

Wealth gap widens to 30-year high

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A homeless man eats breakfast on the street in Vancouver. The gap between rich and poor people in Canada is widening, the OECD says. (Andy Clark/Reuters)



Income inequality 2:14

The gap between earnings by the rich and the poor is widening in almost all OECD countries — including Canada, where the top 10 per cent of Canadians earns 10 times more than the bottom 10 per cent.

The Organization for Economic Co-operation and Development says the average income of the top 10 per cent of Canadians in 2008 was \$103,500 — 10 times higher than those by the bottom 10 per cent, who had an average income of \$10,260. In the early 1990s, that ratio was at 8-1.

The group also found that the richest one per cent of Canadians saw their share of total income increase from 8.1 per cent in 1980 to 13.3 per cent in 2007.

Furthermore, the share owned by the richest 0.1 per cent of Canadians more than doubled, from two per cent to 5.3 per cent.

The OECD fingered tax policies for much of the changes. Canada's top marginal tax rate dropped from 43 per cent in 1981 to 29 per cent in 2010, the OECD noted in the report.

Meanwhile, tax benefits now only offset less than 40 per cent of wage inequality in Canada, compared with more than 70 per cent before.

"The social contract is starting to unravel in many countries," OECD Secretary General Angel Gurría said. "This study dispels the assumptions that the benefits of economic growth will automatically trickle down to the disadvantaged and that greater inequality fosters greater social mobility."

"Without a comprehensive strategy for inclusive growth, inequality will continue to rise."

The OECD says a widening wealth gap is a global trend. Across all OECD nations, the average income of the richest 10 per cent in OECD nations is now nine times the average income of the poorest 10 per cent.

That 9-1 global ratio is the largest gap in a generation, the agency says. Even in traditionally egalitarian nations such as Germany, Denmark and Sweden, the ratio has risen from 5-1 in the 1980s to 6-1 today.

Wealth gaps

The OECD ratio comparing incomes of the rich and poor:

- Norway, Germany, Sweden and Denmark: **6-1**.
- Italy, Japan, Korea, Canada and the United Kingdom: **10-1**.
- Turkey, the U.S. and Israel: **14-1**.
- Mexico and Chile: **27-1**.
- Brazil (non-OECD): **50-1**

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The gap is 10-1 in Italy, Japan, Korea and the United Kingdom, and higher still, at 14-1 in Israel, Turkey and the United States.

Outside Canada, the report found the main reason for the growing disparity is that high-skilled workers have seen their wages increase disproportionately because their jobs have benefited more from technological progress than the low-skilled.

"Our report clearly indicates that upskilling of the workforce is by far the most powerful instrument to counter rising income inequality," Gurría said. "The investment in people must begin in early childhood and be followed through into formal education and work."

Promoting part-time work and more flexible work hours, for example, has promoted productivity and brought more people into work, especially women and low-paid workers. But the rise in part-time and low-paid work also extended the wage gap.

The group gathers data on 34 developed nations and compares them to guide policy decisions.