LSE Works: Centre for Analysis of Social Exclusion (CASE) public lecture

Changing Patterns of Inequality in the UK

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Suggested hashtag for Twitter users: #LSEworks
Falling Behind, Getting Ahead: 
The changing structure of inequality in the UK, 2007-13

John Hills, Jack Cunliffe, Polina Obolenskaya and Eleni Karagiannaki

LSE Works Seminar
12 March 2015
Inequality 2007-2013

- Update of *An Anatomy of Economic Inequality in the UK*, (2010 report of the National Equality Panel)

- **Changes** 2007-2010-2013 for:
  - qualifications
  - employment
  - hourly wages and
  - weekly earnings, using LFS;
  - individual incomes to 2009/10-2011/12;
  - equivalent net income to 2012/13;
  - wealth to 2010-12.

- **Breakdowns** by
  - gender,
  - age,
  - ethnicity,
  - tenure,
  - region and
  - disability status.

- **For data:** *click the chart!* Or [www.casedata.org.uk](http://www.casedata.org.uk)
Background: Overall changes in key indicators

- **Qualifications up**: 25% men and 27% of women of working age with a degree/higher degree by 2013.
- **Employment fell** 2.3%-points, 2007-2010, then **rose** 1.2% points by 2013.
- **Unemployment rose** from 4.1% to 6.0%, then **fell** to 5.7% by 2013.
- **Median hourly wages fell** 2.8% 2006-08 to 2010 and **fell further** 3.1% to 2013.
  - 90:10 ratio **rose** by 0.11 to 3.97 (in Labour Force Survey).
- Median **FT weekly earnings** fell by 8% overall (but by 10% at bottom)
- Median **BHC net incomes** fell 5% 2007/08-2012/13, **rose** by 1% at bottom) – price-protected benefits protected bottom
- Median **AHC net incomes** fell 9% over same period, and **fell** by 6% at bottom
- Median **non-pension wealth barely changed** (nominal terms), 2006-08 to 2010-12, but **grew** by 8% at 90\textsuperscript{th} percentile - £38,000 – and by 7% at 10\textsuperscript{th} percentile – but that was only £500.
Gender differences

• Women now **better qualified**
• Men were
  – **worst hit in employment** 2007-2010, but
  – **gained more** in the recovery up to 2013
• The gender pay gap is ambiguous
  – a **narrower gap** in *average (mean)* hourly pay for all employees and for *median full-time pay* (slightly), but
  – a **wider gap** in *mid point (median)* pay for all employees
• Women’s incomes **fell less** up to 2012-13,
  – (as more single women were protected by price-linked benefits and pensions)
PAY: Low-paid men and women lose most in real hourly pay

Source: Labour Force Survey
INCOME: Poorest men lose most
Changes in AHC income by gender, 2007/8-2012/3 (%)

Source: CASE/DWP analysis of HBAI dataset
Differences by ethnicity

- **White adults:**
  - had a slower increase in qualifications
  - smaller proportion now with degrees (except for Bangladeshi adults)
  - But White men had amongst smallest increases in unemployment
  - And net incomes of White households remain highest before and after housing costs

- **Indian and Chinese households**
  - now have the highest non-pension wealth

- **Bangladeshi and Pakistani adults**
  - Are the lowest paid for men
  - But non-pension wealth was £129,000 for Pakistani households compared to only £21,000 for Bangladeshi households
Highest qualifications by ethnicity, 2013 (%)

Source: Labour Force Survey
Highest qualifications by ethnicity, 2013 (%)

Source: Labour Force Survey
Widening differences by Housing tenure

• **Social tenants**
  – lower qualifications (gap grown)
  – Lower employment (gap grown)
  – Men’s earnings (median FT) fell \(11\%\) and \(9\%\) for women’s compared to \(6-7\%\) or less for other tenures.

• **Male social tenants**
  – Unemployment rose twice as much as for owner-occupiers and private tenants.

• **Middle- and high-income private tenants**
  – Incomes (AHC) fell fastest up to 2012/13

• **Wealth differences widened,**
  – Outright owners £307,000 (non pension wealth)
  – Social and private tenants less than £20,000
Fewer than half of social tenants in paid work

Employment status by tenure, 2013 (%)

- Being bought with mortgage or loan
- Other
- Individual private landlord
- Owned outright
- Social Housing

- Employed, FT
- Employed, PT
- Employed not known time
- Self Employed
- Unemployed
- Inactive (student)
- Inactive (family/home)
- Inactive (disabled)
- Inactive (retired)
- Inactive (other)

Source: Labour Force Survey
Fewer than half of social tenants in paid work

Employment status by tenure, 2013 (%)

Source: Labour Force Survey
Private tenants lost most income
Change in median AHC income by tenure, 2007/8-2012/3 (%)

Source: CASE/DWP analysis of HBAI dataset
Private tenants lost most income
Change in median AHC income by tenure, 2007/8-2012/3 (%)

Source: CASE/DWP analysis of HBAI dataset
Differences by age group

- 20s and 30s better-qualified than any previous generation.

- **But** their
  - employment fell faster,
  - wages fell faster, incomes fell faster and
  - wealth fell………..while it grew for older households.

- Even better-off young people were affected
Big hourly pay hits for 20s and 30s (also teens)
Changes in median full-time hourly pay by age, 2006-08 to 2013 (%)

Source: Labour Force Survey, FT employees only
Big hourly pay hits for 20s and 30s (also teens)
Changes in median full-time hourly pay by age, 2006-08 to 2013 (%)
....and big drops in weekly earnings
Changes in *median weekly full-time earnings* by age, 2006-08 to 2013 (%)
....and big drops in weekly earnings
Changes in *median weekly full-time earnings* by age, 2006-08 to 2013 (%)
Worse income drops after housing costs
Change in median income after housing costs by age, 2007/8-2012/3 (%)

Source: CASE/DWP analysis of HBAI dataset
Worse income drops after housing costs
Change in median income after housing costs by age, 2007/8-2012/3 (%)
Younger people lost wealth – while older people (over 64) gained it

% change in median household non-pension wealth by age group, 2006-08 to 2010-12

-31.7% -10.1% -16.9% -8.8% -5.0% 8.9% 12.5% 15.4%

Source: CASE/ONS analysis of Wealth and Assets Survey
How much did they gain or lose? And how much do they have? (£000s, nominal)

Absolute changes in median non-pension wealth, 2006-08 to 2010-12, and wealth levels in 2010-12 by age

<table>
<thead>
<tr>
<th>Absolute changes</th>
<th>16-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65-74</th>
<th>75-84</th>
<th>85+</th>
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<tbody>
<tr>
<td>2006-08 to 2010-12</td>
<td>-3.8</td>
<td>-4.8</td>
<td>-20.6</td>
<td>-16.3</td>
<td>-12.2</td>
<td>19.0</td>
<td>23.1</td>
<td>24.0</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Level of non-pension wealth in 2010-12</th>
<th>Median</th>
<th>16-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
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<tr>
<td>Median</td>
<td>8.2</td>
<td>42.8</td>
<td>101.5</td>
<td>169.3</td>
<td>232.8</td>
<td>233.5</td>
<td>207.2</td>
<td>180.0</td>
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<tr>
<td>90:10 ratio</td>
<td>Na¹</td>
<td>61</td>
<td>57</td>
<td>55</td>
<td>48</td>
<td>43</td>
<td>34</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

Source: ONS/CASE analysis of Wealth and Assets Survey.
Note: 1. Tenth percentile wealth is minus £6,200 and ninetieth percentile is £61,400
How much did they gain or lose? And how much do they have? (£000s, nominal)

Absolute changes in median non-pension wealth, 2006-08 to 2010-12, and wealth levels in 2010-12 by age

<table>
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<tr>
<th>Age</th>
<th>16-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65-74</th>
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</thead>
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<td>Changes 2006-08 to 2010-12</td>
<td>-3.8</td>
<td>-4.8</td>
<td>-20.6</td>
<td>-16.3</td>
<td>-12.2</td>
<td>19.0</td>
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Source: ONS/CASE analysis of Wealth and Assets Survey.
Note: 1. Tenth percentile wealth is minus £6,200 and ninetieth percentile is £61,400
Conclusions

• The legacy of the crisis has not fallen evenly – far from it

• Men were hit harder in the labour market initially than women, but women lost more after 2010. Women’s net incomes fell less in percentage terms up to 2012-13, as more were receiving benefits and pensions.

• Social tenants fared worst in the labour market, but private tenants had the biggest income drop after allowing for rising rents.

• White adults are now much less well-qualified than other groups but retained their advantage in jobs, pay and incomes. But Indian and Chinese households have higher wealth.

• But striking feature is declining position of young adults compared to predecessors at same age and older adults – with the intergenerational wealth gap wider than ever, making where parents and grandparents are in their (unequal) wealth distributions.
The changing anatomy of economic inequality in London 2007 - 2013

Polly Vizard, Eleni Karagiannaki, Jack Cunliffe, Amanda Fitzgerald, Polina Obolenskaya, Stephanie Thompson, Chris Grollman and Ruth Lupton
Overall we found that ...

- Widespread assumption: London “different” from the rest of the country – story of divergence / London high rates of growth in the 2000s / London more resilient in recession period / with London increasingly “moving away” from the rest
- BUT the capital’s economic success and resilience in recession did not translate into lower inequality for Londoners
- Economic outcomes for some of the poorest, lowest paid and disadvantaged Londoners deteriorated substantially in the wake of the economic crisis and subsequent downturn

Meanwhile:

- Wealth at the top of the distribution increased substantially
- Inequality – already higher in London in 2007, further increased against some indicators
Six Main Findings
1. The poorest Londoners and some disadvantaged groups were hard hit in the aftermath of crisis and downturn.
Income after housing costs at the 10th percentile fell by 19% in London - a bigger fall than at other points in the distribution, and a bigger fall at the 10th percentile than elsewhere in the country.

Percentage change in net weekly equivalised household income after housing costs, London & rest of the UK, 2007/08-2012/13, by percentile point

Source: DWP/CASE analysis of HBAI
Private renters at the 10th percentile were left with only £39 of income after housing costs.
For disabled people, the fall in weekly income after housing costs at the 10th percentile in London was more marked than in rest of the UK*

Weekly new equivalised income after housing costs, 10th percentile, by disability status, London & rest of the UK, 2007/08-2012/13

- No LLID
  - Rest of UK: £117
  - London: £139
  - Decreased by £22, 18%

- LLID
  - Rest of UK: £141
  - London: £160
  - Decreased by £19, 12%

* discontinuity, interpret with caution

Source: DWP/CASE analysis of HBAI
2. Unemployment, which was already at a higher base in 2007/8, further increased in London and affected some population groups more than others
### Percentage of the working age population classified as unemployed, London and the rest of England, 2007/8 and 2012/13

<table>
<thead>
<tr>
<th></th>
<th>2007/8</th>
<th>2012/13</th>
<th>Change (Percentage point)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td></td>
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<tr>
<td>All</td>
<td>5.1</td>
<td>7.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>10.0</td>
<td>13.5</td>
<td>3.5</td>
</tr>
<tr>
<td>25-30</td>
<td>4.6</td>
<td>7.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Disability status*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DDA disabled and work-limiting disabled</td>
<td>5.8</td>
<td>8.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Ethnicity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White British</td>
<td>3.7</td>
<td>5.4</td>
<td>1.8</td>
</tr>
<tr>
<td>White and Black Caribbean</td>
<td>10.4</td>
<td>15.3</td>
<td>4.9</td>
</tr>
<tr>
<td>White and Black African</td>
<td>10.5</td>
<td>11.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Pakistani</td>
<td>7.0</td>
<td>12.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>11.4</td>
<td>11.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Black Caribbean</td>
<td>11.5</td>
<td>13.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Black African</td>
<td>9.4</td>
<td>13.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Other Black</td>
<td>11.3</td>
<td>13.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Muslim</td>
<td>9.0</td>
<td>10.0</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Source: CASE analysis of APS/LFS *discontinuity, interpret with caution
3. The increase in part-time work and self-employment was particularly pronounced in London
The increases in part-time employment in London were notable in lower skilled jobs

Change in employment status 2007/08 to 2012/13, by socioeconomic group – London & rest of England
(percentage points, significant changes only)
... And amongst disabled people*, especially women

Change in employment status 2007/08 to 2012/13, women, by disability status, London and the rest of England) - percentage points, significant changes only

Source: CASE analysis of APS/LFS
*discontinuity, interpret with caution
Part-time employment amongst Pakistani and Bangladeshi women also increased in London ....

Change in employment status by ethnicity, 2007/08 to 2012/13, women, London & rest of the country
(percentage points, significant changes changes only)
4. Weekly earnings and hourly wages fell considerably in London (as in the rest of the country)
At the median, the falls in part time weekly earnings and part time hourly wages were more marked in London than the rest of the country.


- Median FT earnings
- Median FT wages
- Median PT earnings
- Median PT wages
- Median income before housing costs*
- Median income after housing costs*

London
Rest of England
Rest of UK

Source: CASE analysis of APS/LFS
At the 10th percentile, men experienced a 17% fall in part-time earnings

Change in weekly part-time earnings at the 10th and 90th percentiles, 2007/08 to 2012/13, overall and by gender – London & rest of England (percentages)

Source: CASE analysis of APS/LFS
### Proportion earning less than London Living Wage increased substantially

<table>
<thead>
<tr>
<th>Percentage of employees in London with gross hourly wages less than London Living Wage thresholds</th>
<th>2007/08</th>
<th>2012/13</th>
<th>Change (Percentage point)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>All</td>
<td>18.5</td>
<td>22.5</td>
</tr>
<tr>
<td>Gender</td>
<td>Men</td>
<td>15.9</td>
<td>18.1</td>
</tr>
<tr>
<td></td>
<td>Women</td>
<td>21.3</td>
<td>27.2</td>
</tr>
<tr>
<td>Age</td>
<td>16-24</td>
<td>46.7</td>
<td>50.0</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>White British</td>
<td>13.8</td>
<td>16.9</td>
</tr>
<tr>
<td></td>
<td>Indian</td>
<td>24.6</td>
<td>25.9</td>
</tr>
<tr>
<td></td>
<td>Pakistani</td>
<td>33.7</td>
<td>43.8</td>
</tr>
<tr>
<td></td>
<td>Bangladeshi</td>
<td>33.1</td>
<td>47.1</td>
</tr>
<tr>
<td></td>
<td>Black/ African/Caribbean/Black British</td>
<td>24.8</td>
<td>30.7</td>
</tr>
<tr>
<td>Disability*</td>
<td>DDA disabled and work-limiting disabled</td>
<td>28.2</td>
<td>32.4</td>
</tr>
<tr>
<td>Religion</td>
<td>Muslim</td>
<td>34.3</td>
<td>43.6</td>
</tr>
<tr>
<td>Area</td>
<td>Outer London</td>
<td>20.1</td>
<td>24.6</td>
</tr>
<tr>
<td>FT / PT</td>
<td>Part-time</td>
<td>44.2</td>
<td>49.7</td>
</tr>
</tbody>
</table>

Source: CASE analysis of APS/LFS *discontinuity, interpret with caution
5. Wealth

Meanwhile there were colossal increases in absolute (nominal) wealth amongst the top 10% in London.
Changes in nominal wealth at the 90th percentile, 2006/08 to 2010/12, London & rest of Great Britain

Source: CASE / ONS analysis of WAS
Absolute changes at the 10th percentile were tiny by comparison (£1400 in London)

Wealth (financial, physical and property), 10th, 50th and 90th percentile, 2006/08 -2010/12, London & Rest of Great Britain (£ nominal)

<table>
<thead>
<tr>
<th>2006/08</th>
<th>2010/12</th>
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<tbody>
<tr>
<td><strong>London</strong></td>
<td><strong>Rest of Great Britain</strong></td>
</tr>
<tr>
<td>10th percentile: £1,400 (45%) increase</td>
<td>10th percentile: £7,700 (6%) increase</td>
</tr>
<tr>
<td>90th percentile: £152,800 (26%) increase</td>
<td>90th percentile: £8,800 (14%) increase</td>
</tr>
</tbody>
</table>

Source: CASE / ONS analysis of WAS
6. Inequality was greater in London than the rest of the country - and further increased against some indicators
Summary of 90:10 ratios in London and the rest of the country (2007/8-2012/13)

<table>
<thead>
<tr>
<th></th>
<th>Full-time Weekly earnings</th>
<th>Part-time Weekly earnings</th>
<th>Full-time Hourly wages</th>
<th>Part-time Hourly wages</th>
<th>Wealth*</th>
<th>Income before housing costs</th>
<th>Income after housing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>4.3</td>
<td>7.3</td>
<td>4.3</td>
<td>4.1</td>
<td>192.6</td>
<td>5.7</td>
<td>8.2</td>
</tr>
<tr>
<td>Not London</td>
<td>3.8</td>
<td>7.4</td>
<td>3.7</td>
<td>3.5</td>
<td>62.2</td>
<td>4.1</td>
<td>4.9</td>
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<tr>
<td></td>
<td>90:10 ratios in 2007/08</td>
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<td>London</td>
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</tr>
<tr>
<td>London</td>
<td>4.7</td>
<td>7.4</td>
<td>4.4</td>
<td>4.1</td>
<td>166.6</td>
<td>5.3</td>
<td>9.2</td>
</tr>
<tr>
<td>Not London</td>
<td>3.9</td>
<td>7.8</td>
<td>3.8</td>
<td>3.6</td>
<td>57.6</td>
<td>3.7</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Notes: * Wealth time points are 2006/08 and 2010/12. Wealth measure covers financial, physical and property wealth. FT = full-time; PT = part-time; AHC = after housing costs. Not London = Rest of England for earnings and wages, rest of Great Britain for wealth, rest of UK for income.
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