

Unfolding Inequality: How It Continues to Evolve



Gee Young Oh

Ph.D., Associate Research Fellow, Development Evaluation Team
Korea Institute for International Economic Policy

Inequality is a long-standing issue that exists in various forms. Moreover, it even evolves as the social and economic environment changes. The pandemic has illustrated how it can evolve by exacerbating existing inequalities while accentuating relatively newer factors of inequality.

Inequality was already a critical global issue before COVID-19. As such, there has been much effort to reduce it globally. For example, the United Nations adopted the Sustainable Development Goals (SDG) in 2015 to call for global actions for a better future, two of them explicitly related to inequality—Gender Equality (Goal 5) and Reduced Inequalities (Goal 6).¹

Despite global efforts to reduce inequality across and within countries, COVID-19 has exacerbated existing disparities. The OECD finds that COVID-19 has made previous efforts to mitigate inequality go in vain, or even worse. The distribution of COVID-19 vaccines has illustrated that even basic human rights were unequal between richer developed countries and poorer developing countries. Before the pandemic, rising econ-

¹ UN Sustainable Development Homepage, <https://sdgs.un.org/> (accessed August 18, 2022)

omies like China and India may have contributed to reducing economic inequality across countries. But once the pandemic hit, even such effect halted, and inequality across countries widened.² What is more, post-covid recovery is predicted to be slower and more challenging for developing countries, leading to the lasting impact of the pandemic on across-country inequality.

The gap within a country has widened, too. For example, wealth or income inequality has grown worse. Wealthpolarization has already existed before COVID-19. Some may say it is not inequality but rather the work of meritocracy in the labor market—talented, skilled workers should earn more. Differentiated pay for workers with more talent (or higher human capital) itself is not the problem. The problem is that skills or human capital of workers cannot solely explain the pay or wealth gap. The Great Gatsby Curve³ shows one needs to be born rich to become rich. Declining college enrollments (which were also exacerbated during the pandemic) may be because students are re-evaluating the value of higher education, given the “immobility” of social ladders and inequality in opportunity.

Gender inequality is another dimension of inequality that has exacerbated. Before COVID-19, there were high demands to mainstream gender in policies to tackle gender inequality in economic, social, and health outcomes. The gender gap in labor force participation has been decreasing over the past decades but has plateaued, gender wage gap has persisted, and the “missing women” phenomenon remains a big puzzle, where the ratio of women to men is very low in developing countries.⁴

Then, COVID-19 has impacted women more than men. Unlike usual economic recessions that lead to more job loss for men than women, COVID-19 has led to more job loss for women than men.⁵ A reason for such “shecession” is that with society shutting down, children needed to be cared for at home. The burden is laid more heavily on women because women earn less and when couples choose who should quit their jobs to handle the housework, those who earn less quit. Or it could be women are expected to bear the burden due to gender bias. Whatever the reasons, it will have a lasting impact on women’s performance in

² “Global Inequality Is Rising Again.” 2022. *The Economist*, August 2. <https://www.economist.com/finance-and-economics/2022/08/02/global-inequality-is-rising-again> (accessed August 18, 2022)

³ Corak, Miles. 2013. “Income Inequality, Equality of Opportunity, and Intergenerational Mobility.” *Journal of Economic Perspectives*, 27(3), pp. 79–102. <https://doi.org/10.1257/jep.27.3.79>

⁴ Sen, Amartya. 1990. “More than 100 Million Women Are Missing.” *The New York Review*, December 20; Anderson, Siwan and Debraj Ray. 2010. “Missing Women: Age and Disease.” *Review of Economic Studies*, 77(4), pp. 1262–1300. <https://doi.org/10.1111/j.1467-937X.2010.00609.x>

⁵ Alon, Titan, Sena Coskun, Matthias Doepke, David Koll, and Michèle Tertilt. 2021. “From Mancession to Shecession: Women’s Employment in Regular and Pandemic Recessions.” NBER Working Paper Series, no. 28632. National Bureau of Economic Research. <https://doi.org/10.3386/w28632>

the labor market due to career disruptions and lower representation of women in the market. Also, women have become more vulnerable to physical or sexual violence by partners.⁶ In developing countries, where gender inequality is more significant,⁷ women's vulnerabilities are even higher as they face additional challenges than those in developed countries. Most women are self-employed, informal workers with less social protection to mitigate the economic consequences of the pandemic. Maternal mortality has risen with fewer healthcare resources available.

COVID-19 also highlighted a (relatively) newer factor of inequality: digitalization. Since the introduction of personal computers and the internet in the late 1990s, the digital divide has been a social problem. With high initial infrastructural costs, digitalization has been slower in developing countries. Even in developed countries, there is a digital divide at an individual level depending on proficiencies in using digital devices and resources. Digitalization (or automation) also asymmetrically impacts industries and widens wage gaps across industries.⁸

With COVID-19, the digital divide has further amplified in diverse forms. Workers who could work remotely quit less than those who could not. Generally, these are workers of white collar and relatively higher paying jobs, exacerbating economic inequality. Firms with equipment and "digitalizable" tasks could maintain their performance and keep the business alive through COVID-19. In terms of education, only students with digital devices could take online classes, leading to inequality of opportunity and making it harder to climb up the social ladder.

The pandemic has disclosed a long-due homework with modifications: inequality in its new form. Digitalization is not the only structural transformation we face that can cause disparities. Climate change exacerbates inequality across countries and gender inequality as women and girls are disproportionately responsible for securing food, clean water, and other natural resources, which is more challenging with climate change. Also, women and children are more vulnerable to violence such as human trafficking and sexual violence in a harsher environment, further amplifying gender inequality.⁹ Even the use of Artificial Intelligence requires precautions. As much as AI has the potential to make less-biased decisions, humans may

⁶ Kruger, Jeffrey. 2021. "Domestic Violence Is a Pandemic Within the COVID-19 Pandemic." *Times*, February 3. <https://time.com/5928539/domestic-violence-covid-19/>

⁷ Jayachandran, Seema. 2015. "The Roots of Gender Inequality in Developing Countries." *Annual Review of Economics*, 7(1), pp. 63–88. <https://doi.org/10.1146/annurev-economics-080614-115404>

⁸ Acemoglu, Daron and Pascual Restrepo. 2021. "Tasks, Automation, and the Rise in US Wage Inequality," NBER Working Paper Series, no. 28920. National Bureau of Economic Research. <https://doi.org/10.3386/w28920>

⁹ "Explainer: How Gender Inequality and Climate Change are Interconnected." 2022. UN Women, February 28. <https://www.unwomen.org/en/news-stories/explainer/2022/02/explainer-how-gender-inequality-and-climate-change-are-interconnected> (accessed August 18, 2022)

teach AI to be biased by using biased information to train AI.¹⁰ Growing economies like China and India may recover fast and help shrink economic inequality across countries.¹¹ But inequality, like a virus, will evolve with structural changes, and we need effective inequality-conscious policies that are responsive to such evolutions.**KIEP**

¹⁰ "She's Taking Jeff Bezos to Task [Audio]" 2021. *The New York Times*, April 19.

<https://www.nytimes.com/2021/04/19/opinion/sway-kara-swisher-joy-buolamwini.html>

¹¹ "Global Inequality Is Rising Again." 2022.