Foreword

Inequality is bad and getting worse. In the 1980s, the richest 10% of the population in OECD countries earned 7 times more than the poorest 10%. They now earn nearly ten times more. When you include property and other forms of wealth, the situation is even worse: in 2012, the richest 10% controlled half of all total household wealth and the wealthiest 1% held 18%, compared to only 3% for the poorest 40%.

The poorest members of society suffer immediately from inequality, but in the longer term, the whole economy is also damaged. OECD figures show that the rise in inequality observed between 1985 and 2005 in 19 OECD countries knocked 4.7 percentage points off cumulative growth between 1990 and 2010.

To reduce inequality, we have to promote inclusive growth. Create economies where every citizen, regardless of income, wealth, gender, race or origin is empowered to succeed. Our approach to doing this rests on four main pillars.

➤ **Overcome gender inequalities.** The fact that more women have worked full-time and earned higher wages since 1990 has limited the rise of inequality, but we cannot be happy with the slow pace of change, and we cannot afford to waste the potential of the many women who are excluded from the labour market.

➤ **Labour market policies need to address working conditions as well as wages and their distribution.** In 2013, about a third of total OECD employment was in “non-standard” jobs: temporary jobs, permanent part-time jobs and self-employment. Youth are the most affected group: 40% are in non-standard work and about half of all temporary workers are under 30. Working conditions are often precarious and poor, and can trap workers at the bottom of the ladder. Among those on temporary contracts in a given year, less than half had full-time permanent contracts three years later.

➤ **A focus on education in early years is essential to give all children the best start in life.** This investment needs to be continued throughout life to prevent disadvantage, promote
better opportunities and educational attainment. High inequality makes it harder for lower-middle and working class families to invest in education and skills.

➤ **Governments should not hesitate to use taxes and transfers to moderate differences in income and wealth.** Well-designed, prudent redistribution need not harm growth. We do not need new instruments; we simply need to use better the ones we have: scaling back tax deductions, eliminating tax exemptions, making tax systems more progressive, using property taxes better and above all, ensuring greater tax compliance. And let’s not forget government transfers. They play an important role in guaranteeing that low-income households do not fall too far behind.

This new book in the “OECD Insights” series explores how inequality is rising, why it is rising and the impacts of this rise on people’s lives. We argue that rising inequality can be avoided if we take decisive action to promote inclusive growth.

Angel Gurría
OECD Secretary-General
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**Currency Note**

Currency references are in US dollars unless otherwise indicated. Constant dollar values have been adjusted to account for inflation. Current dollars are the sums actually given or received.