



## **Introduction to Special Issue on: 'Inequalities in the Least Developed Countries – Some Lessons from Africa'**

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# INTRODUCTION TO SPECIAL ISSUE ON: 'INEQUALITIES IN THE LEAST DEVELOPED COUNTRIES – SOME LESSONS FROM AFRICA'

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## *Abstract*

This special issue comprises six papers analysing different dimensions of inequalities in African countries. Three papers deal with the trend in inequality in consumption in Mozambique, with multidimensional poverty in four sub-Saharan countries, and with the relationship between living conditions and subjective well-being in African countries. The other three are focused on gender issues and are focused on Mozambique, dealing with gender inequalities in the access to contract farming arrangements as well as to employment out of subsistence agriculture, or with the effect of women's empowerment on children's health. This introduction provides a short overview of how they contribute to a better understanding of inequalities in low-income countries.

## 1. INTRODUCTION

There is an increasing interest in the analysis of economic inequalities in least developed countries. This is not only the result of a general social preference for equality, but also the consequence of a growing sense that highly unequal societies may distort the functioning of a country. While the battle against poverty remains being the main priority in low-income countries, it is widely and increasingly recognised that a high level of inequality will make more difficult any poverty-reducing strategy. The initial level of inequality and the growth pattern do matter and help to explain why some countries have been more successful in reducing poverty than others in recent years; *e.g.* Arndt *et al.* (2012:190-217) comparing Vietnam and Mozambique. In highly unequal societies, faster growth rates will be necessary to achieve a given target in reducing poverty. The lack of social cohesion may also compromise the economic and social stability, as well as good governance, required for a sustainable growth path, the reason for which longer growth spells are robustly associated with more equality in the income distribution (Berg and Ostry, 2011). The inclusion among the UN Sustainable Development Goals of the

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reduction in inequalities along with the elimination of extreme poverty implied a move in the direction of incorporating this view in the international public agenda.

The relationship between economic development and inequality has long been a matter of discussion in development economics. The main example is the inverted-U hypothesis proposed by Kuznets in the context of dualistic economies, that despite its great popularity, is still controversial due to the lack of empirical support, at least, as a universal trend. Thanks to the increasing availability of household surveys in the recent decades, there is a limited but fast-growing empirical evidence about inequality in developing countries; see, *e.g.* the analysis in UNDP (2013), or the survey in Alvaredo and Gasparini (2015). This literature points at no clear universal inequality pattern among these countries in neither the trend nor its driving factors. This calls for region-specific studies to better understand how each context and growth pattern interact with inequalities. In this framework, it is in the sub-Saharan African region where we can find the least developed and most unequal of all countries. This region has witnessed an important economic growth during recent decades due to the increasing demand for their natural resources, and the end of some of its long-lasting conflicts. This has helped to reduce its huge levels of poverty rates, but there is a risk of this leading to increasing inequality as well. This would imply poverty reductions below its potential in areas with still high population growth. There is already an important body of research regarding the case of South Africa, but much less is known for the least developed countries in the region that have shown diverging patterns; *e.g.* Odusola *et al.* (2017). While the analysis of inequality in consumption has been the main reference so far, there is at the same time a growing consensus that well-being is multidimensional and that different perspectives should be combined in any analysis.

For this reason, this special issue aims to fill part of the gap in our understanding of economic inequalities in the sub-Saharan region, putting together a number of papers that combine some regional studies of different African countries with more specific country studies focused on Mozambique. Mozambique was the world's poorest country at the end of the post-independence conflict in the early 1990s; afterwards the country witnessed an important economic growth that substantially reduced the initially huge poverty levels but that, however, is starting to take a toll in terms of inequality. This has curbed the reduction of poverty in the most recent years and might raise concerns on the sustainability of the country's current growth path.

The studies included in this special issue were prepared within the UNU-WIDER project Inclusive growth in Mozambique – scaling-up research and capacity, which at the same time is part of a set of projects involving the entire southern African region. Its central goal is to support inclusive growth, growth that substantially improves the living standards of the Mozambican population. This is pursued through a focused research and capacity-building effort, meant to increase analytical capabilities and inform better policy-making in Mozambique. The project is undertaken in collaboration between the Mozambican Ministry of Economics and Finance, the University Eduardo Mondlane, UNU-WIDER, and the University of Copenhagen.

The collection of papers for this special issue all speak to the issue of inequalities in a broad sense, trying to understand different dimensions of inequalities in African countries, especially in the sub-Saharan region, with special focus in Mozambique. For that, they make use of a variety of available databases such as household budget and

demographic surveys, censuses, or the Afrobarometer, among others. They look at inequalities in consumption, but also at a multidimensional approach to poverty that considers inequality among the poor in a variety of basic dimensions, and at the relationship between objective and subjective well-being. Given that the gender dimension is essential to understand inequalities in well-being, three papers deal with gender issues in different ways: inequalities between men and women in the labour market, both in contracts in the farm sector and in employment rates in the emerging non-subsistence sector of the economy, as well as they explore the potential effect of women's empowerment on children's health.

The first paper by Carlos Gradín and Finn Tarp examines the long-term trends in inequality in consumption in Mozambique after the post-independence war. Using available household budget surveys, they find that the robust economic growth path that largely reduced poverty was very unbalanced and disproportionately benefited the better-off. They identify that this increasing inequality goes in line with the increasing dualisation of this natural resource-rich economy, with an emerging sector of the population with higher attained education, working in the private sector outside the subsistence economy.

Two papers look at gender inequalities in the labour market in Mozambique. The paper by Cecilia Navarra analyses the implications for gender inequalities of contract farming agreements between smallholders and private firms in rural areas, a tool increasingly prescribed for agrarian development to increase incomes among poor rural households. The results confirm an under-representation of women in these contracts, even after controlling for other household characteristics. The paper also shows a positive correlation of contract farming with women control over land and production that, however, vanishes after controlling for selection bias. Contracts also have a negative impact on the probability that women receive extension services when their household does, a potential source of gender inequality.

Another paper by Carlos Gradín and Finn Tarp analyses the trend in the gender gap in employment in Mozambique, an example of a country with high female employment rates, but mostly working unremunerated in small family farms. Women are lagging behind men in the growing non-subsistence sector of the economy. Two main factors can be identified using a regression-based decomposition analysis. The persistent lower human capital of women, measured in terms of attained education, literacy, and Portuguese language proficiency, and the distinct employment probabilities of married men and women, the result, to some extent, of gender-related social norms.

A third paper on gender issues, by Joseph Deutsch and Jacques Silber, uses the MIMIC approach to the last available Health and Demographic Survey of Mozambique to analyse the determinants of children's health. Their findings show that the health of children is significantly higher when the mother does not justify the use of violence by her partner, a measure of women's empowerment. The higher a mother's education level and body mass index the better is her children's health, and tends to be higher among female children in urban areas and in most developed southern regions, especially around Maputo.

Another paper by Valérie Berenger, examines multidimensional poverty in four sub-Saharan African countries (Malawi, Mozambique, Tanzania and Zimbabwe) using available demographic household surveys to focus in cross-country comparability. The

paper shows that Mozambique has the highest level of poverty, followed by Tanzania and Malawi, while Zimbabwe is the least poor. This paper emphasises the role of inequalities across different deprivations among the poor, an element very often missed in multidimensional poverty analyses based on the Alkire-Foster counting approach.

In the last paper, Andrew Clark and Conchita D'Ambrosio use five rounds of the Afrobarometer to explore the link between self-assessed measures of living conditions and objective measures of individual well-being (access to basic needs). They show that subjective well-being is mostly absolute among Africans, and it is reduced by failure in five basic domains of individual life. Yet, the authors also found some evidence of relativeness, with Africans comparing themselves to those who are better off and to those who are worse off, in terms of access to basic needs, when evaluating their current living conditions. The extent of this finding depends, however, on a country's economic development.

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