities. However, unfortunately, the global tax trends mentioned above are clearly visible in both Indonesia and India, where concerns about the regressive impacts of the tax system are strong and growing. For example, both countries have seen drastic reductions in taxes on corporations over the last half a century, coupled with an increased focus on taxing consumers and workers. Furthermore, despite overwhelming public support for wealth taxes, neither Indonesia nor India currently has such a tax. On a positive note, both countries have supported, and are currently engaged in, the negotiation of a new UN Convention on Tax, which opens up the potential for using tax systems to create a fairer, more equal world.

Photo credit: Aksi!

RECOMMENDATIONS

Fight economic inequalities within and between countries, and ensure fair taxation

Ensure that the negotiation of a new UN Convention on International Tax Cooperation results in an agreement that serves to lower inequalities between and within countries. In line with the Terms of Reference for the Convention, the outcome should include clear commitments to ensuring a fair allocation of taxing rights between countries, equitable taxation of multinational corporations, effective taxation of high-net worth individuals, and the establishment of an international tax system for sustainable development.

Tax the rich, not the poor. Ensure that tax systems are progressive, including through effective taxation of wealth. Wealth taxes are a potent tool for directly stemming inequality. These taxes can help to curb the continued amassing of wealth, profits, and power in the hands of an elite minority at the expense of the majority. They also help governments to raise more domestic revenues to fund public services, to make health and education more accessible and available for all, and to ease the tax burdens on those who can least afford to pay.

Make taxes work for women. Regressive tax systems can exacerbate gender inequalities and reinforce economic and social exclusion. For example, women tend to spend a greater share of their income on household necessities, which are subject to regressive consumption taxes. If such biases are addressed, taxation can become an instrument for advancing gender justice. Effective tax systems are also vital for mobilising resources to combat gender inequalities. In particular, women's disproportionate share of unpaid care work is a key concern that should be recognised and supported, including through strengthened public services.

Make taxes work for people and the planet. Tax systems should help to transform economic structures into systems that put people and the planet first, including through progressive environmental taxation. The international tax system should help to reduce inequalities and, at the same time, restructure the relationship between production and the environment and promote a systemic shift away from the exploitation and destruction of natural resources in ways that harm both the natural environment and the communities that rely on these resources. In the face of the global climate crisis, improved tax systems should also contribute to financing urgent climate action and meeting climate finance commitments.

Make multinational corporations pay their share. Multinational corporations have taken advantage of unfair global tax rules and tax havens that rob developing countries of their resources and the fruits of their citizens' labour. If these companies contributed fairly and effectively towards the public coffers in the places where they carry out their economic activities, host governments would not have to look elsewhere for revenue and could reduce regressive taxes that deepen inequality.

Reclaim public services – using public funds to fulfil people's rights and needs. Underfunded public services can have devastating impacts on the poorest and most marginalised people around the world – hampering their efforts to improve their economic situation. Profit-driven private service provision is leaving many people behind. Governments must reclaim public control of essential social services, generate more public revenues, and increase the allocation of funds for public services.

Promote gender equality in Indonesia

Protect women's economic rights. Ensure women's economic protection and empowerment – including women informal workers, fisherwomen, and farmers – by providing guaranteed access to support services, access to business licences for all women, and access to capital and markets.

Recognise and support women's initiatives. Provide support for women's initiatives in economic development, including by protecting the community economic resources that make these initiatives possible.

Carry out development initiatives responsibly, respectfully, and inclusively. Stop development programmes that violate human rights and women's rights and destroy the environment, as well as climate change response projects that ignore human rights. Ensure the full involvement of women with diverse identities in every stage of policy-making and the approval of development programmes. Prioritise projects that are gender responsive and environmentally sustainable.

Revoke the omnibus law on job creation. Revoke the Job Creation Law (omnibus law), which makes it easier for the state and/or companies to carry out land grabbing, environmental destruction, and the exploitation of natural resources, and threatens women's lives and livelihoods, including via the increased criminalisation of women human rights and environmental defenders.

Protect human rights defenders and their role in fighting for economic justice. Ensure protection of human rights defenders and stop all acts of threats and criminalisation of women human rights and environmental defenders.

Support disaster survivors, including their economic recovery. Protect and fulfil the rights of women disaster survivors (including climate disasters). Support should include housing, access to food, access to economic recovery, protection from threats of sexual violence, and support for recovery from trauma.

Make taxes work for Indonesian women. Harmful tax practices in Indonesia, from loopholes that facilitate illicit financial flows to the frequent use of regressive taxes such as VAT increases, are contributing to keeping women in a disadvantaged economic position. As a part of a move towards a fully gender responsive tax system, the Indonesian government needs to recognise and address the weaknesses in its current tax system, reduce regressive taxes that disproportionately impact women, and ensure adequate public spending on public services.

Address caste discrimination and end manual scavenging in India

Adopt an international convention on discrimination based on work and descent. Approximately 270 million people worldwide come from communities discriminated based on work and descent (including India's Dalit population). The Sustainable Development Goal ambition to "leave no one behind" is at risk if the international community does not pay attention to the issue of caste. An international convention would pave the way to directly tackle the deep-rooted discriminations these populations face and allow them to benefit from global development efforts.

Make taxes work to the benefit of Dalits. India's overreliance on regressive taxes harms those who can least afford to pay, including disadvantaged groups such as Dalit communities. Additionally, lack of effective wealth taxes fails to reduce the massive gap between the country's rich and poor. The Indian government needs to recognise and address these weaknesses in its current tax system and reintroduce a truly progressive tax system.

Implement the laws and policies for the liberation and rehabilitations of persons affected by the caste-based atrocity of manual scavenging in both letter and spirit. Government bodies at all levels need to be equipped to implement the laws and policies and must be held accountable for non-compliance and negligence. All legal obligations of the 2013 Act on the Prohibition of Employment as Manual Scavengers and their Rehabilitation must be met.

Track and report reliable data on manual scavenging in India. Governments at all levels should collect consistent, reliable, accurate data on people engaged in manual scavenging in order to fully understand the scale of the problem, and measure whether laws and programmes are working to address it.

Allocate and spend budgets. 1 per cent of India's budget should be allocated exclusively for the welfare of safai karmachari communities. This must include adequate liberation and rehabilitation benefits to allow people to leave the work and have assurance of their future well-being. Additionally, there must be accountability for budgets frequently left unspent for programmes that are intended to support safai karmachari communities.

Abolish the contract system in sanitation work. Repeated legal violations by sanitation contractors have resulted in sewerage deaths. All sanitation, sewerage, and sewage-cleaning work should be under public sector employment to guarantee safety, dignity, and enforceability of decent work.

Commit to a time-bound target to end manual scavenging deaths in sewer and septic tanks. Needless deaths have continued for too long, and without accountability. In spite of this, there have been no convictions of violators under the 2013 Act. Family members must receive adequate compensation and support when deaths occur, and urgent action must be taken to prevent it altogether.

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ASIAN PEOPLES' MOVEMENT ON DEBT AND DEVELOPMENT

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NCDHR

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SAFAI KARMACHARI ANDOLAN
A movement for elimination of manual scavenging

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