

Highlights

INCOME INEQUALITY

The Gap between Rich and Poor

OECD Publishing, Paris

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Income inequality has been rising in many wealthy countries in recent decades. In the 1980s, the average disposable income of the richest 10% in OECD countries was around seven times higher than that of the poorest 10%; today, it's around 9½ times higher.

Key Findings:

- Compared to 1981, worldwide there are now around 650 million fewer people living in extreme poverty (less than \$1.25 a day) – even though, over that same period, the global population rose by about 2 billion. But while absolute poverty has fallen in much of the developing world, relative poverty has not reduced.
- Countries that have made the biggest contributions to reducing poverty also have very high levels of inequality. One consequence of these trends is that most of the world's poorest people no longer live in the world's poorest countries.
- About three quarters of the world's 1.3 billion poorest people now live in what the World Bank classes as middle-income countries (MICs), most notably India.

Causes of Growing Income Gaps

Globalization, and in particular the impact of technology on the workforce.

Shifts in the workplace – more people are now working part-time and on temporary contracts and fewer are in unions. The state’s role has evolved, too, with a general tendency towards less redistribution.

Performance pay, shifting pay expectations and changes in tax policy contribute towards rise of top incomes.

Society: Inequality may hold people down: In PISA 2012, around 6% of disadvantaged students were “resilient” – in other words, they overcame social disadvantage to perform well in PISA. But in some countries, notably in East Asia, the proportion of resilient student was at least double this. These findings suggest that the right policies can do much to reduce the impact of social background in education.

Read the full report at the official website: : <http://dx.doi.org/10.1787/9789264246010-en>