

LSE Works: Centre for Analysis of Social Exclusion

Britain: a country divided?

Professor John Hills

Director, CASE

Professor of social policy, LSE

Professor Sir Tony Atkinson

*Centennial professor, Department of
Economics, LSE*

Dr Polly Vizard

Research fellow, CASE

David Darton

*Director of Foresight, Equality and Human
Rights Commission*

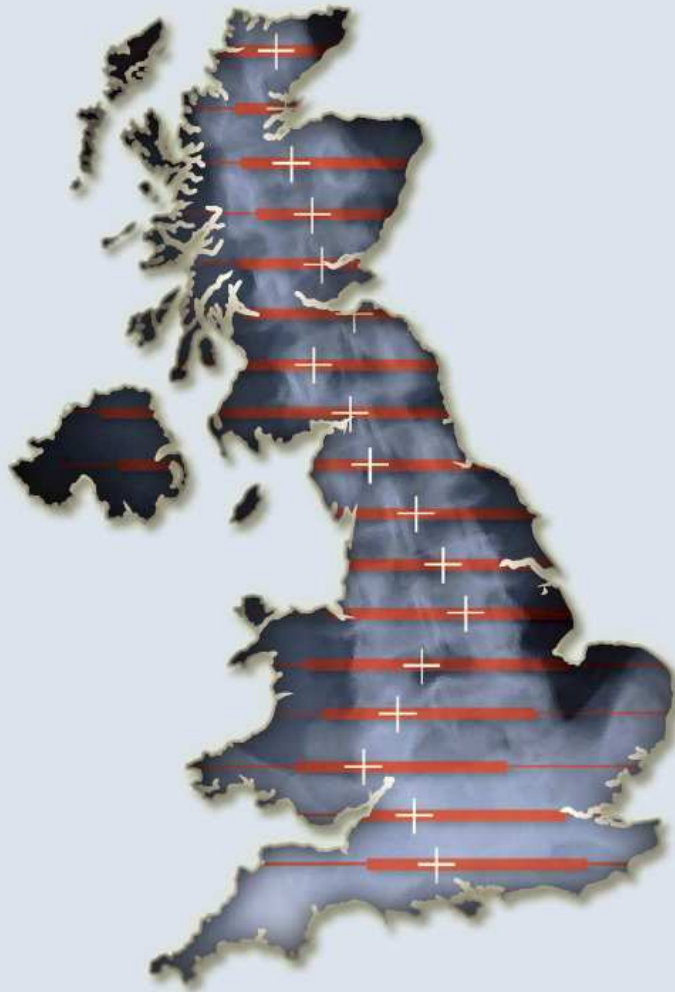
Professor Stephen Jenkins

Chair, LSE





An Anatomy of Economic
Inequality in the UK
Report of the National Equality Panel



The National Equality Panel's sixteen challenges for policy: One year on

John Hills

Chair, National Equality
Panel

LSE Works event, *Britain:
A country divided?*

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What the National Equality Panel was asked to do

In the Autumn of 2008 CASE was asked by the Minister for Women and Equalities, Rt Hon Harriet Harman MP, to convene and co-ordinate an independent panel to:

- Examine the relationships between economic outcomes:
education (attainment at 16 and adult qualifications);
employment; hourly wages and weekly earnings; individual and household income; and wealth
- and people's characteristics and circumstances:
gender, age, disability status, ethnicity, religion or belief, sexual orientation, social class, housing tenure, nation or region, and neighbourhood deprivation.

The Panel was chaired by myself and its ten members included Ruth Lupton (also from CASE), Steve Machin (CEP/CEE) and Stephen Jenkins (then at Essex, now at LSE).

Our report was published at the end of January 2010. It identified sixteen “challenges for policy” raised by our findings.

Objectives of policy under the Coalition

‘Social mobility is what characterises a fair society, rather than a particular level of income equality. Inequalities become injustices when they are fixed; passed on, generation to generation’ (Nick Clegg, *Guardian*, 23 Nov 2010, emphasis added)

“Challenge 0”: Public policy can ensure that access to important aspects of life does not depend on individual resources

- Public services are central to this.
- NHS and schools spending protected in real terms within Spending Review plans (but continuing pressure on resources from ageing)
- But other public services bear brunt of fiscal adjustment – libraries, parks, ‘public realm’ in general
- But access to forests protected and free museums continue

(1) Differences in school readiness by parental resources underscore the importance of the early years and the challenges that policies face

‘The over-riding priority for our social policy is improving social mobility ... There is no more potent investment in the future than investment in the early years’ (Nick Clegg, 9 September 2010)

‘No longer should governments automatically increase benefits for children but in each financial year consider whether the life chances of children will be increased more by transferring any benefit increases into building the Foundation Years’ (Field Review, Dec 2010)

- Sure Start’s existence protected, but more focused on those most in need
- Some local authorities are cutting early years provision following overall budget cuts

(2) Differences related to family resources widen through compulsory schooling, suggesting importance of reducing child poverty and improving attainments of poorer children

- Child Benefit frozen for three years and withdrawn from higher rate taxpayers.
- Child Tax Credit increased, but more sharply means-tested
- Baseline for benefits and tax credits is now CPI indexation, implying faster fall behind other living standards (if they start rising...)
- 'Pupil premium' within schools budget – but part of overall budget that is flat in real terms, so squeezes other funding that already has some deprivation elements in it at school level
- Other school reforms – free schools, etc

(3) Considerable differences remain, even after allowing for attainment at 16, in entry into higher education

- Educational maintenance allowances abolished
- Child Trust Funds abolished
- University fees to rise to between £6,000 and £9,000
- But: repaid after graduation on earnings above threshold raised to £25,000
- National scholarship system
- Universities charging above £6,000 have to improve access, including additional scholarships for young people from lower income families

(4) The economic position of young people outside education has deteriorated. The recession appears to have exacerbated these trends, raising the acute challenge of avoiding 'scarring' effects of early unemployment

- Youth unemployment continues to rise.
- Increasing numbers of NEETs
- Future Jobs Fund abolished; new contracted out employment programmes
- Further Education not protected from cuts

(5) Differences in pay remain, unrelated to qualifications and occupation, by gender and ethnicity. Transitions from education to the labour market do not make the best use of people's talents. There still seems to be discrimination in recruitment, for both minority ethnic groups and disabled people

- ???
- Auctioning off of unpaid internships is hardly in line with equality of opportunity under any definition

(6) The Bangladeshi and Pakistani populations, cross-cutting with Muslim religious affiliation, are particularly disadvantaged in employment and pay

(7) Low pay for part-time work is a key factor in gender inequality. It reflects the low value accorded to it and failure to create opportunities for training and promotion

- Will 'promote equal pay and take a range of measures to end discrimination in the workplace'

(8) The level of the National Minimum Wage is potentially powerful in reducing labour market inequality

- Some discussion of 'living wage'
- Low Pay Commission continues its work

(9) Most women do not benefit from 'career progression', underlining the importance of policies related to parental leave, flexible employment and childcare

- Reductions in childcare tax credits for some
- Voluntary code for increasing representation of women in boardrooms

(10) The deteriorating labour market position of disabled people with low qualifications, suggests a stronger focus on policies affecting their employment

(11) Differential rates of disability, ill-health at the end of people's working lives and subsequent mortality underscore the importance of reducing earlier health inequalities

- No clear response to Marmot review of health inequalities in England
- “Will investigate ways of improving access to preventive health care in disadvantaged areas”
- Reforms to incapacity benefits designed to increase rates of employment amongst disabled people – but new tests highly controversial....

(12) Labour market inequalities are amplified into huge differences in household resources available for retirement

- Pension reforms from 2007 and 2008 Pensions Acts being carried through
- Basic pension linked to higher of earnings, prices (CPI), or 2.5% from April 2011
- But State Second Pension CPI-linked, with public service pensions (and Hutton Review of public sector pensions)
- Automatic enrolment into occupational schemes or new National Employment Savings Trust staged from 2012
- Default retirement ages abolished from October
- State Pension Age rise accelerated to reach 66 by 2020
- Winter Fuel payments, free TV licences, bus passes, protected

(13) The profound gaps in all economic outcomes between more and less disadvantaged areas imply huge disparities in collective resources. The 'neighbourhood renewal' agenda itself needs renewal

- Working Neighbourhoods Fund (grants to LAs) abolished in cuts
- Grants to more deprived local authorities cut more than others
- Very large cuts to budget for new social housing
- Support for new generation of 'community organisers' – contract just let as part of 'Big Society' agenda
- Impacts unclear of localisation agenda, support for mutualism, co-ops, etc

(14) We need to be more successful in supporting social tenants towards and into work, and in supporting saving and asset-building, given tenants' very low levels of wealth

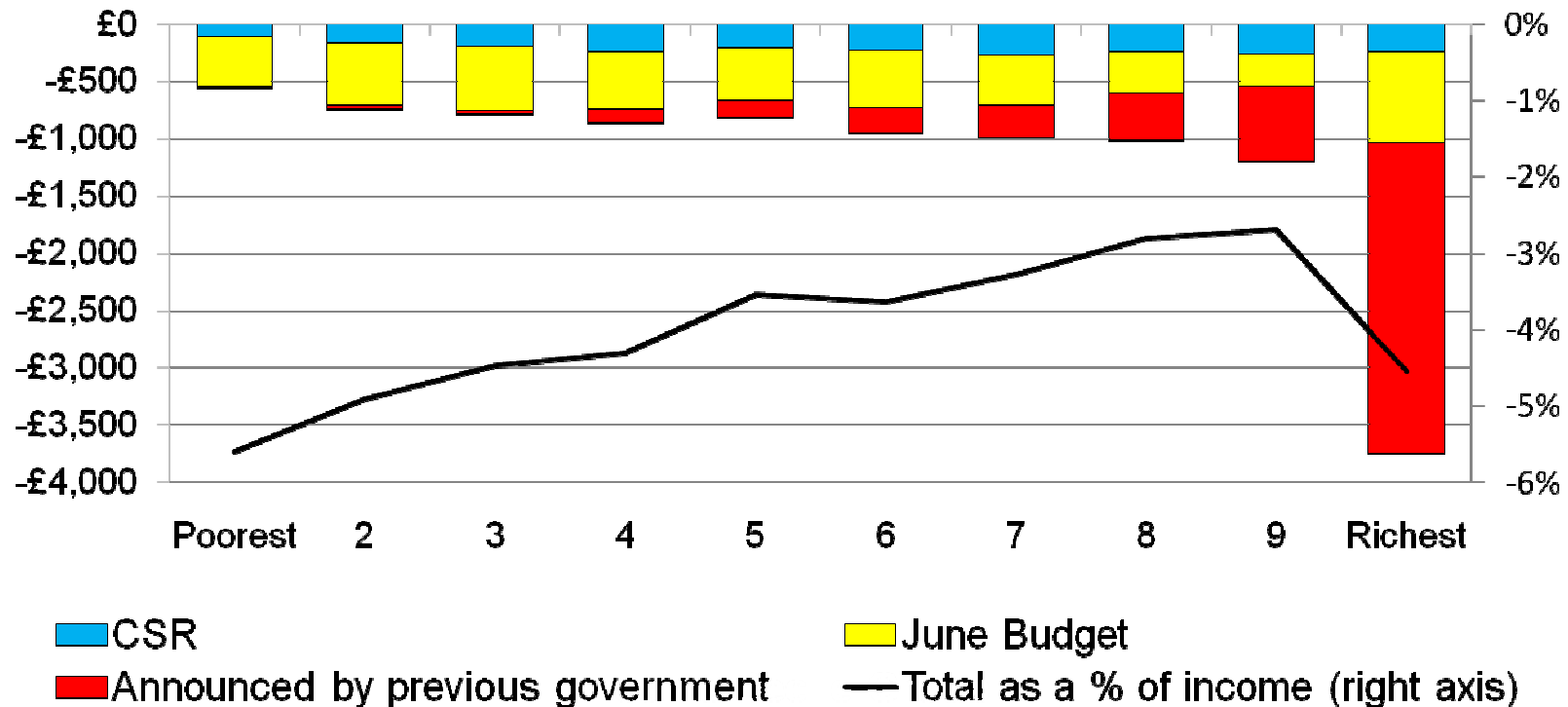
- Higher rents worsen poverty trap, and short-term tenancies, ending if someone's circumstances improve set up wrong incentives?
- (Child Trust Funds abolished)

(15) There are few substantial differences in outcomes between England and the devolved nations, presenting a challenge to administrations that have set strong objectives of great equality or social justice

- Scottish Government and Welsh Assembly Government have set different priorities for spending cuts (eg health less protected in Wales but student fees not to increase)

(16) How public finances are rebalanced will be most important immediate influence on economic inequalities. Will the costs of recovery be borne by those who gained least before the crisis or by those in the strongest position to do so?

IFS analysis of distributional impact of tax-benefit measures to be in place by 2014-15 (Browne, 2010)



The NEP's conclusion

“Our report shows the way in which economic advantage reinforces itself across the life cycle and on to the next generation....”

“A fundamental aim of many political perspectives is to achieve ‘equality of opportunity’, but doing so is very hard when there are such wide differences in the resources which people and their families have to help them develop their talents and fulfil their potentials.”

But: “...our focus on economic inequalities is in some ways a narrow one. They are not necessarily the most important aspects of people's lives, well-being or happiness.”