

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

## Changing Patterns of Inequality in the UK

### Professor John Hills

*Professor, Social Policy  
Director, Centre for Analysis of  
Social Exclusion (CASE), LSE*

### Dr Polly Vizard

*Senior Research Fellow,  
Centre for Analysis of  
Social Exclusion (CASE), LSE*

### Bharat Mehta

*Chair, Chief Executive, Trust for London*

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The logo for 'LSE events' features the letters 'LSE' in white on a red square background, followed by the word 'events' in a red, lowercase, sans-serif font.



# 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)

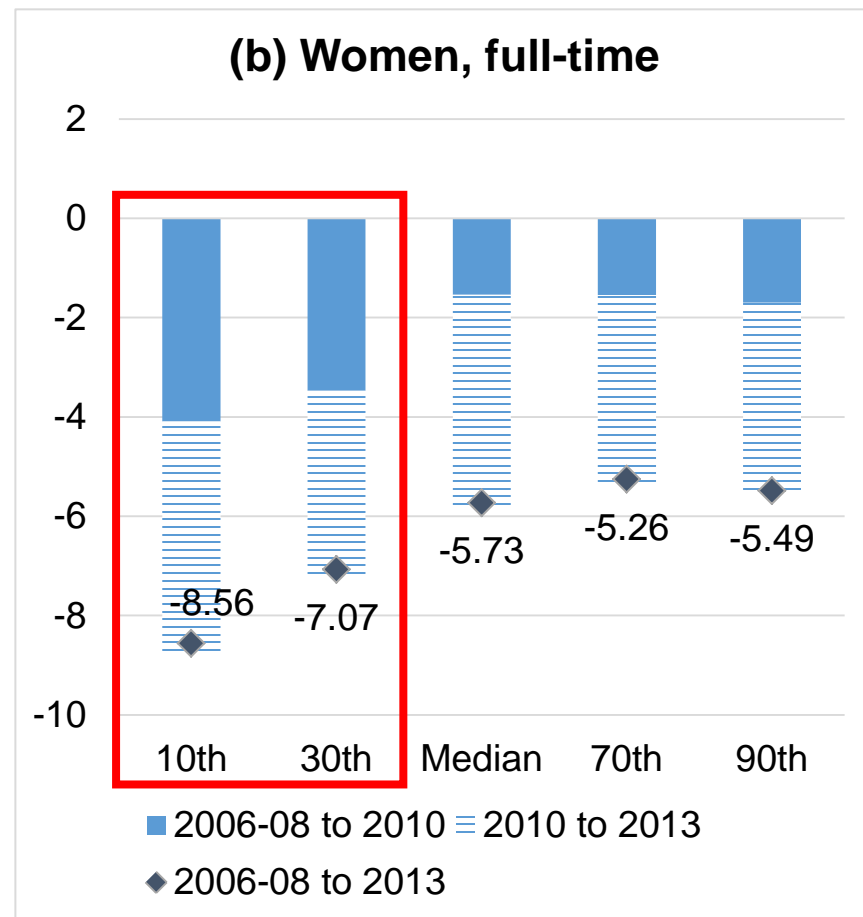
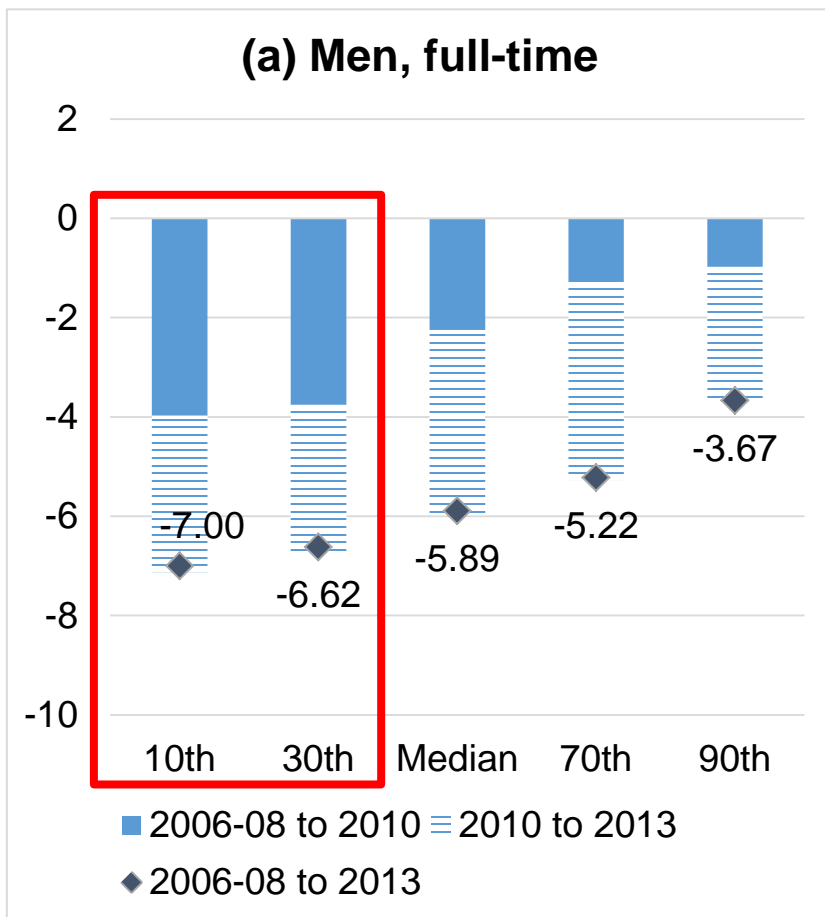
# Background: Overall changes in key indicators

- **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<sup>th</sup> percentile - £38,000 – and by 7% at 10<sup>th</sup> 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)

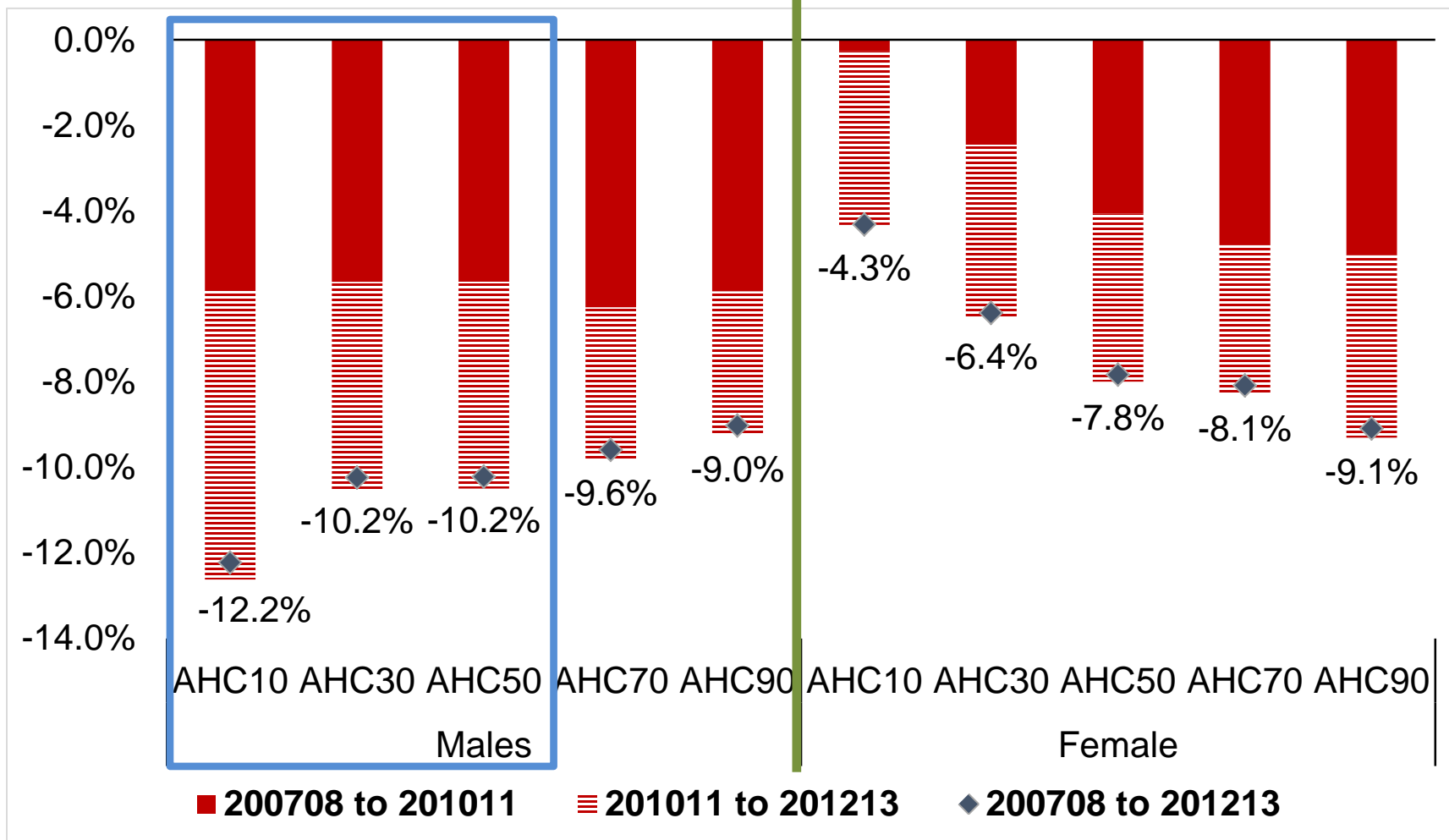
# PAY: Low-paid men and women lose most in real hourly pay



Source: Labour Force Survey

# INCOME: Poorest men lose most

Changes in AHC income by gender, 2007/8-2012/3 (%)



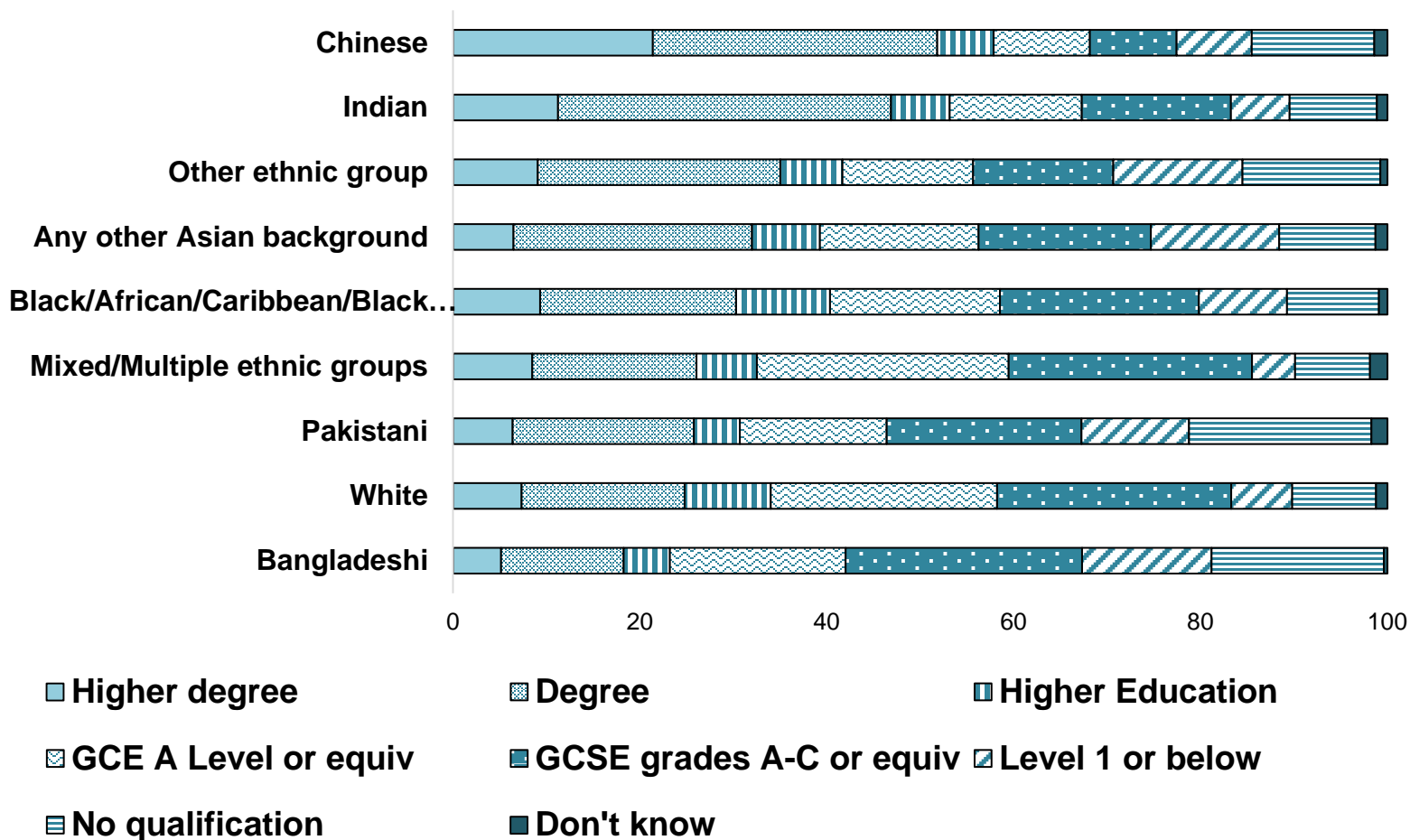
Source: CASE/DWP analysis of HBAI dataset

# 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

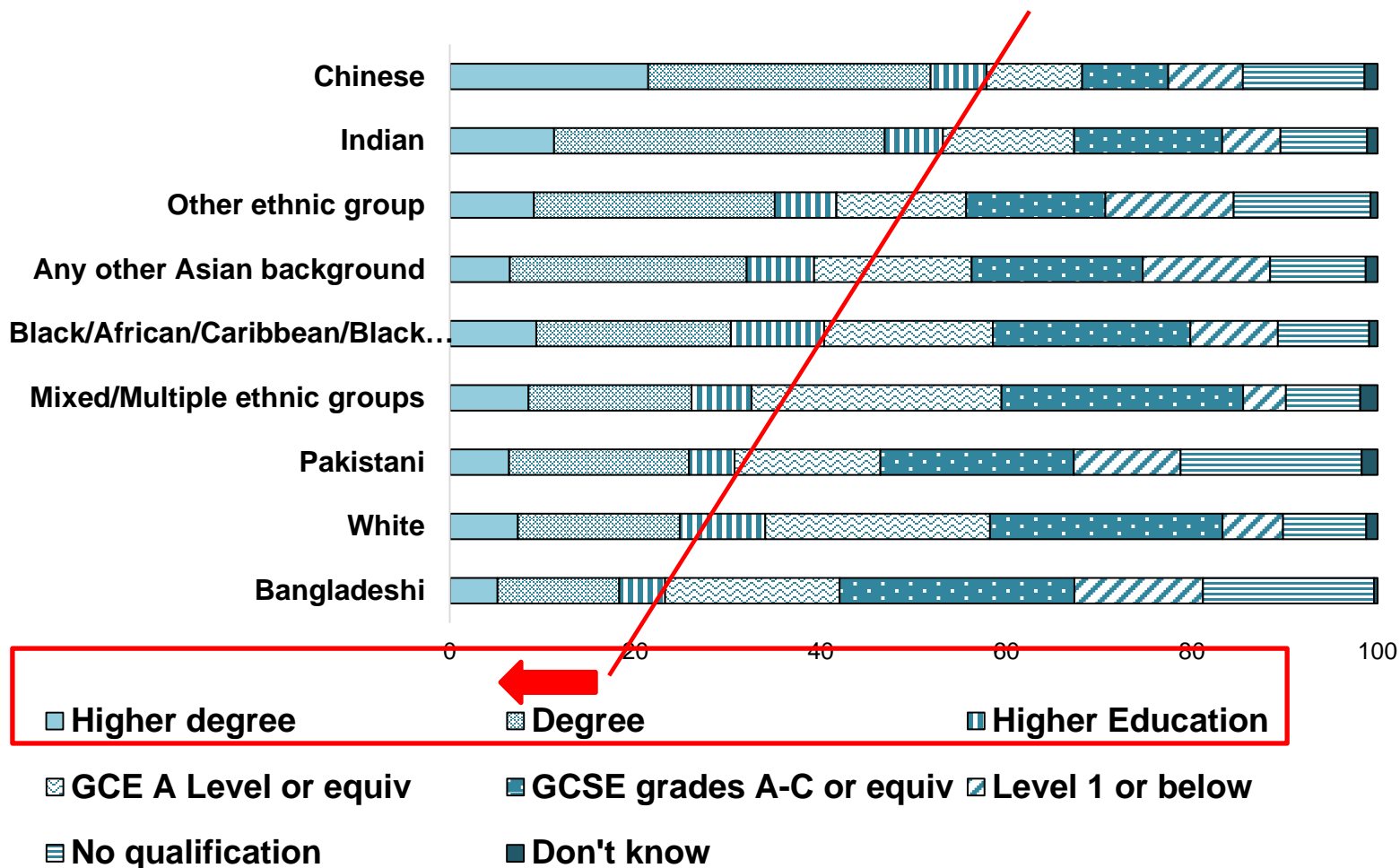


# Highest qualifications by ethnicity, 2013 (%)



Source: Labour Force Survey

# Highest qualifications by ethnicity, 2013 (%)



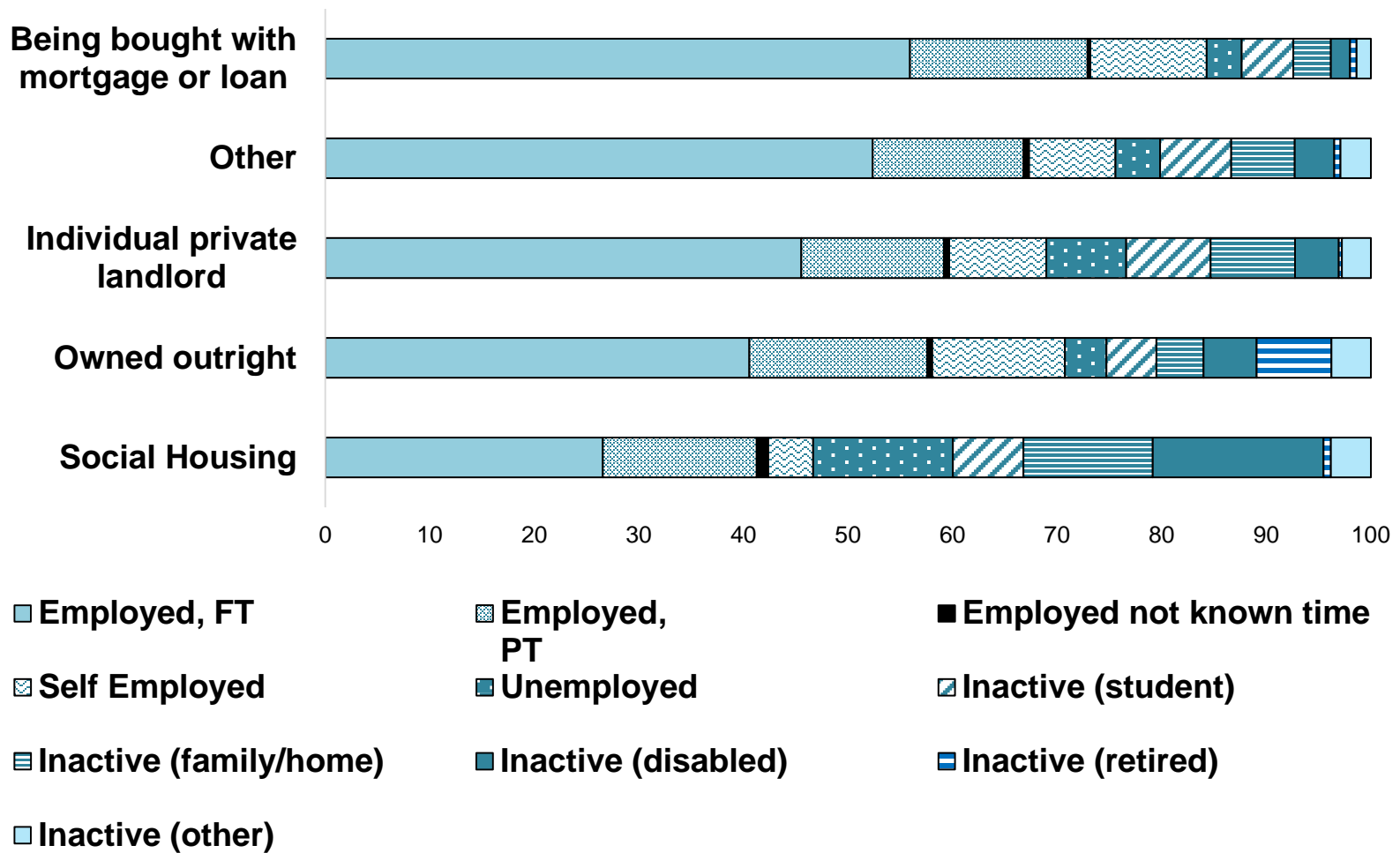
Source: Labour Force Survey

# 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

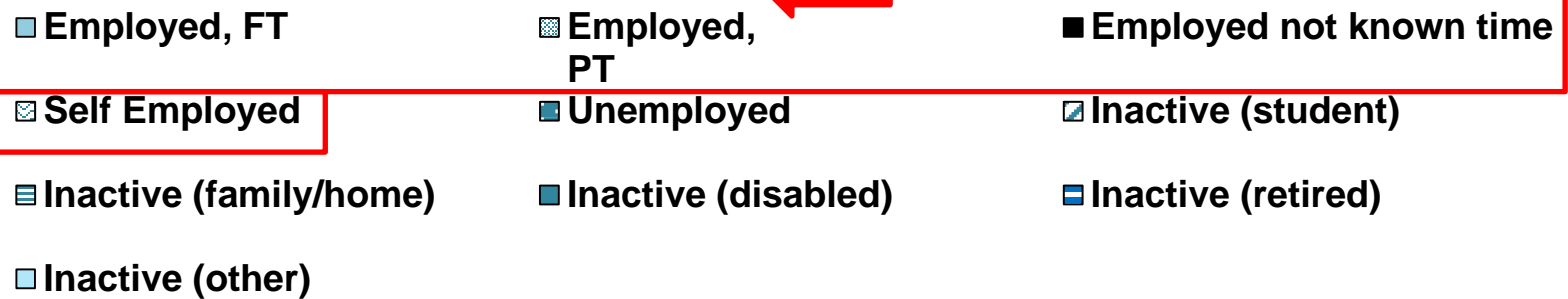
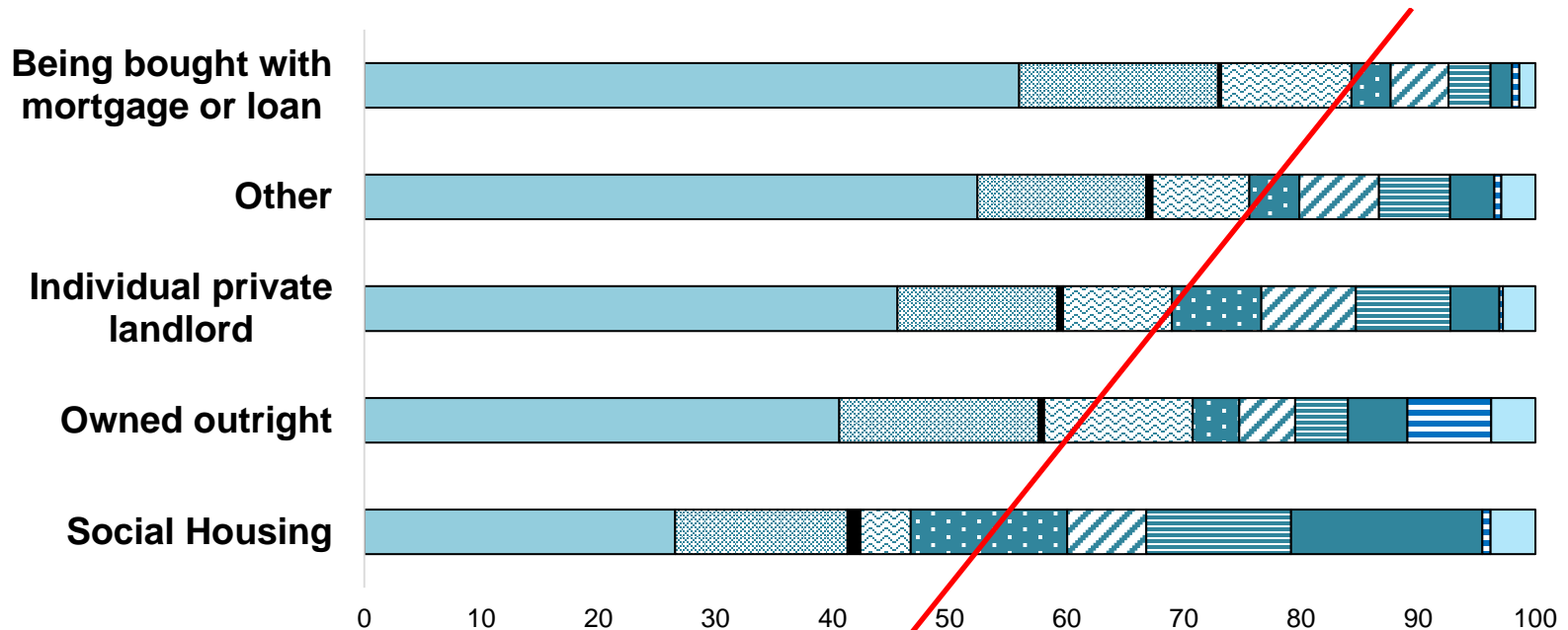
## Employment status by tenure, 2013 (%)



Source: Labour Force Survey

# Fewer than half of social tenants in paid work

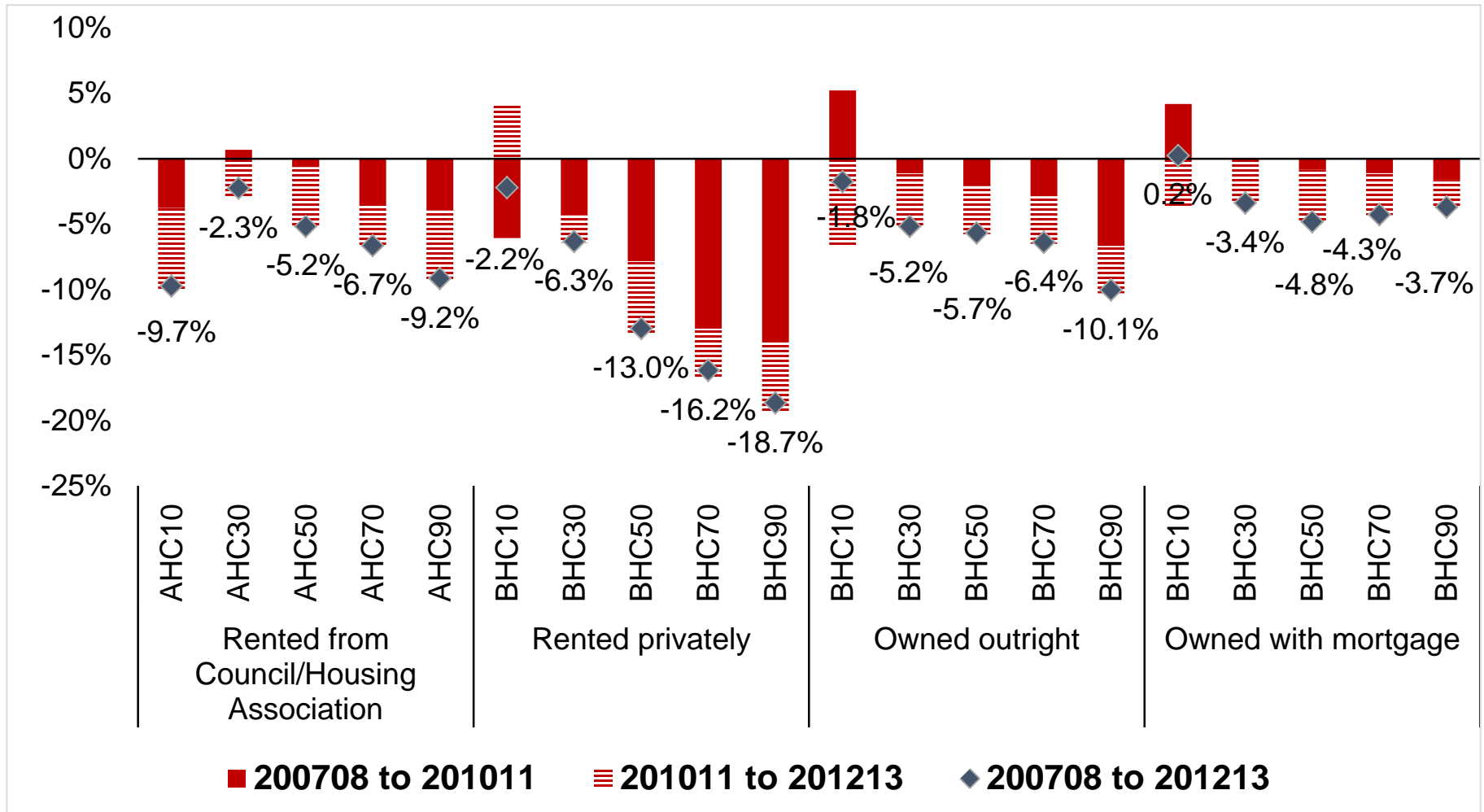
## Employment status by tenure, 2013 (%)



Source: Labour Force Survey

# Private tenants lost most income

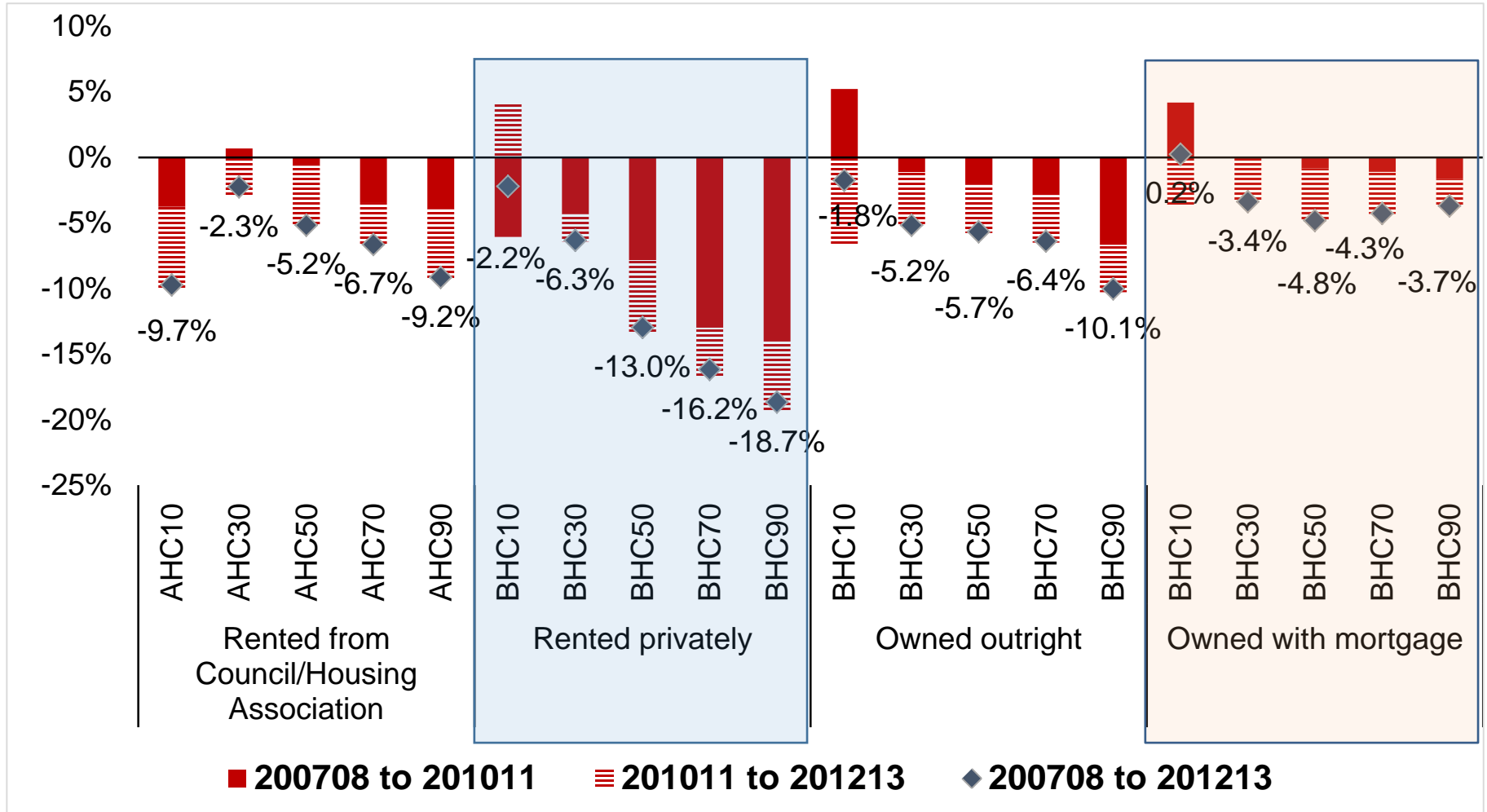
Change in median AHC income by tenure, 2007/8-2012/3 (%)



Source: CASE/DWP analysis of HBAI dataset

# Private tenants lost most income

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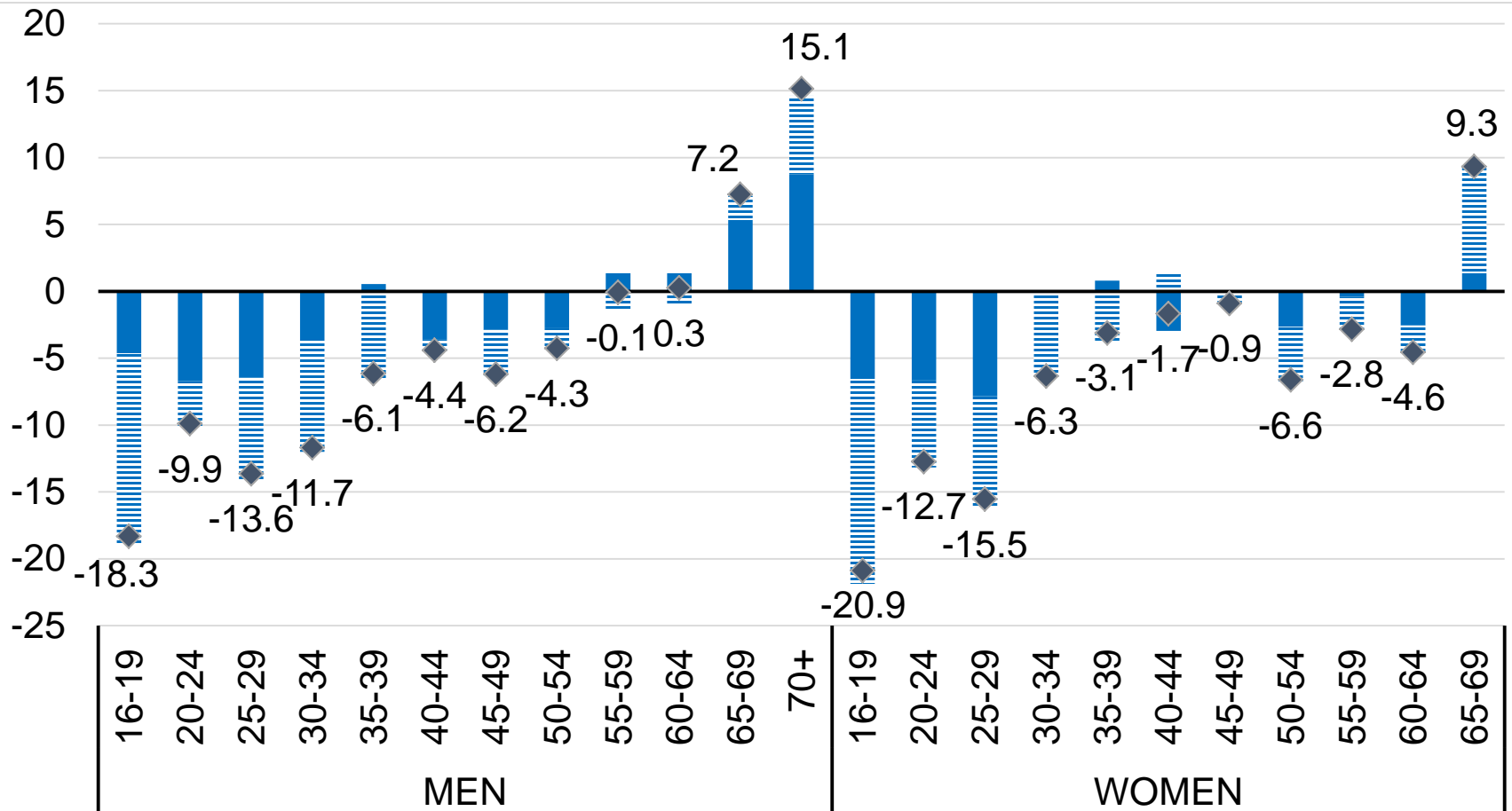
# Differences by age group

- 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)

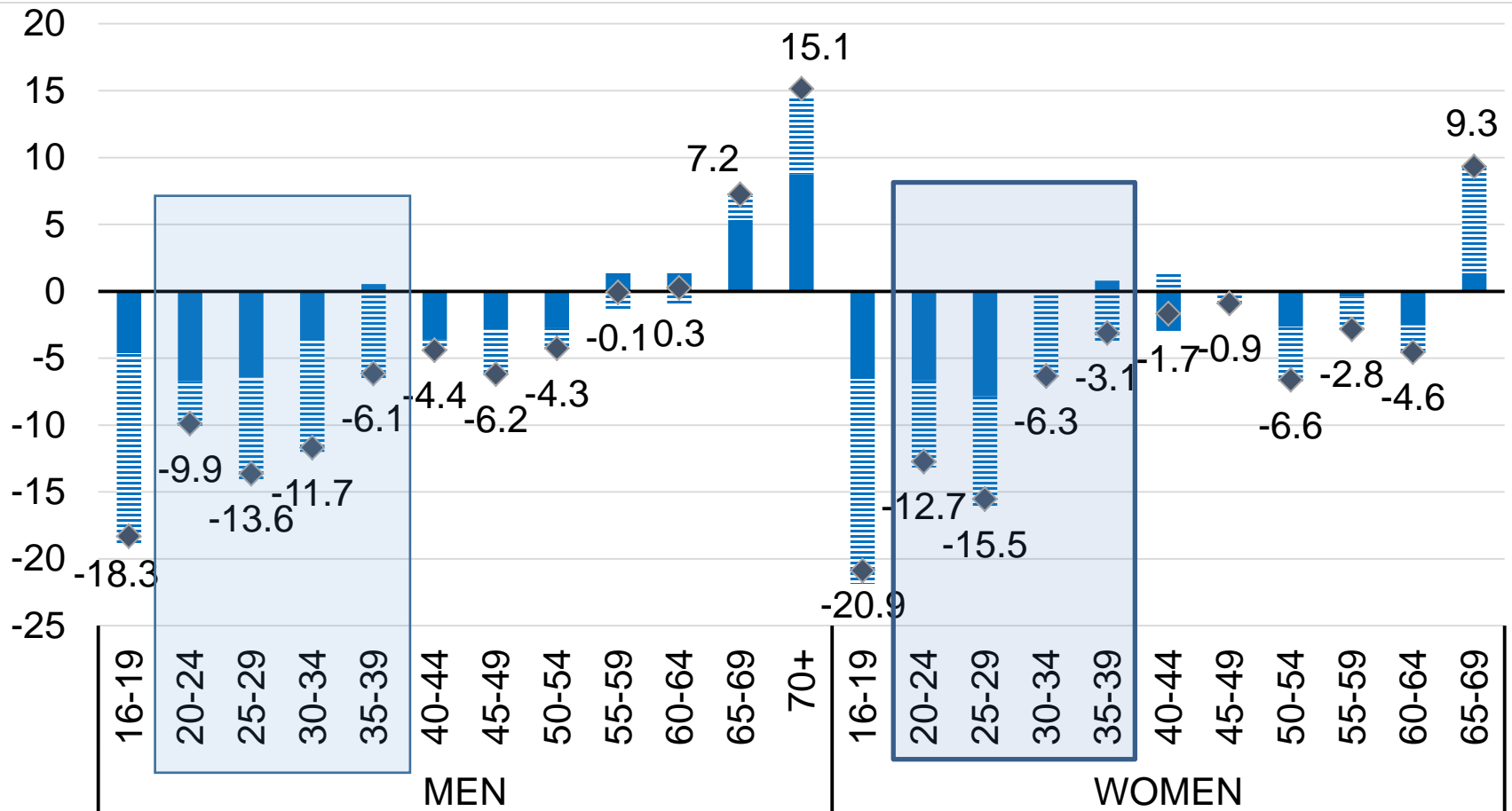
Changes in median full-time hourly pay by age, 2006-08 to 2013 (%)



Source: Labour Force Survey, FT employees only

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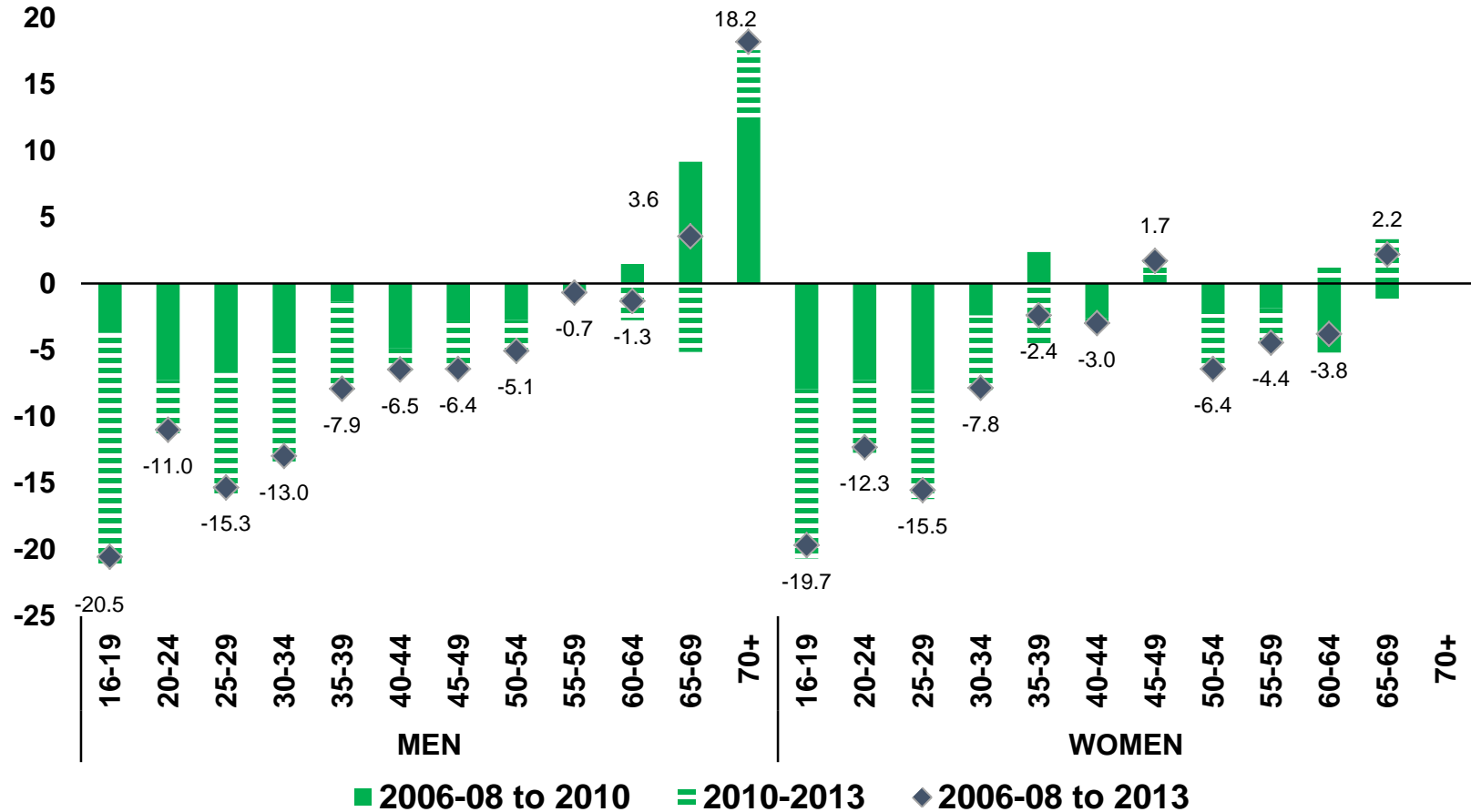
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Source: Labour Force Survey, FT employees only

# ....and big drops in weekly earnings

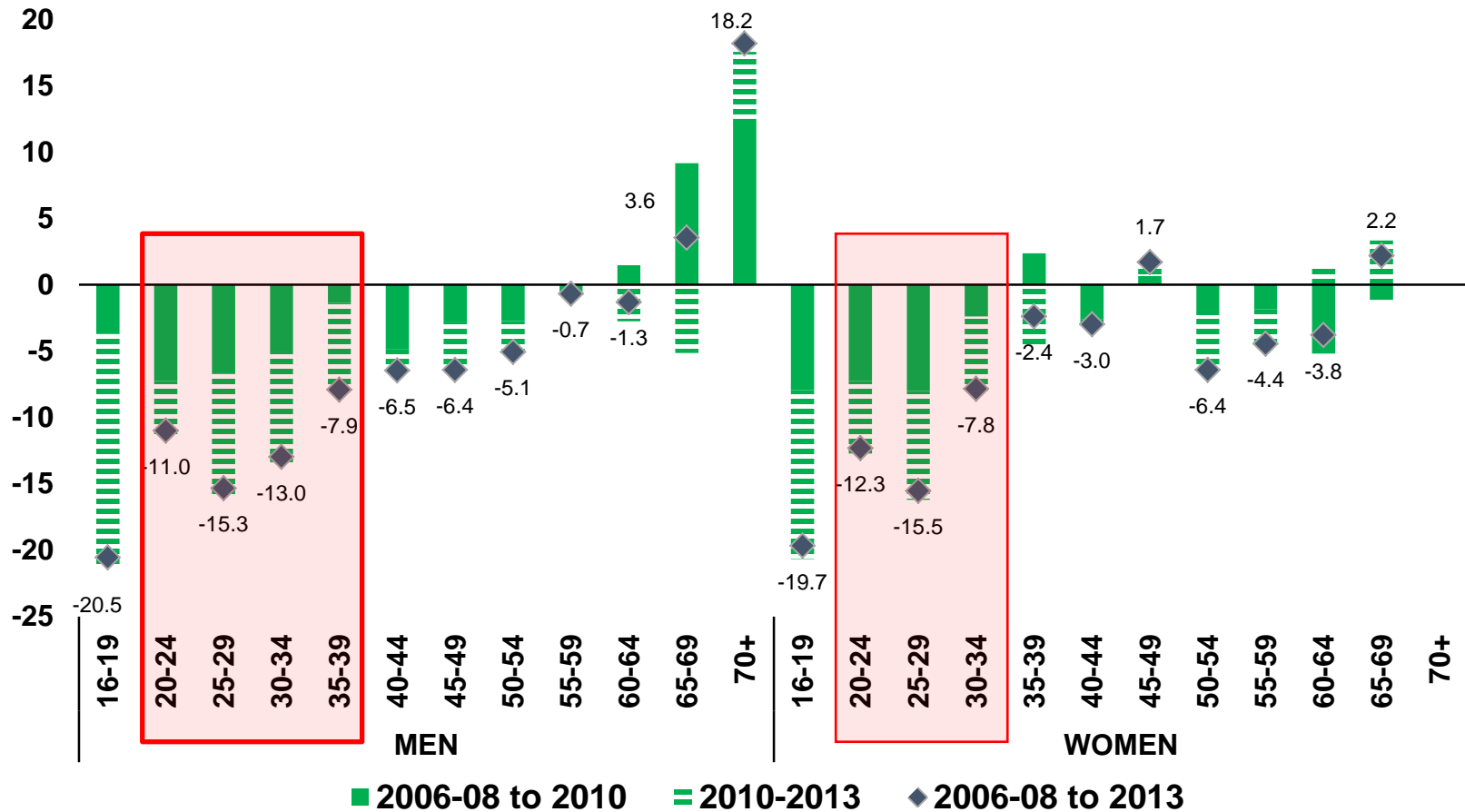
Changes in median weekly full-time earnings by age, 2006-08 to 2013 (%)



Source: Labour Force Survey, FT employees only

# ....and big drops in weekly earnings

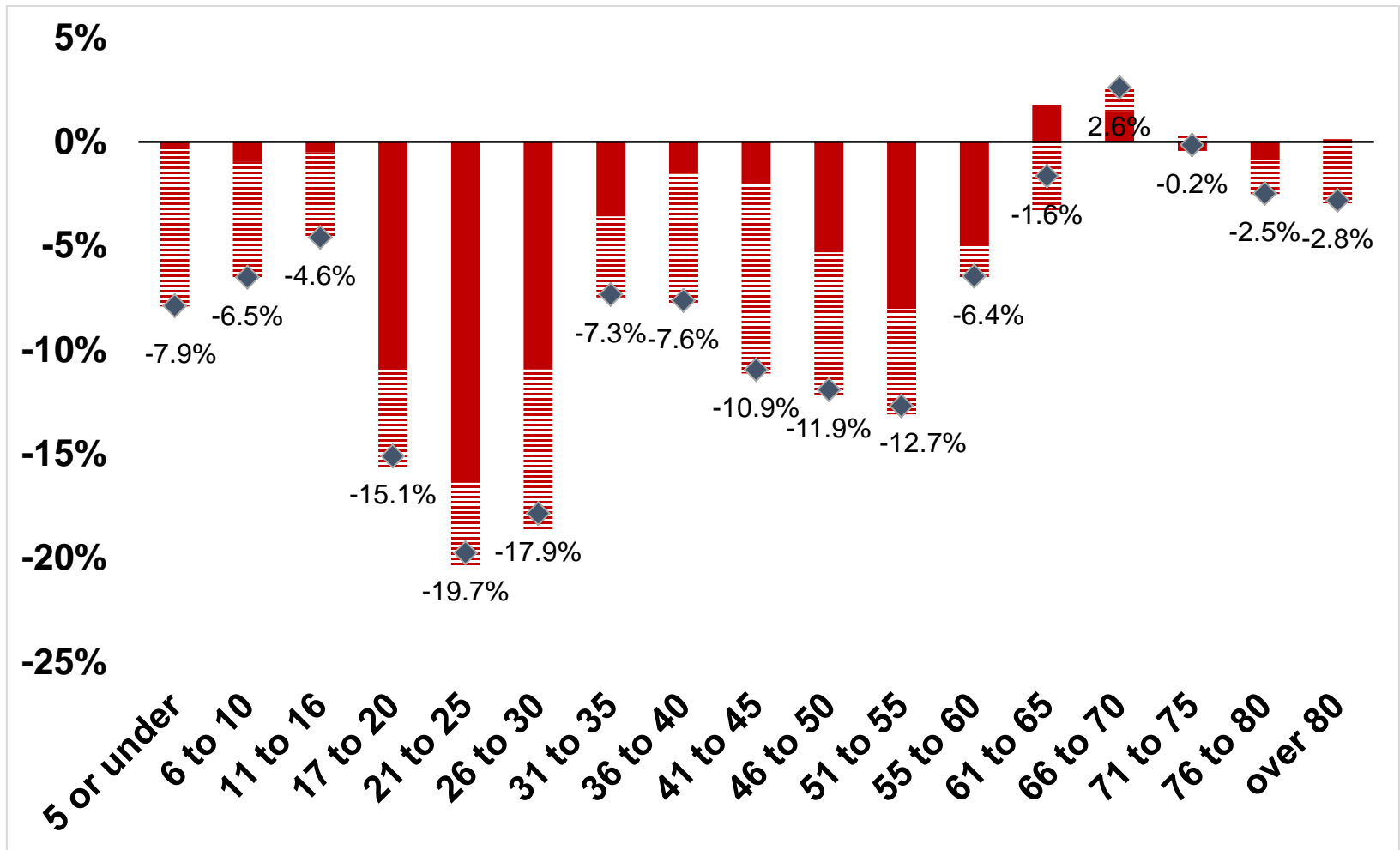
Changes in median weekly full-time earnings by age, 2006-08 to 2013 (%)



Source: Labour Force Survey, FT employees only

# Worse income drops after housing costs

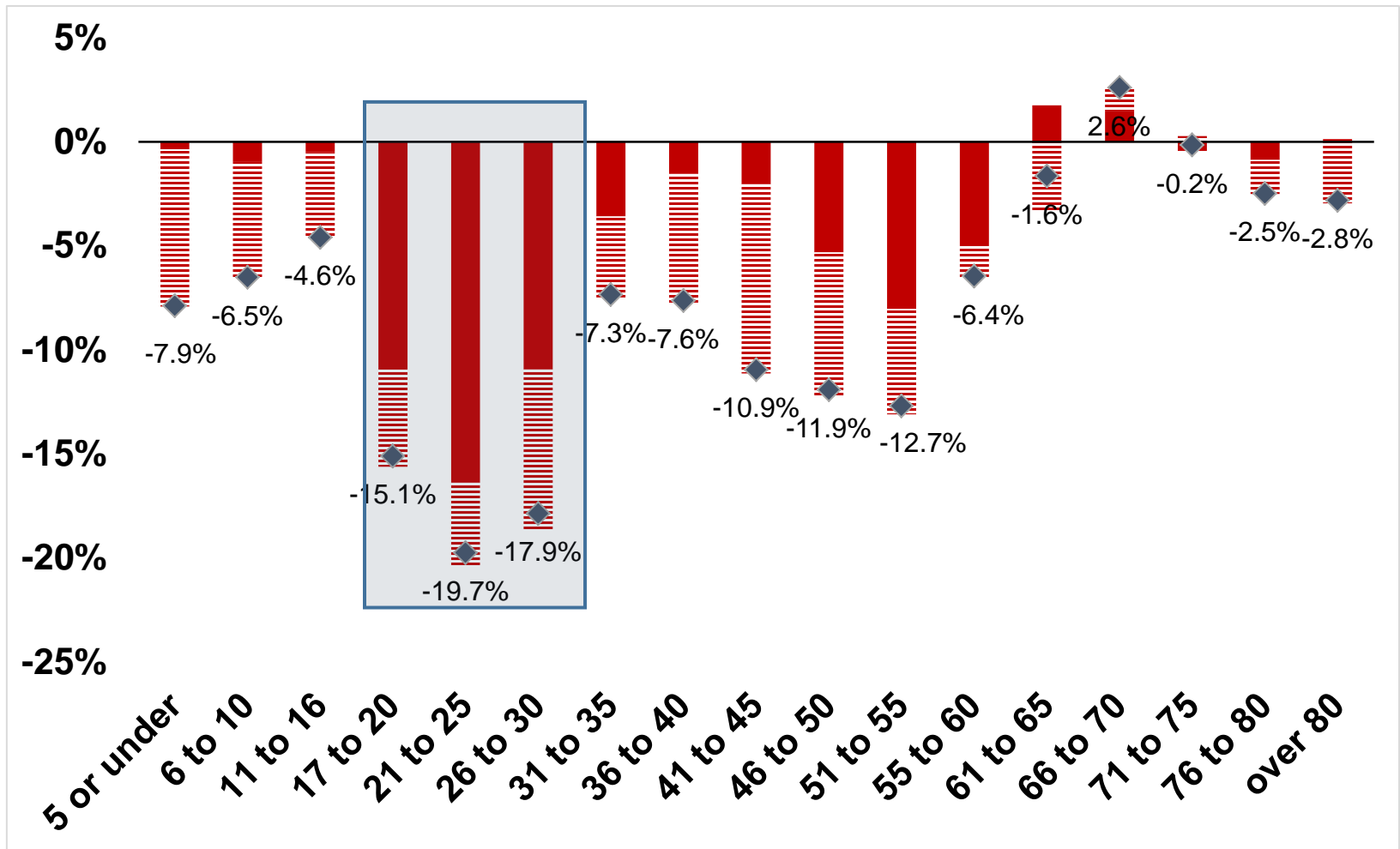
Change in median income after housing costs by age, 2007/8-2012/3 (%)



Source: CASE/DWP analysis of HBAI dataset

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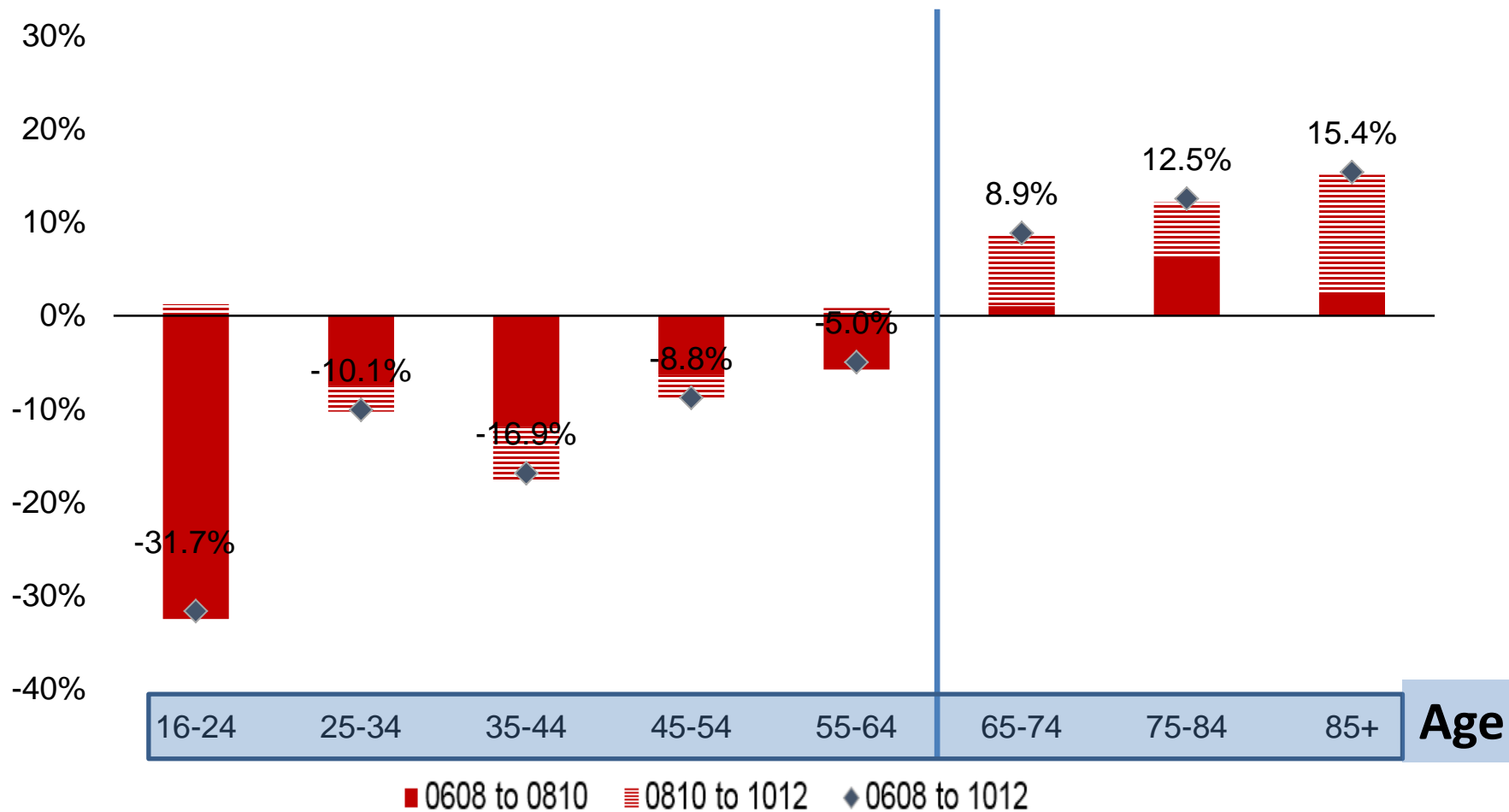
Change in median income after housing costs by age, 2007/8-2012/3 (%)



Source: CASE/DWP analysis of HBAI dataset

# 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



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

	16-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
<b>Absolute changes</b>								
<b>2006-08 to 2010-12</b>	-3.8	-4.8	-20.6	-16.3	-12.2	19.0	23.1	24.0
<b>Level of non-pension wealth in 2010-12</b>								
<b>Median</b>	8.2	42.8	101.5	169.3	232.8	233.5	207.2	180.0
<b>90:10 ratio</b>	Na <sup>1</sup>	61	57	55	48	43	34	32

Source: ONS/CASE analysis of Wealth and Assets Survey.

Note: 1. Tenth percentile wealth is *minus* £6,200 and ninetieth percentile is £61,400



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# 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.

# Social Policy in Cold Climate

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## 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:**

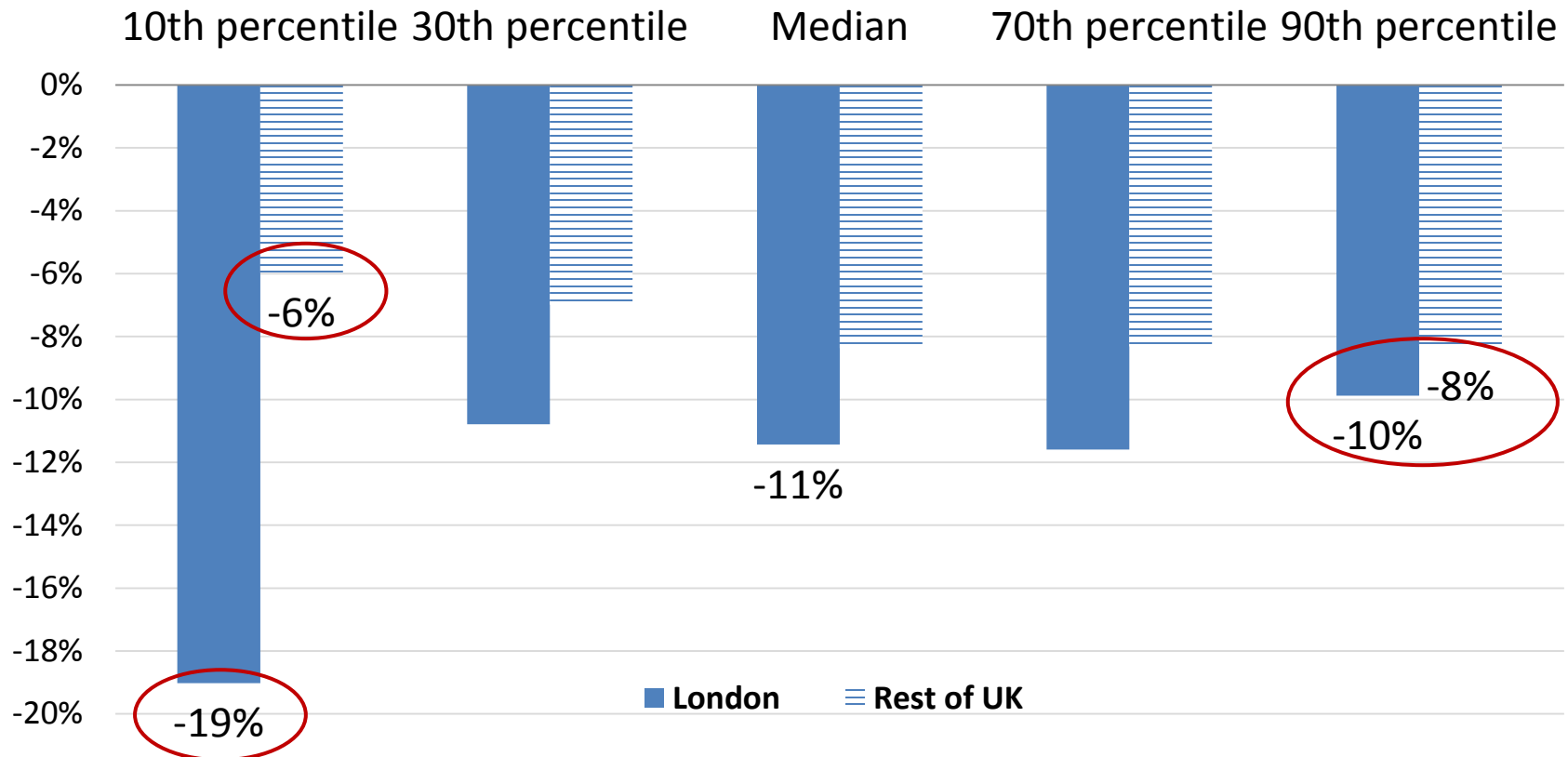
- ❑ Wealth at the top of the distribution increased substantially
- ❑ Inequality – already higher in London in 2007, further increased against some indicators

# **Six Main Findings**

**1. The poorest Londoners and some disadvantaged groups were hard hit in the aftermath of crisis and downturn**

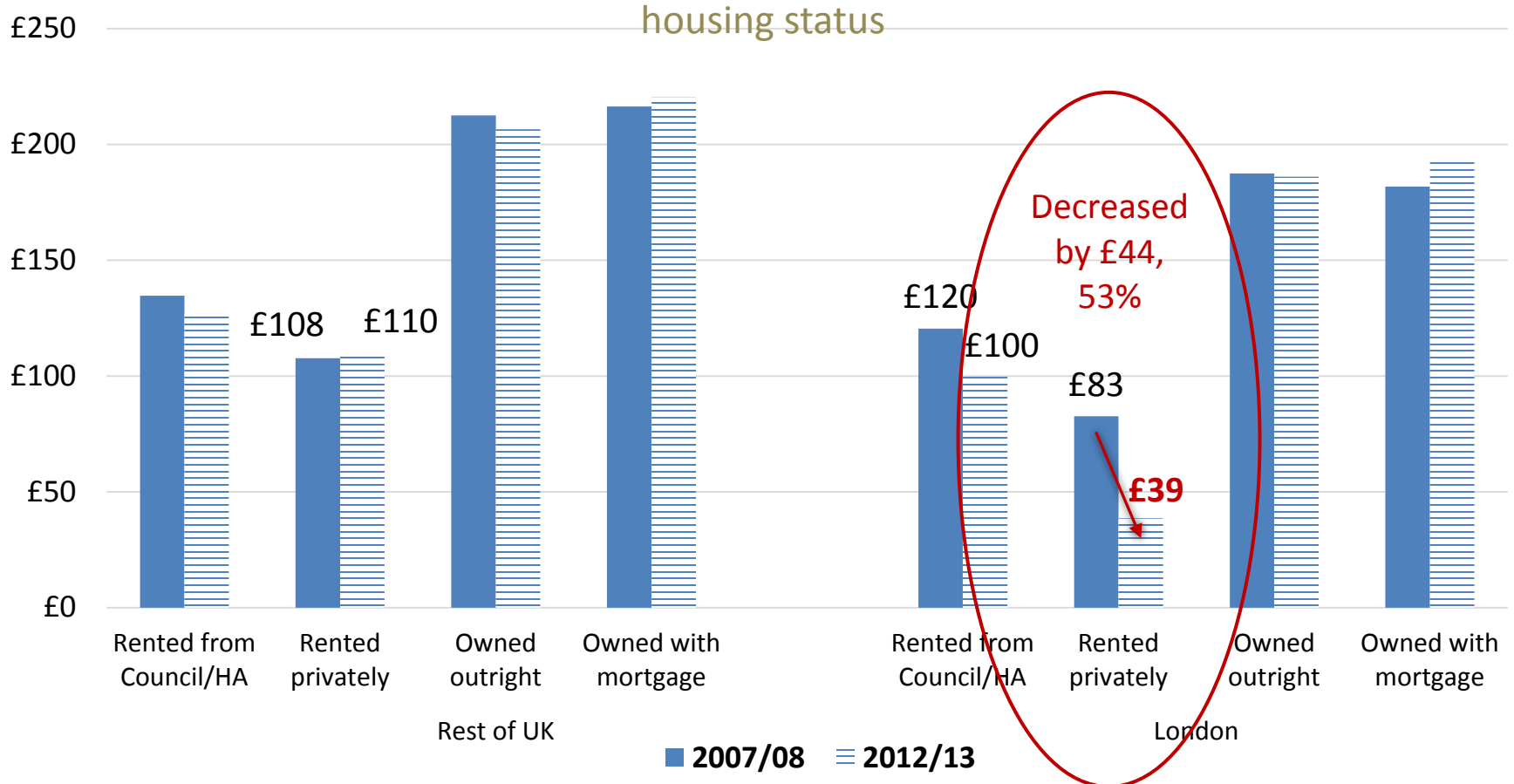
Income after housing costs at the 10<sup>th</sup> percentile fell by 19% in London - a bigger fall than at other points in the distribution, and a bigger fall at the 10<sup>th</sup> percentile than elsewhere in the country

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



# Private renters at the 10<sup>th</sup> percentile were left with **only £39** of income after housing costs

Weekly net equivalised income after housing costs, at the 10<sup>th</sup> percentile, London and the rest of the UK, 2007/08 and 2012/13, by housing status

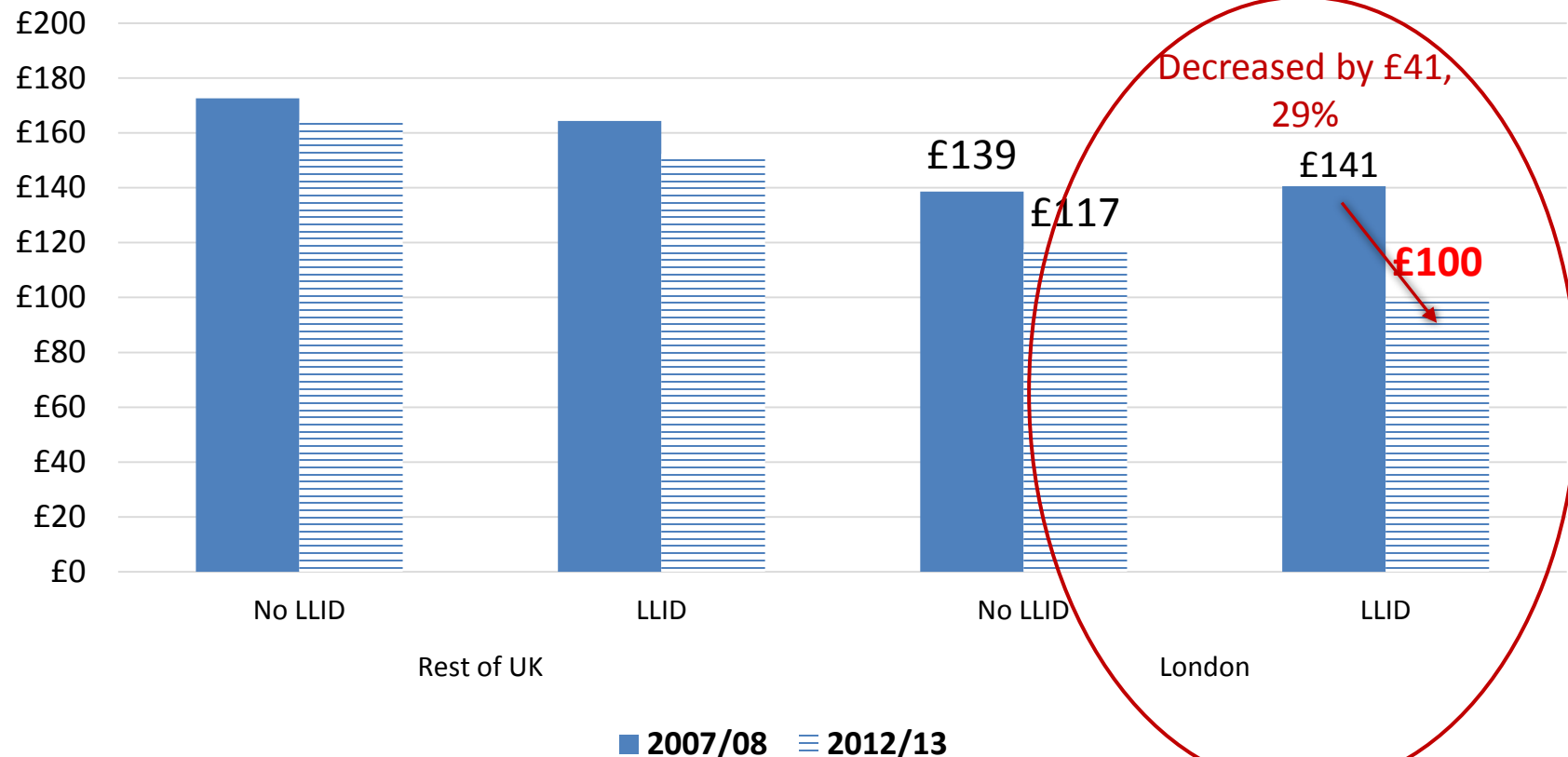


Source: DWP/CASE analysis of HBAI



# For disabled people, the fall in weekly income after housing costs at the 10<sup>th</sup> percentile in London was more marked than in rest of the UK\*

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



\* 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

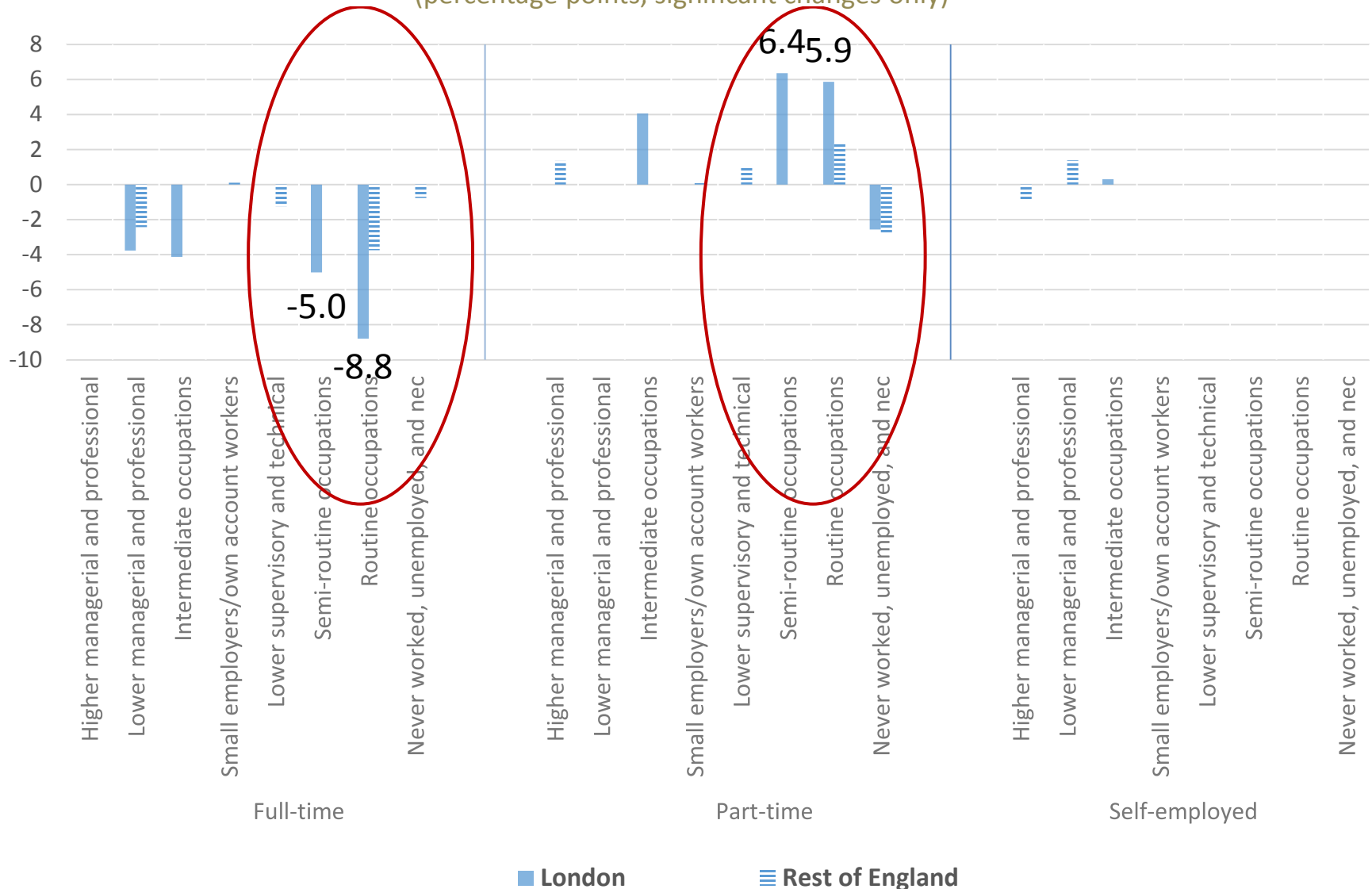
		2007/8	2012/13	Change (Percentage point)
<b>Overall</b>	All	5.1	7.0	1.9
<b>Age</b>	16-24	10.0	13.5	3.5
	25-30	4.6	7.5	2.9
<b>Disability status*</b>	DDA disabled and work-limiting disabled	5.8	8.9	3.1
<b>Ethnicity</b>	White British	3.7	5.4	1.8
	White and Black Caribbean	10.4	15.3	4.9
	White and Black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

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

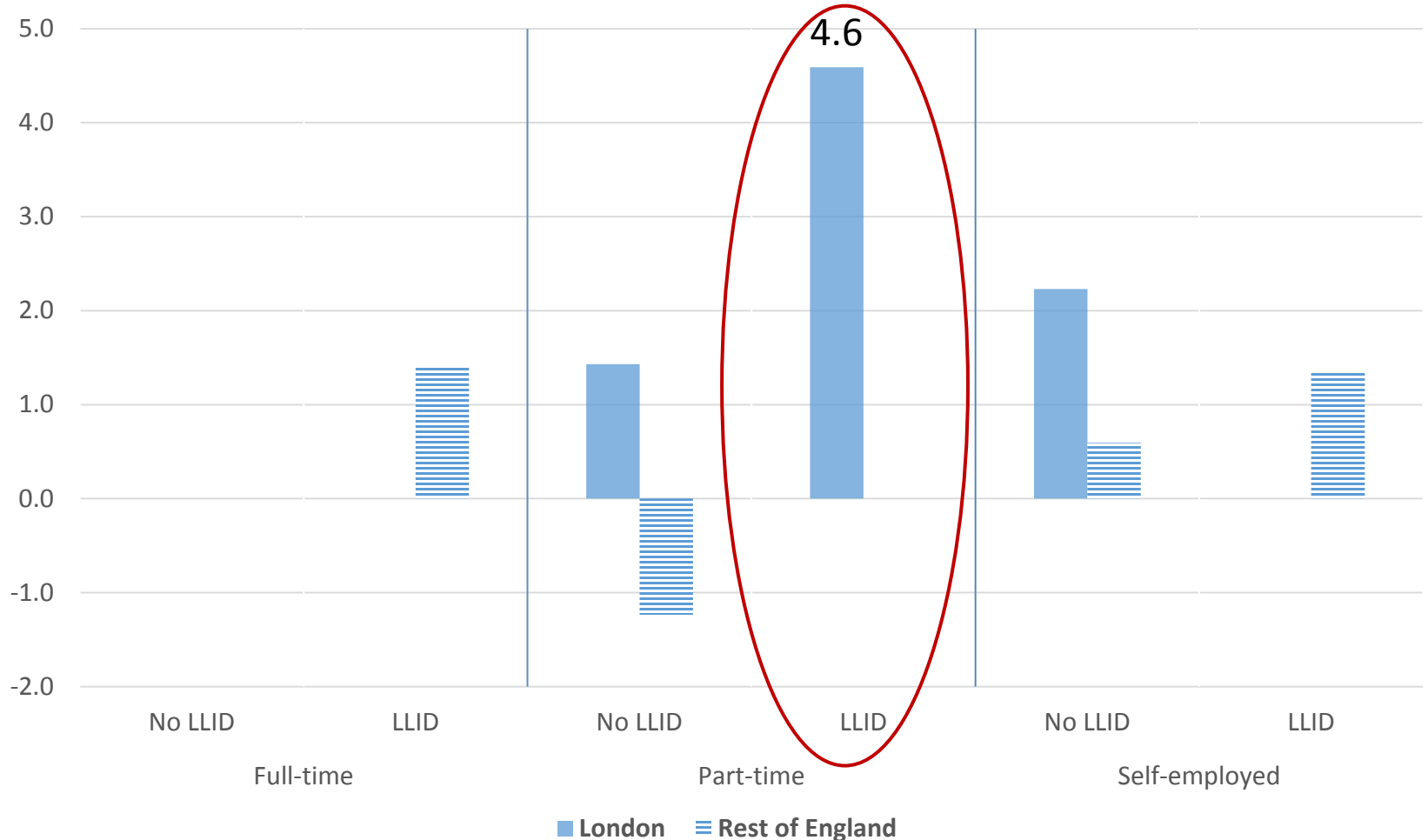
# The increases in part-time employment in London were notable in lower skilled jobs

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

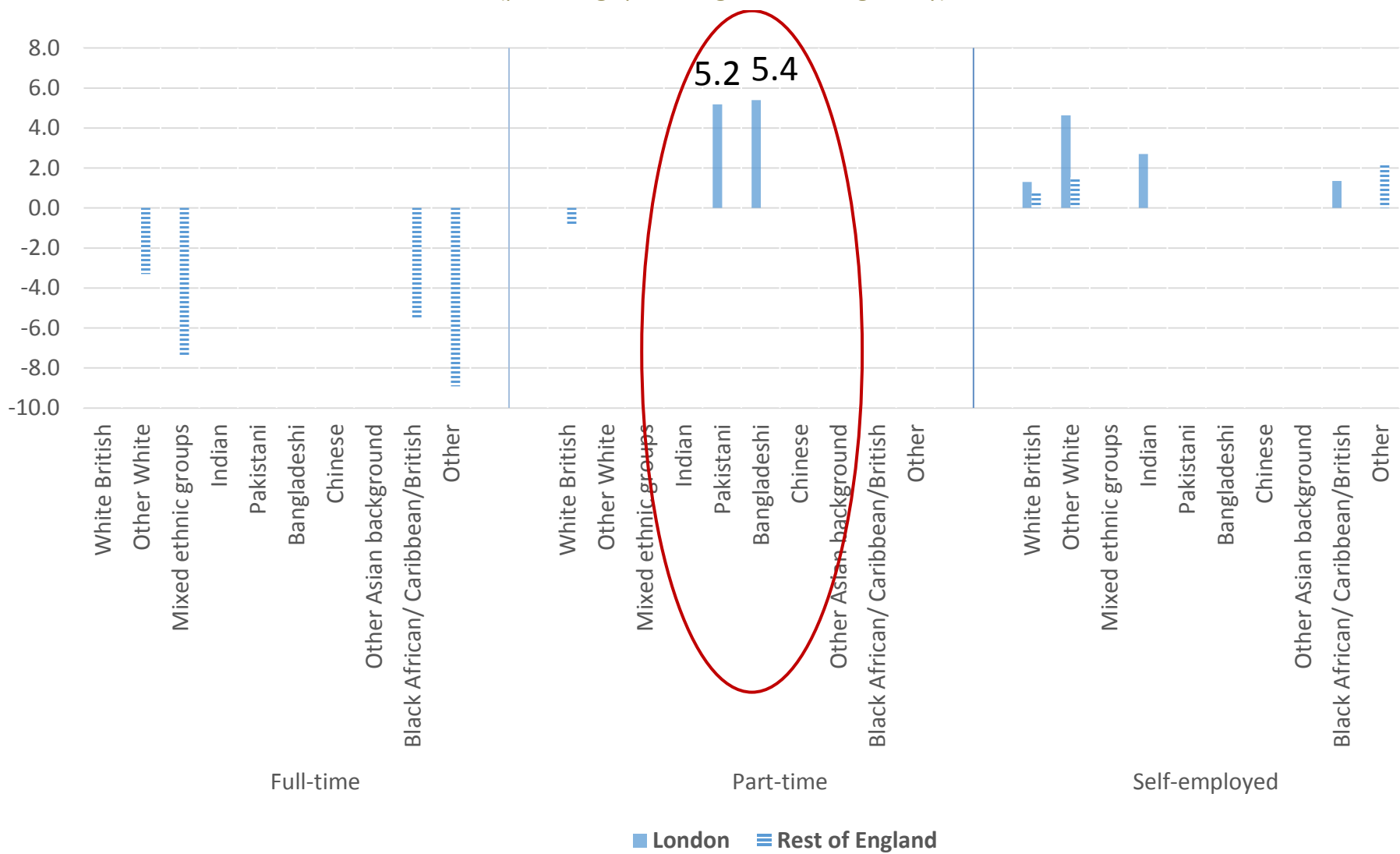
Change in employment status 2007/08 to 2012/13, women, by disability status, London and the rest of England) - percentage points, significant changes only



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 only)

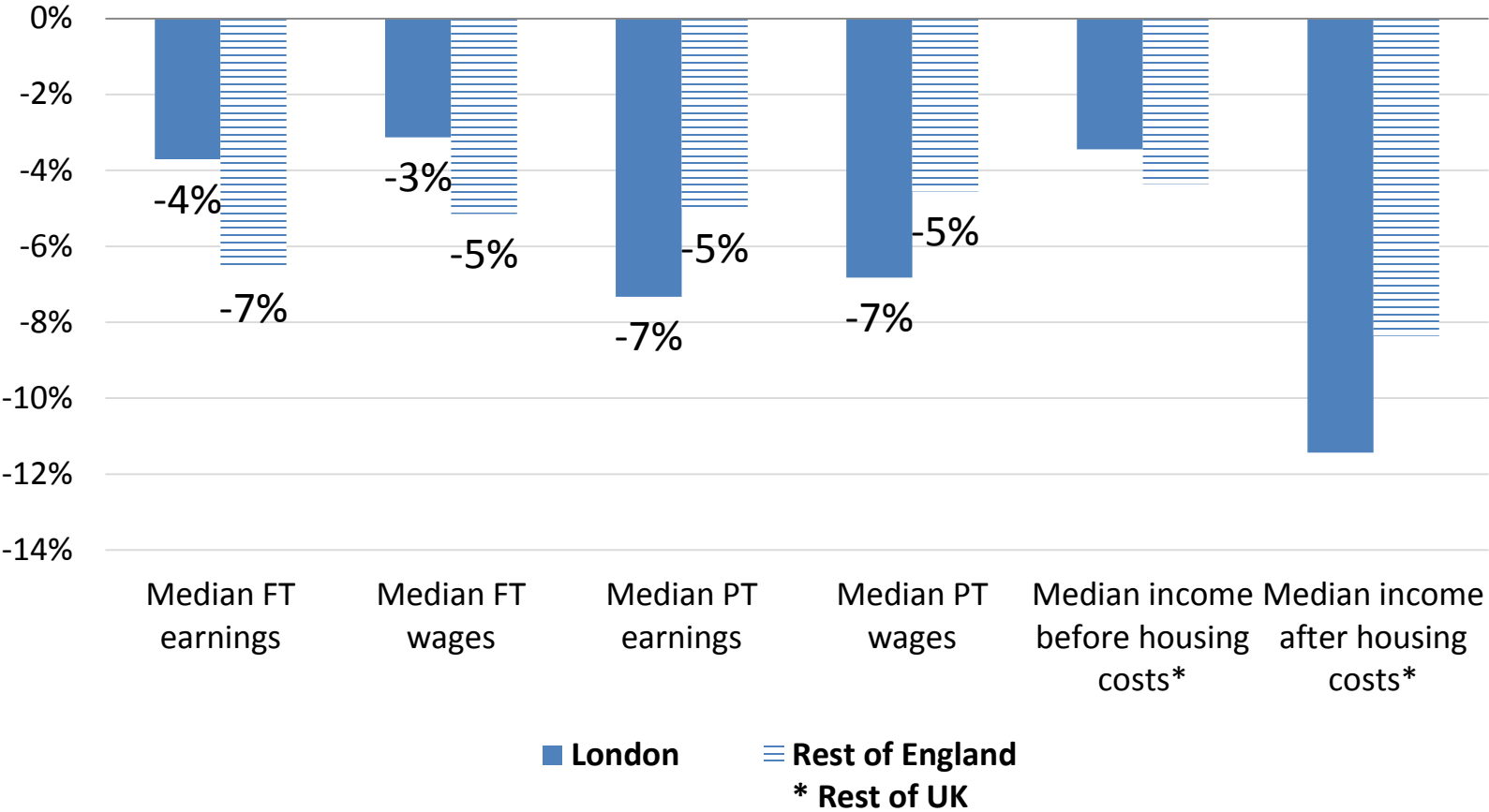


4. Weekly earnings and hourly wages fell considerably in London (as in the rest of the country)



# 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

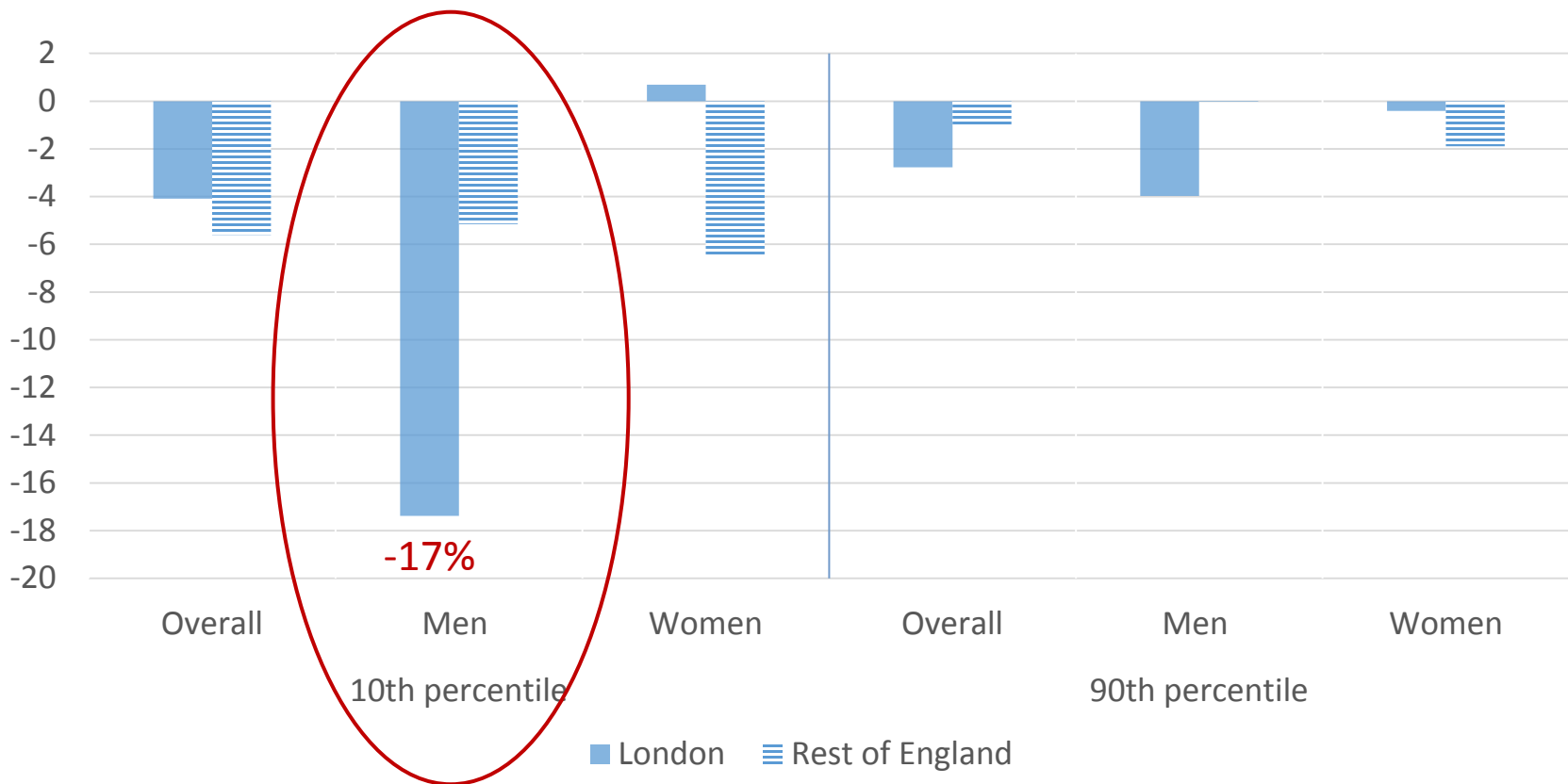
Changes in median earnings, wages and incomes in London & rest of England, 2007/08 to 2012/13



Source: CASE analysis of APS/LFS

# At the 10<sup>th</sup> 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)



## Proportion earning less than London Living Wage increased substantially

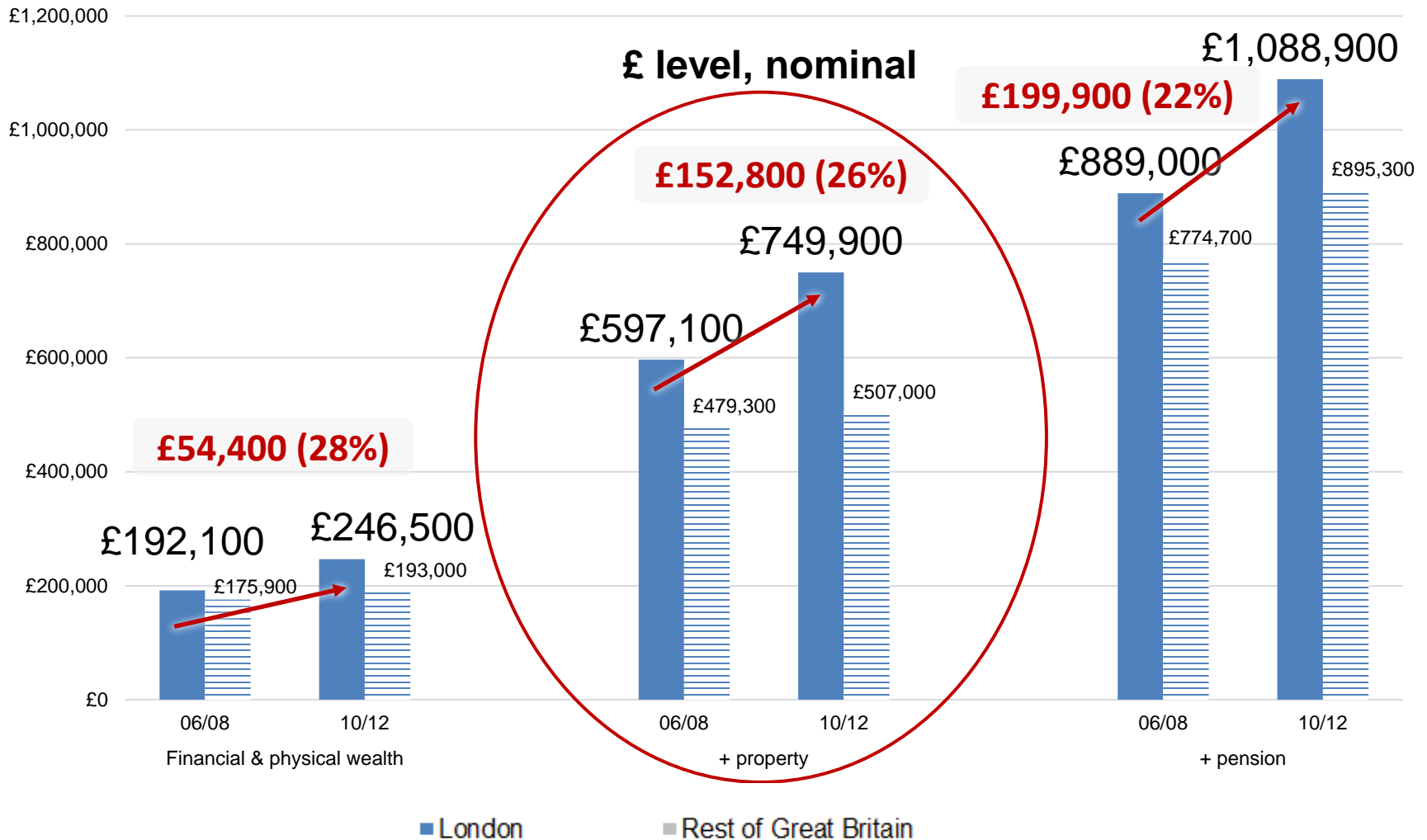
Percentage of employees in London with gross hourly wages less than London Living Wage thresholds		2007/08	2012/13	Change (Percentage point)
<b>Overall</b>	All	18.5	22.5	4.0
<b>Gender</b>	Men	15.9	18.1	2.2
	Women	21.3	27.2	5.9
<b>Age</b>	16-24	46.7	50.0	3.3
<b>Ethnicity</b>	White British	13.8	16.9	3.2
	Indian	24.6	25.9	1.3
	Pakistani	33.7	43.8	10.1
	Bangladeshi	33.1	47.1	14.1
	Black/ African/Caribbean/Black British	24.8	30.7	5.9
<b>Disability*</b>	DDA disabled and work-limiting disabled	28.2	32.4	4.1
<b>Religion</b>	Muslim	34.3	43.6	9.3
<b>Area</b>	Outer London	20.1	24.6	4.6
<b>FT / PT</b>	Part-time	44.2	49.7	5.5

Source: CASE analysis of APS/LFS \*discontinuity, interpret with caution

## 5. Wealth

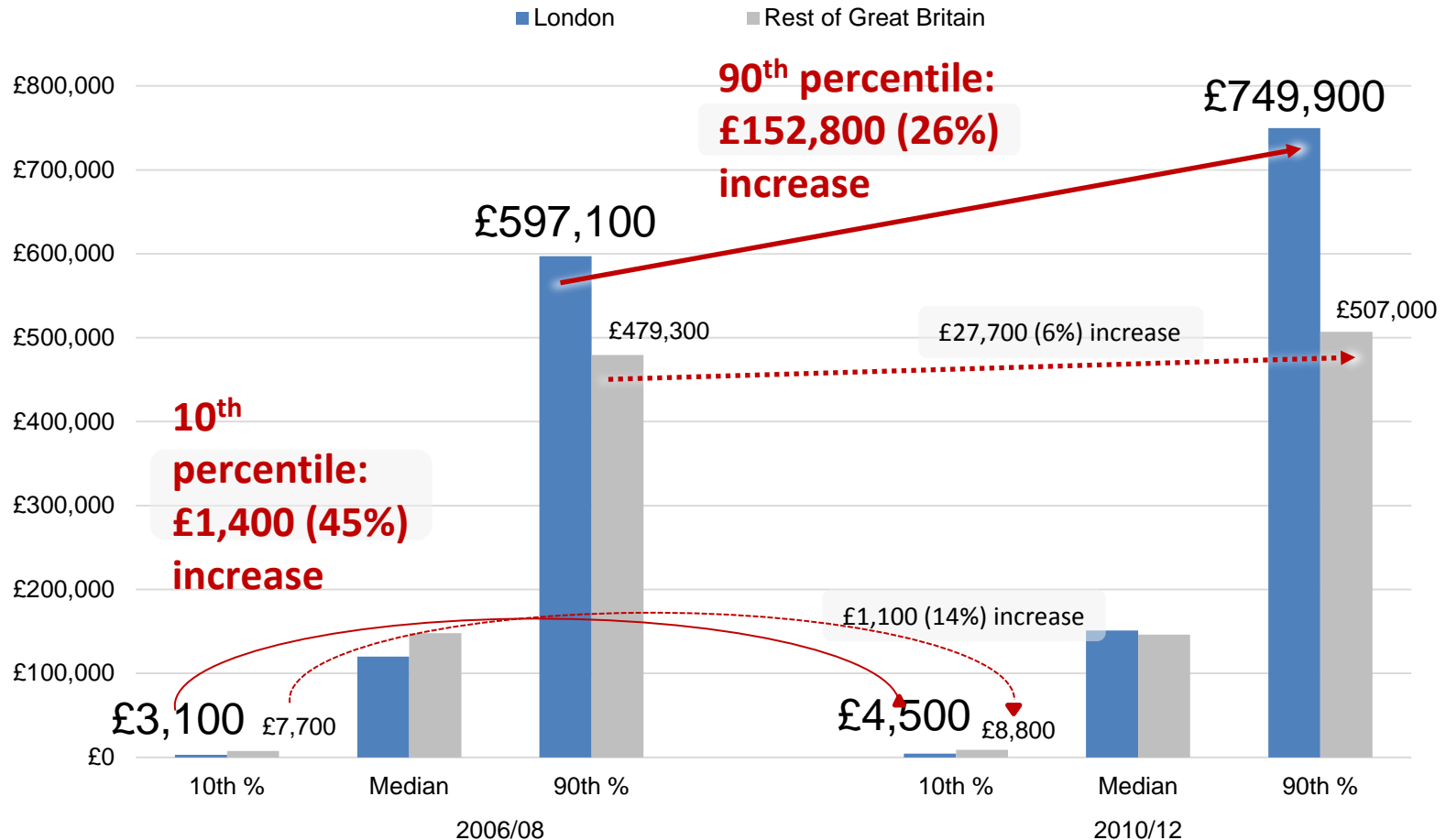
Meanwhile there were colossal increases in absolute (nominal) wealth amongst the top 10% in London

# Changes in nominal wealth at the 90<sup>th</sup> percentile, 2006/08 to 2010/12, London & rest of Great Britain



# Absolute changes at the 10<sup>th</sup> percentile were tiny by comparison (£1400 in London)

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



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 )

	Full-time Weekly earnings	Part-time Weekly earnings	Full-time Hourly wages	Part-time Hourly wages	Wealth*	Income before housing costs	Income after housing costs
<i>90:10 ratios in 2007/08</i>							
London	4.3	7.3	4.3	4.1	192.6	5.7	8.2
Not London	3.8	7.4	3.7	3.5	62.2	4.1	4.9
<i>90:10 ratios in 2012/13</i>							
London	4.7	7.4	4.4	4.1	166.6	5.3	9.2
Not London	3.9	7.8	3.8	3.6	57.6	3.7	4.8

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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### Bharat Mehta

*Chair, Chief Executive, Trust for London*

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**LSE** events

