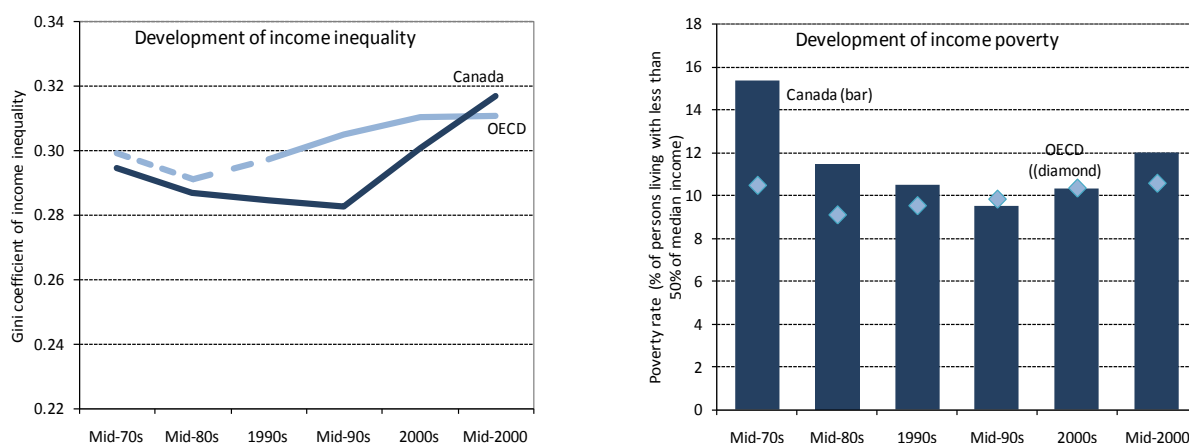


COUNTRY NOTE: CANADA

After 20 years of continuous decline, both inequality and poverty rates have increased rapidly in the past 10 years, now reaching levels above the OECD average.

Figure 1. **Income inequality and poverty have increased rapidly since the mid-1990s**



Source: *Growing Unequal?*, OECD 2008. Income is disposable household income adjusted for household size.

- In the last 10 years, the rich have been getting richer leaving both middle and poorer income classes behind. The rich in Canada are particularly rich compared to their counterparts in other countries – the average income of the richest 10% is US\$ 71,000 in purchasing power parities, which is one third above the OECD average of US\$54,000. The poor and the middle classes are also richer than the OECD average, but by less -- their average incomes are only 18% above that of their counterparts in a typical OECD country.
- One fifth of the increase in income inequality is linked to changes in the age and household structure of the Canadian population, such as growing shares of single-parent households or people living alone.
- Inequality of household earnings has increased significantly. Only Germany saw a similar rate of increase during the past 10 years.
- Canada spends less on cash benefits such as unemployment benefits and family benefits than most OECD countries. Partly as a result, taxes and transfers do not reduce inequality by as much as in many other countries. Furthermore, their effect on inequality has been declining over time.
- Over the past 10 years poverty (meaning people who live on less than half median incomes) has increased for all age groups, by around 2 to 3 percentage points to an overall rate of 12%.

- The poverty rate of older people is only 6%. However, 15% of children are living in poverty.
- Work is even more important as a way of avoiding poverty in Canada than it is in other countries. Two-thirds of Canadians living in households where no one works are poor. If there is someone working, the poverty rate is 21%, and only 4% if there are two or more people working. If Canadians do fall into poverty, however, they are likely to remain poor for longer than in most countries.
- Although poverty rates are high, fewer households than in other countries struggle to purchase basic goods and to have decent housing and other living conditions.
- Social mobility is higher in Canada than in other countries. Children of poor parents stand a reasonably good chance of becoming rich, and vice versa.