

# Income Inequality In Cross-National Perspective:

- 1) Size of Middle Class Over Time
- 2) High and Rising Inequality: Causes and Consequences

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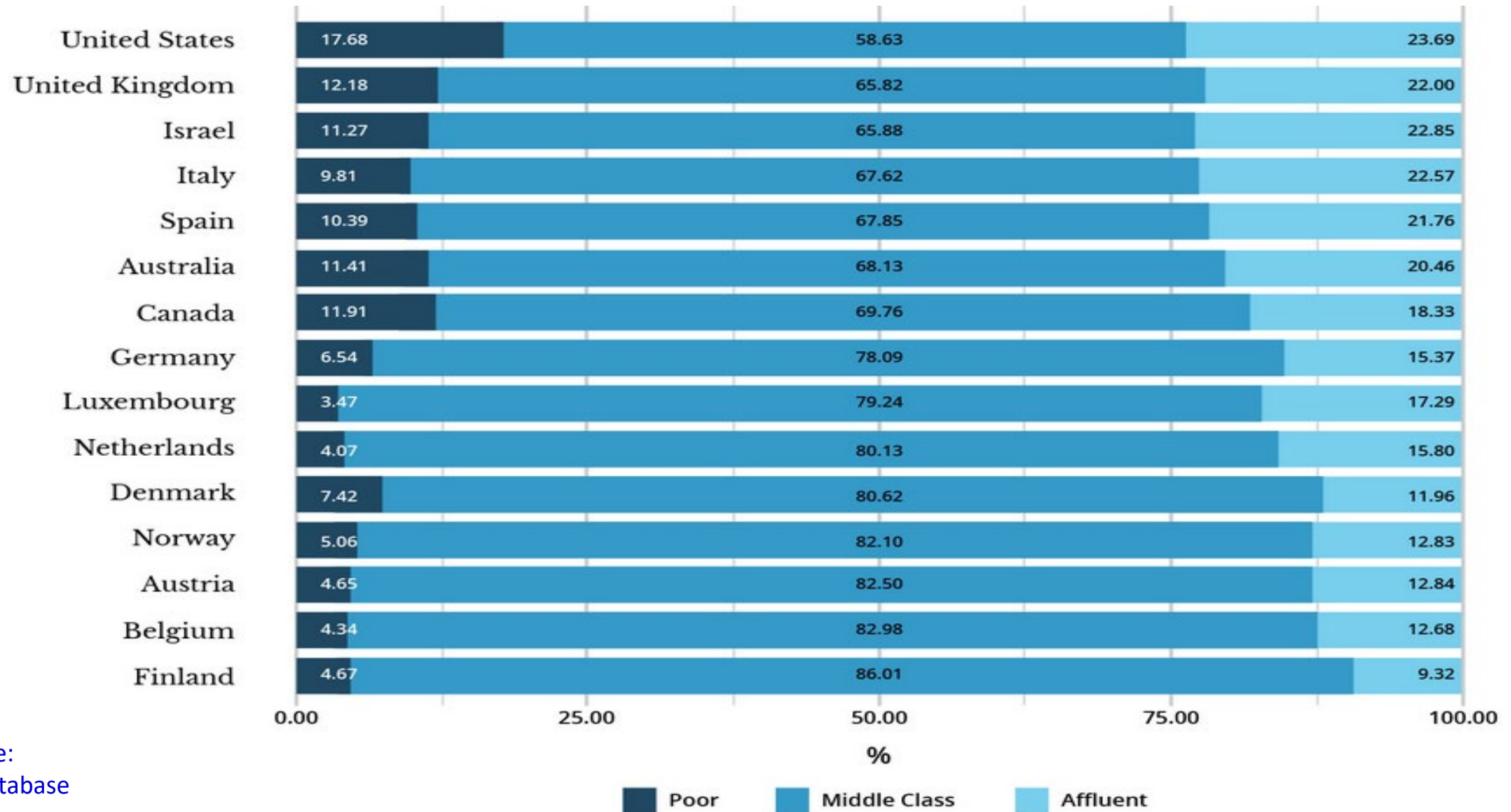
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# The “middle class” (1985) - 50-150% median, pop shares



Source:  
LIS Database

# The “middle class” (1985-2016) - percentage point change



# Causes

High and rising income inequality may be shaped by:

- changing influence of technical skills (i.e., shifting composition and changing reward structure)
- globalization (e.g., openness of trade, movement of capital and labor)
- changes in household structure, especially rise of one-adult households
- changes in ways that high earners are compensated (e.g., changing pay norms; financialization)
- weakening protections for low-earners (e.g., declining union coverage and falling minimum wages)
- reductions in redistributive policies that lessen market-generated inequality

# Countervailing factor

- In nearly every high-income country, women's engagement in paid work has risen in the last three decades – especially in the form of increased labor force participation.
- A growing literature finds that the contribution of women's earnings to household income *mitigates* income inequality across households. That is because, in most countries, women's increased contributions to household income have pulled up the bottom more than they have pushed up the top.

# Consequences

High and rising income inequality may harm or thwart:

- living standards and economic security at the bottom
- stability and/or economic wellbeing of the middle class
- inter-generational mobility
- economic growth
- social cohesion and a range of outcomes
- the democratic process.