

# How unequal is the UK – and should we care?

*Royal Statistical Society Cathie Marsh Lecture*

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@resfoundation

# INEQUALITY OF WHAT?

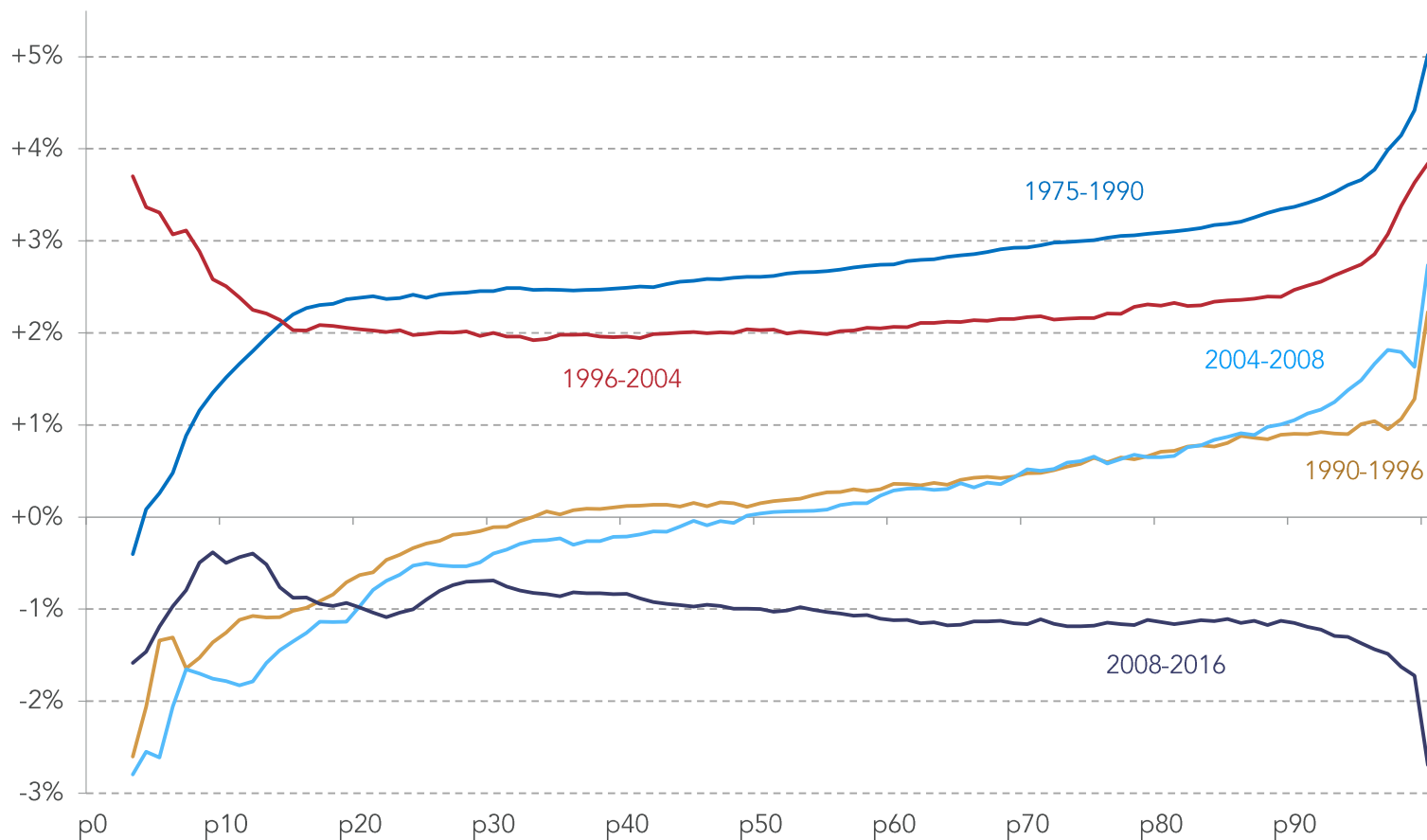
# Inequality of what?

- Inequality of income
- Inequality of wealth
- Intergenerational inequality
- Inequality between graduates and non-graduates
- Other types include geographic, gender, opportunity

# RECENT TRENDS IN UK LIVING STANDARDS AND INEQUALITY

# The distribution of pay growth in recent decades

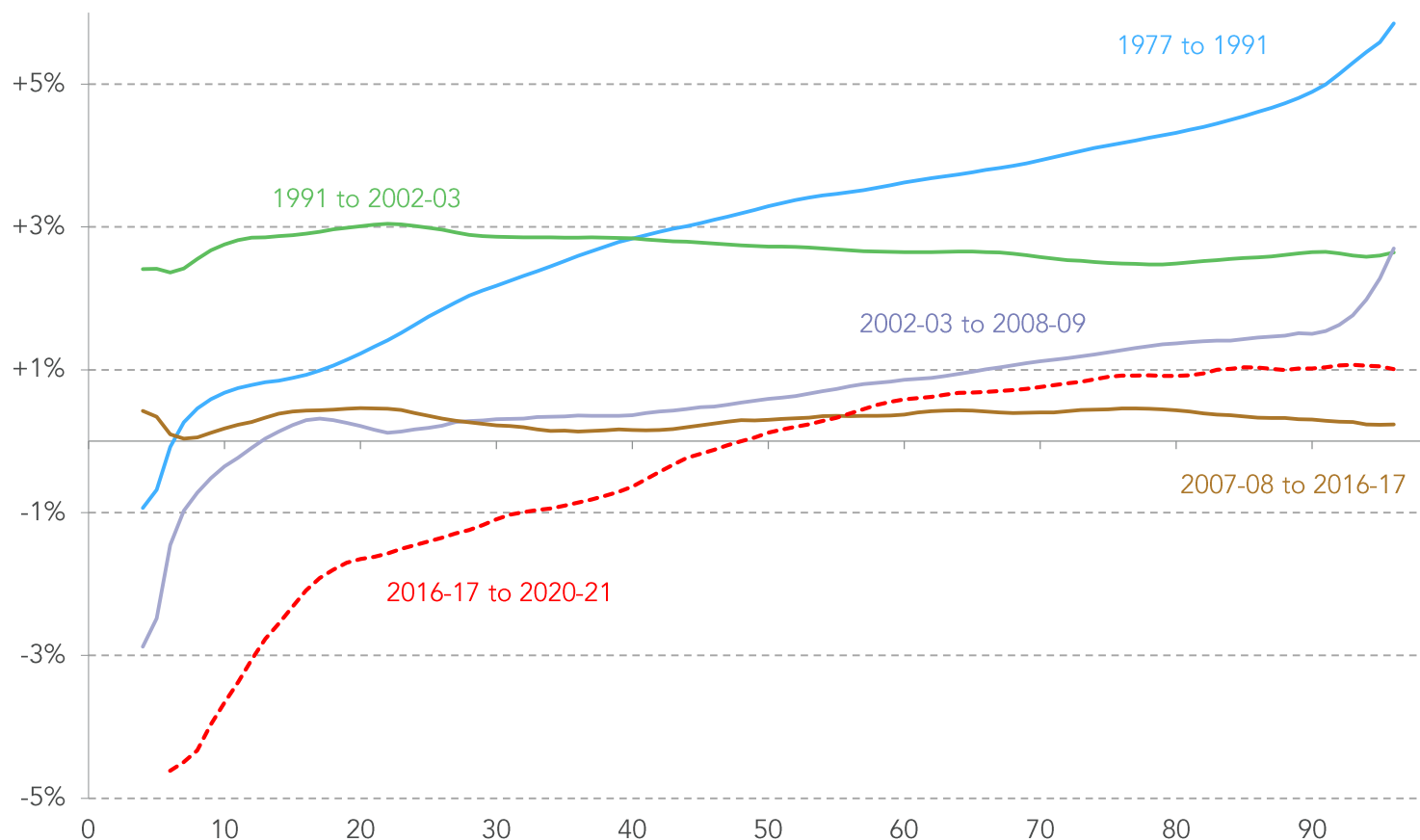
Average annual growth in real-terms weekly pay: (CPIH-adjusted)



Source: DWP, Households Below Average Income

# The outlook for income growth in coming years is bleak – especially in bottom half

Average annual growth in real-terms working-age household income:  
after housing costs: (CPI-AHC adjusted)



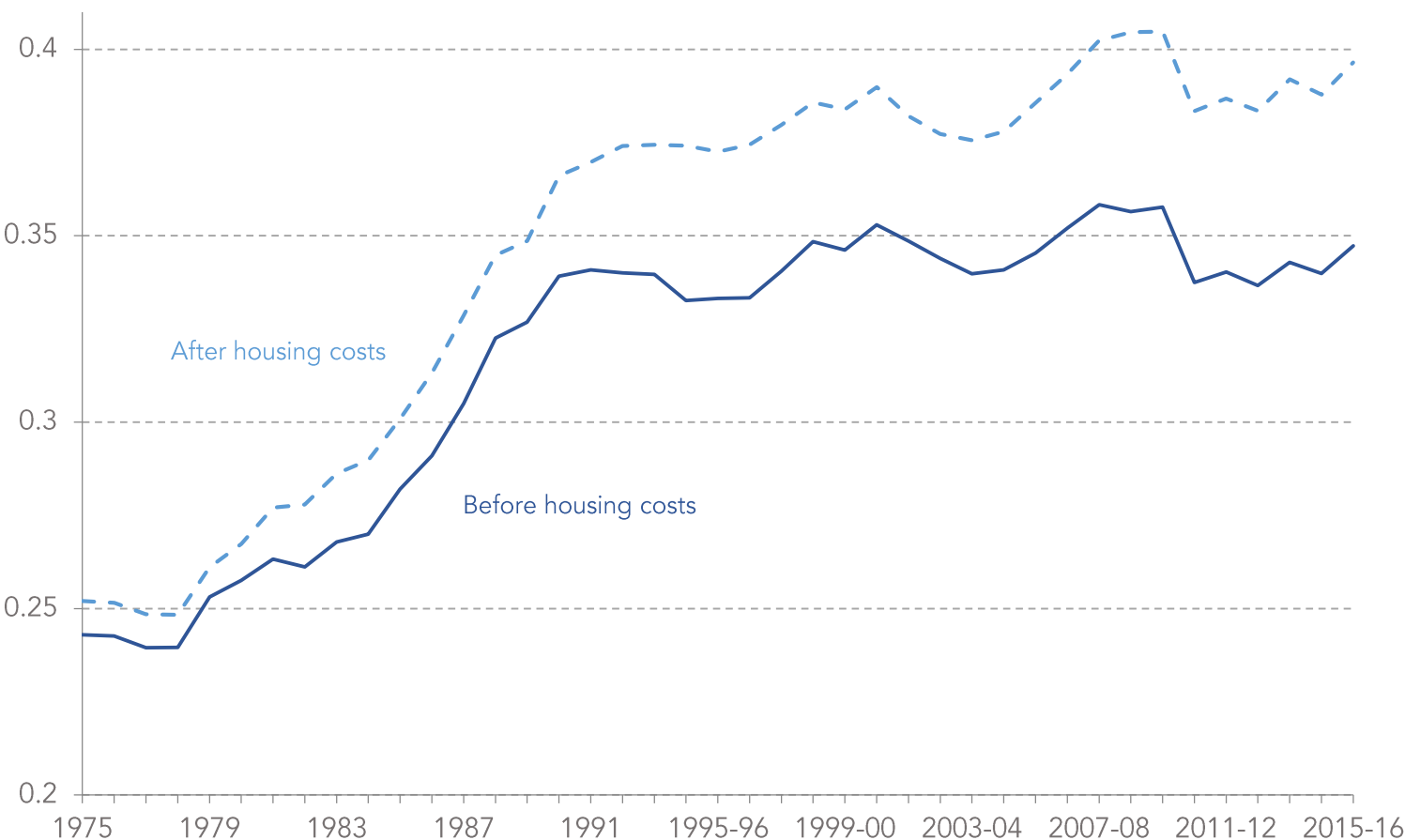
Source: DWP, *Households Below Average Income*

Projection would constitute worst growth performance for lower income households in entirety of income series

Combined with sharpest increase in inequality since Thatcher's final term

# What has this done to inequality?

Gini coefficient (1 = perfect equality)

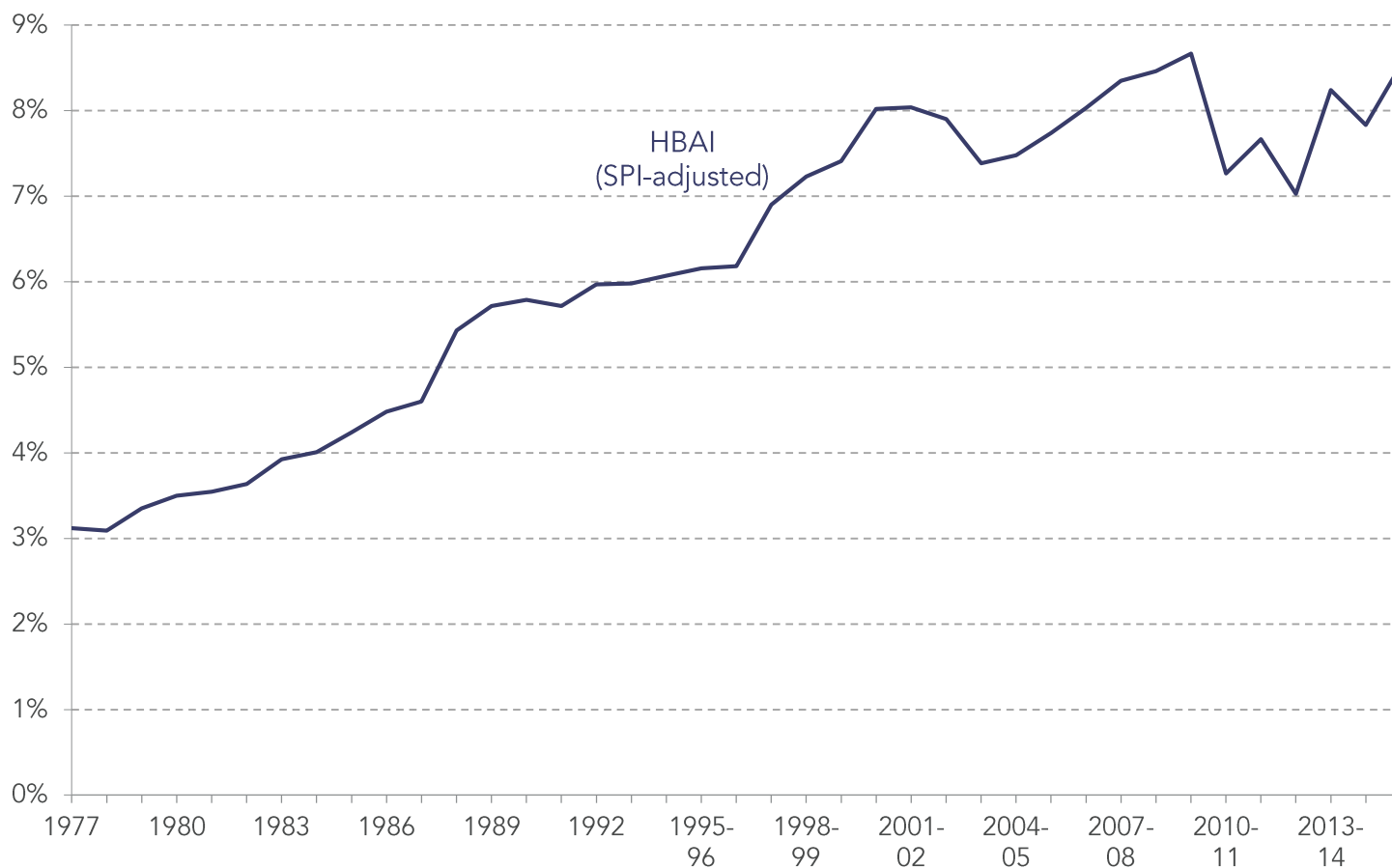


Housing cost to income ratios increased sharply in the 2000s, driven by increases among mortgagors and renters and a compositional shift from owning to (relatively more expensive) renting

Source: DWP, *Households Below Average Income*; Institute for Fiscal Studies, *Living Standards, Inequality and Poverty Spreadsheet 2015-16*.

# The top 1% income share has risen in the last 30 years

*Top one per cent's share of income (equivalised household income)*



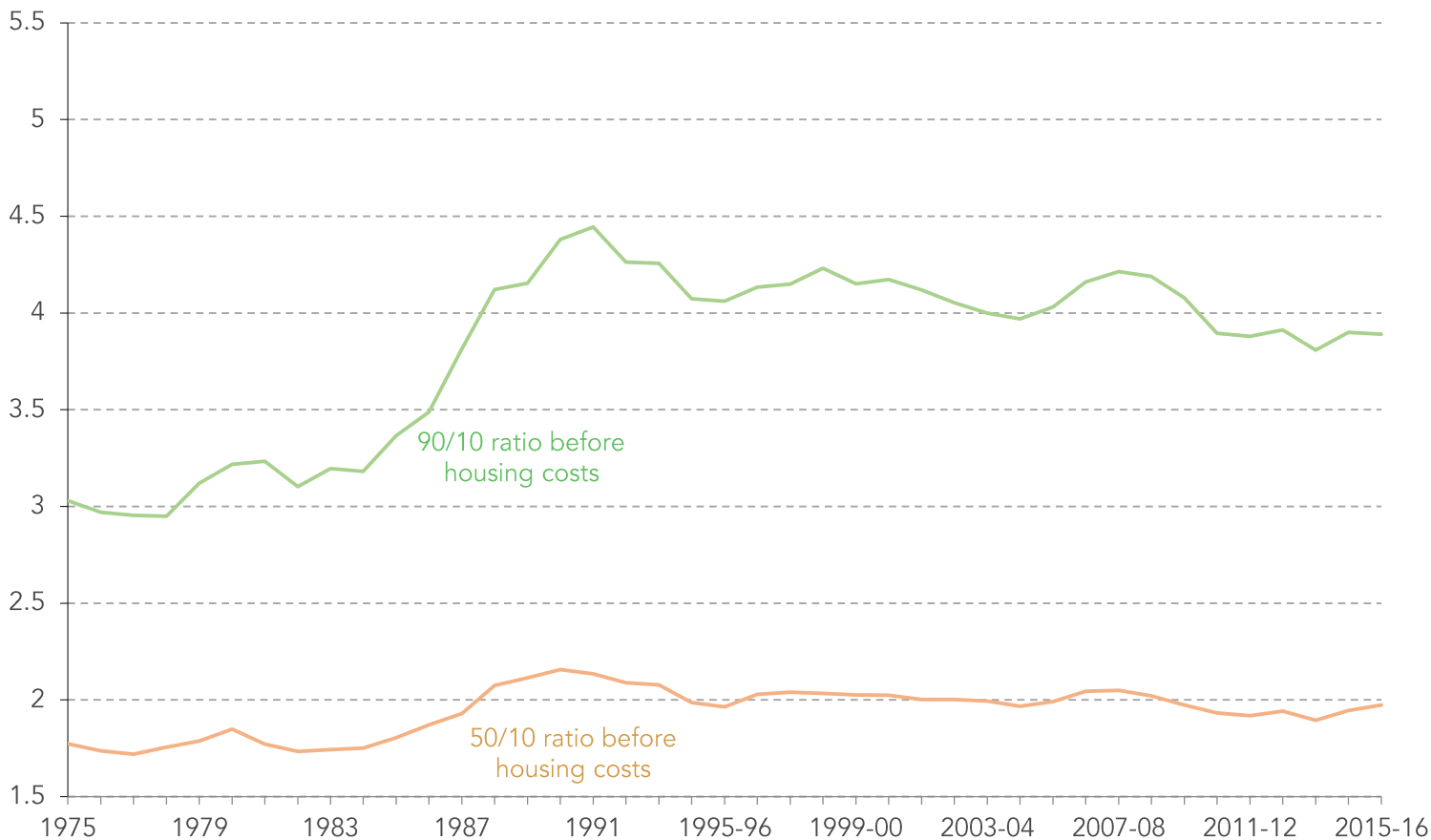
Note: HBAI data is UK from 2002-03 onwards, GB before then.

Source: RF analysis of HBAI.



# Other income ratios describe the changing structure of inequality

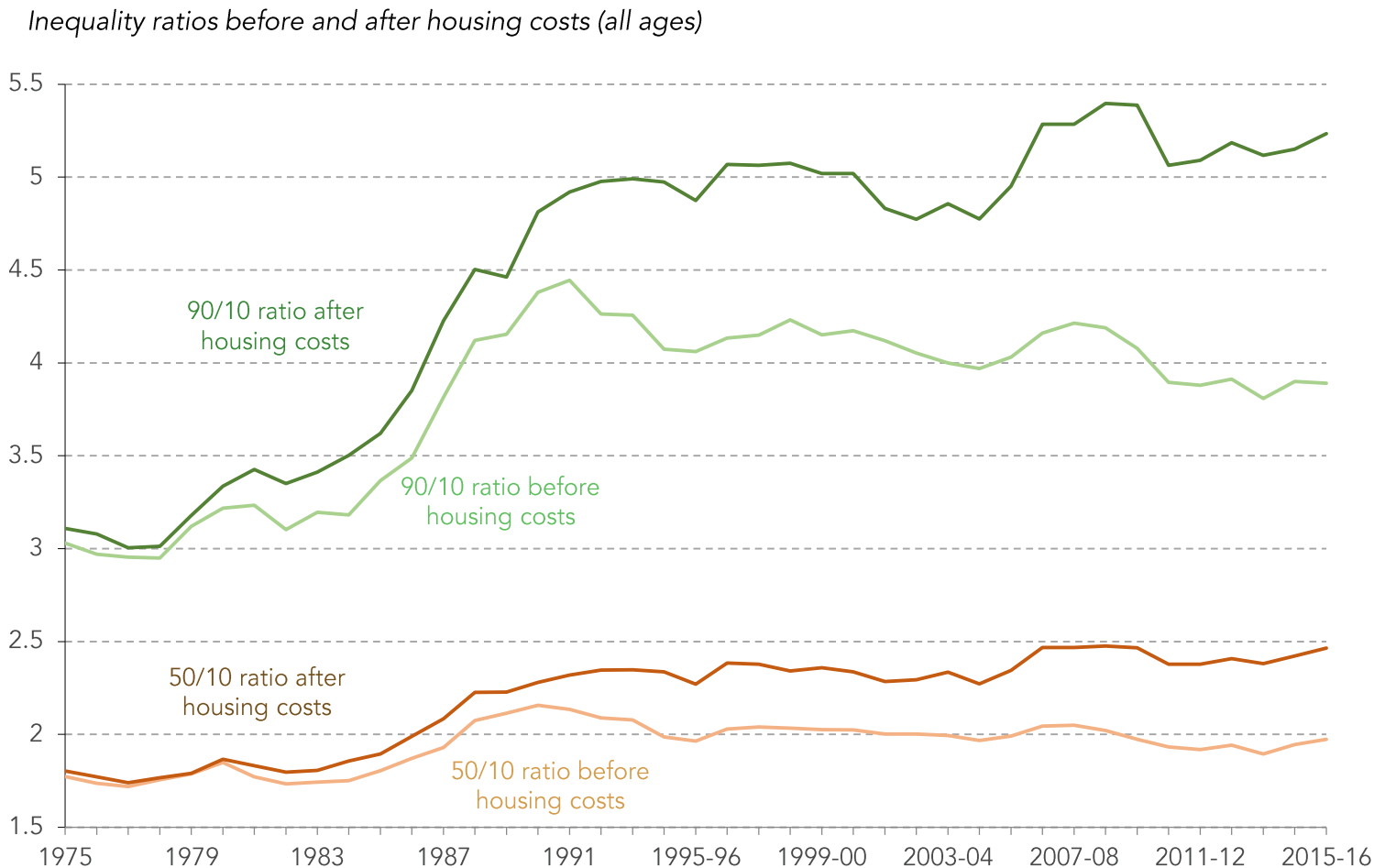
*Inequality ratios before and after housing costs (all ages)*



Source: DWP, *Households Below Average Income: An analysis of the UK income distribution: 1994/95-2015/16*; Institute for Fiscal Studies, *Living Standards, Inequality and Poverty Spreadsheet 2015-16*.

# Other income ratios describe the changing structure of inequality

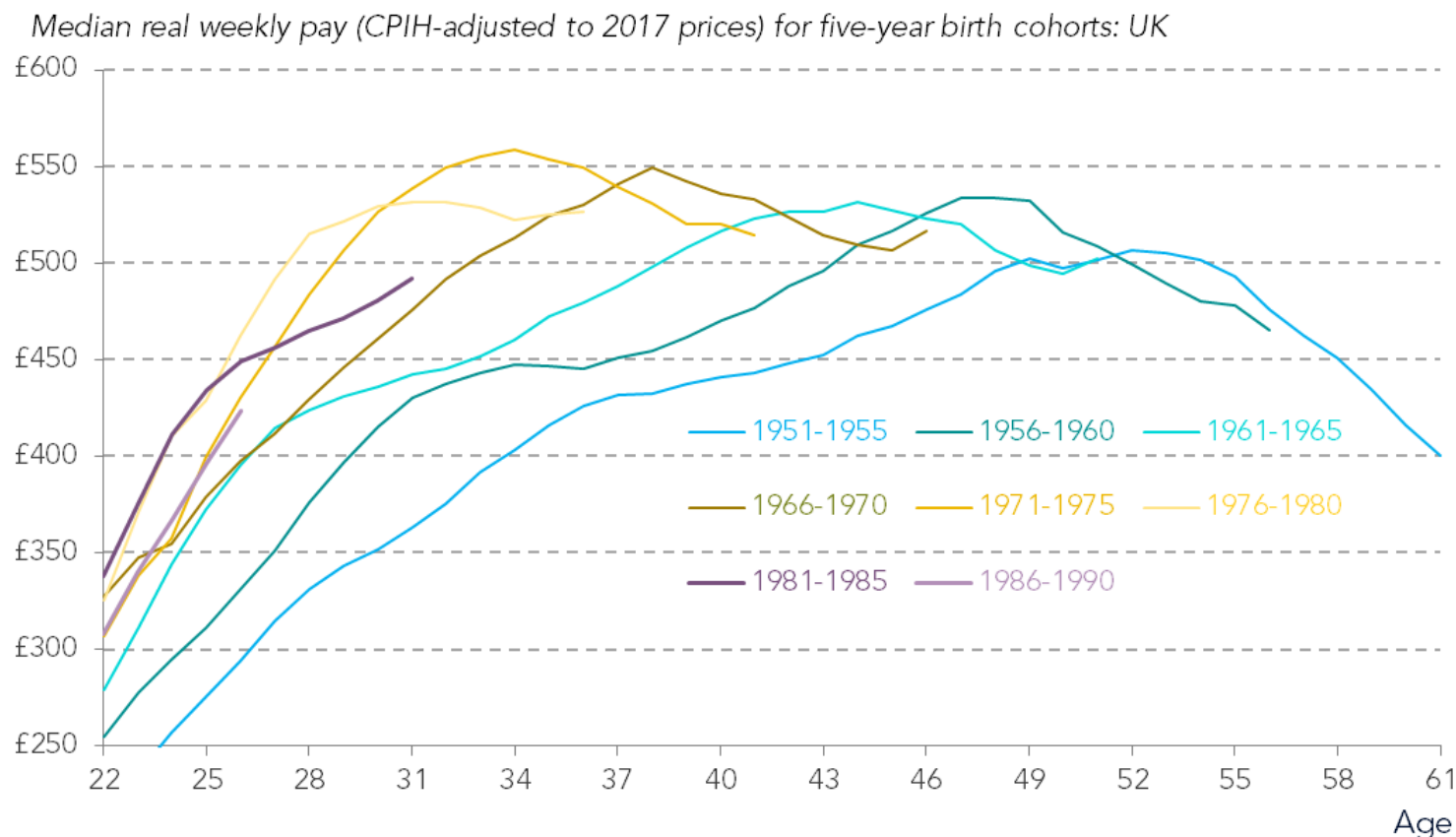
Adding housing costs again changes the picture



Source: DWP, *Households Below Average Income: An analysis of the UK income distribution: 1994/95-2015/16*; Institute for Fiscal Studies, *Living Standards, Inequality and Poverty Spreadsheet 2015-16*.

# A NEW DIMENSION OF INEQUALITY — BETWEEN THE GENERATIONS

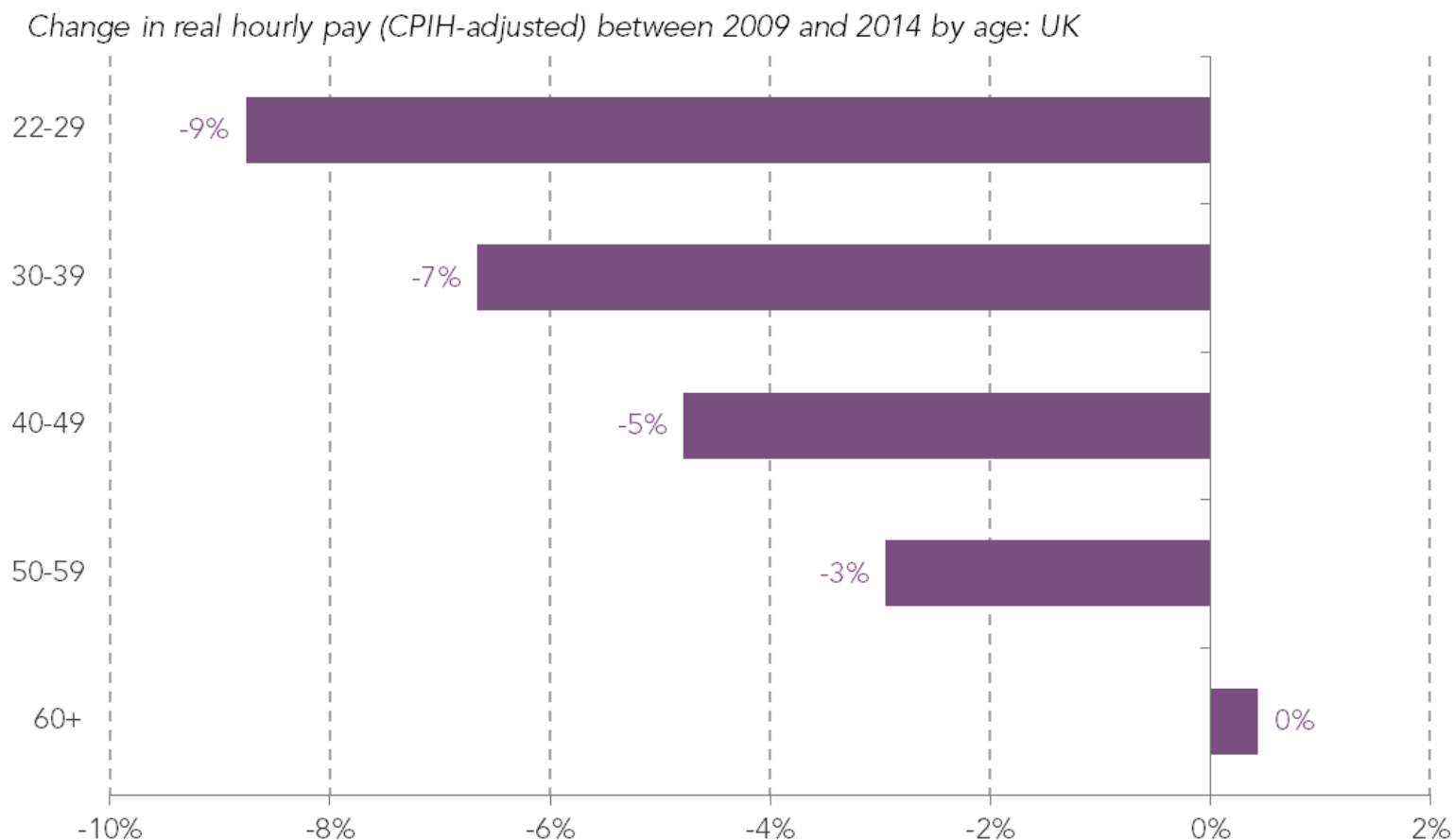
# Since 2008 everyone has gone backwards on pay, but millennials have done worst



Source: RF analysis of ONS, *New Earnings Survey*; ONS, *Annual Survey of Hours and Earnings*; ONS, *Labour Force Survey*

For more see: L Gardiner & P Gregg, [Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts](#), Resolution Foundation, February 2017

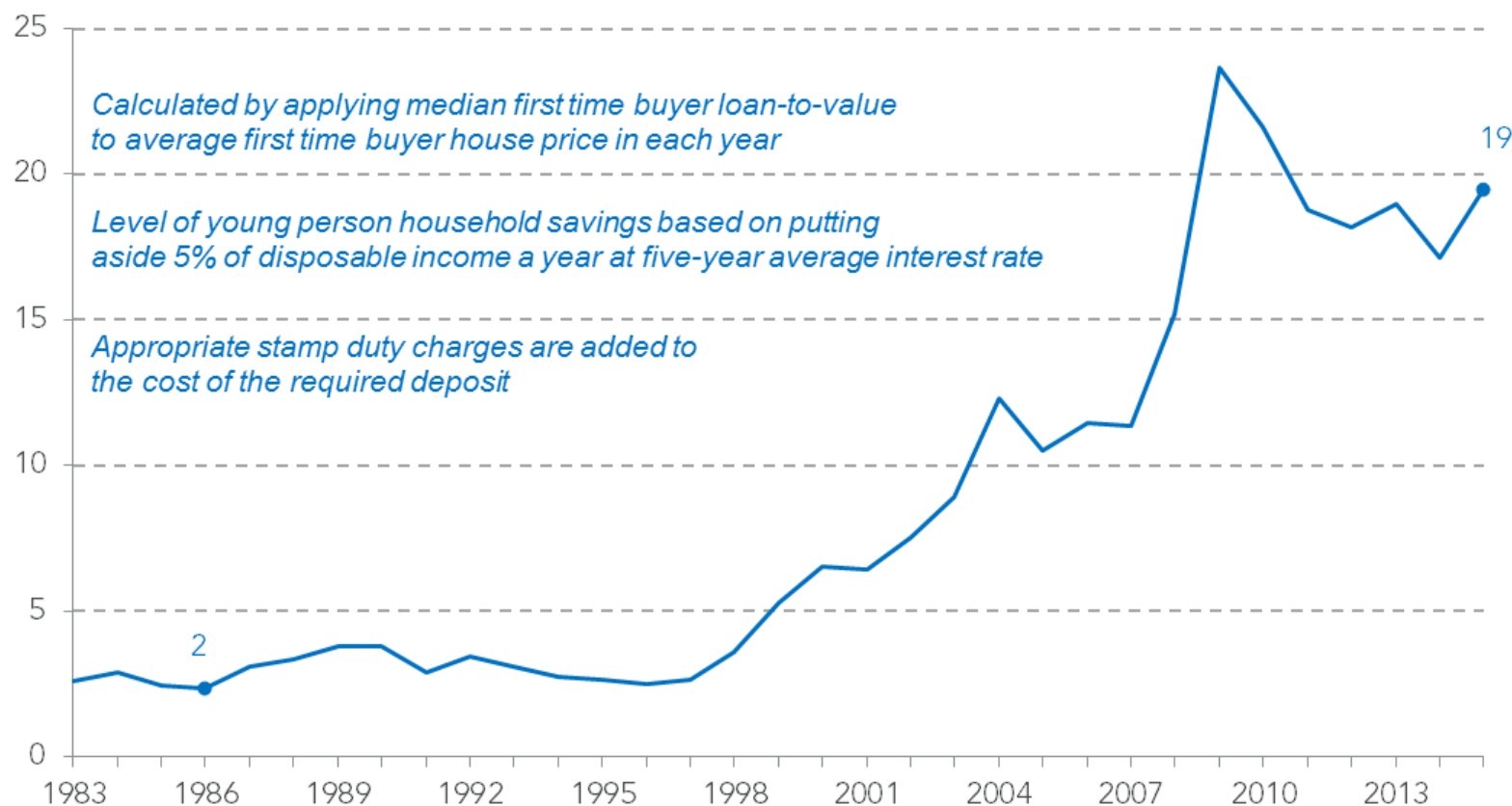
# The post-crisis pay squeeze hit young people hardest



Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

# Rising housing costs mean it takes young people longer to get on the housing ladder

Estimated number of years required to save for a first time buyer deposit among young (27-30 year old) households: UK

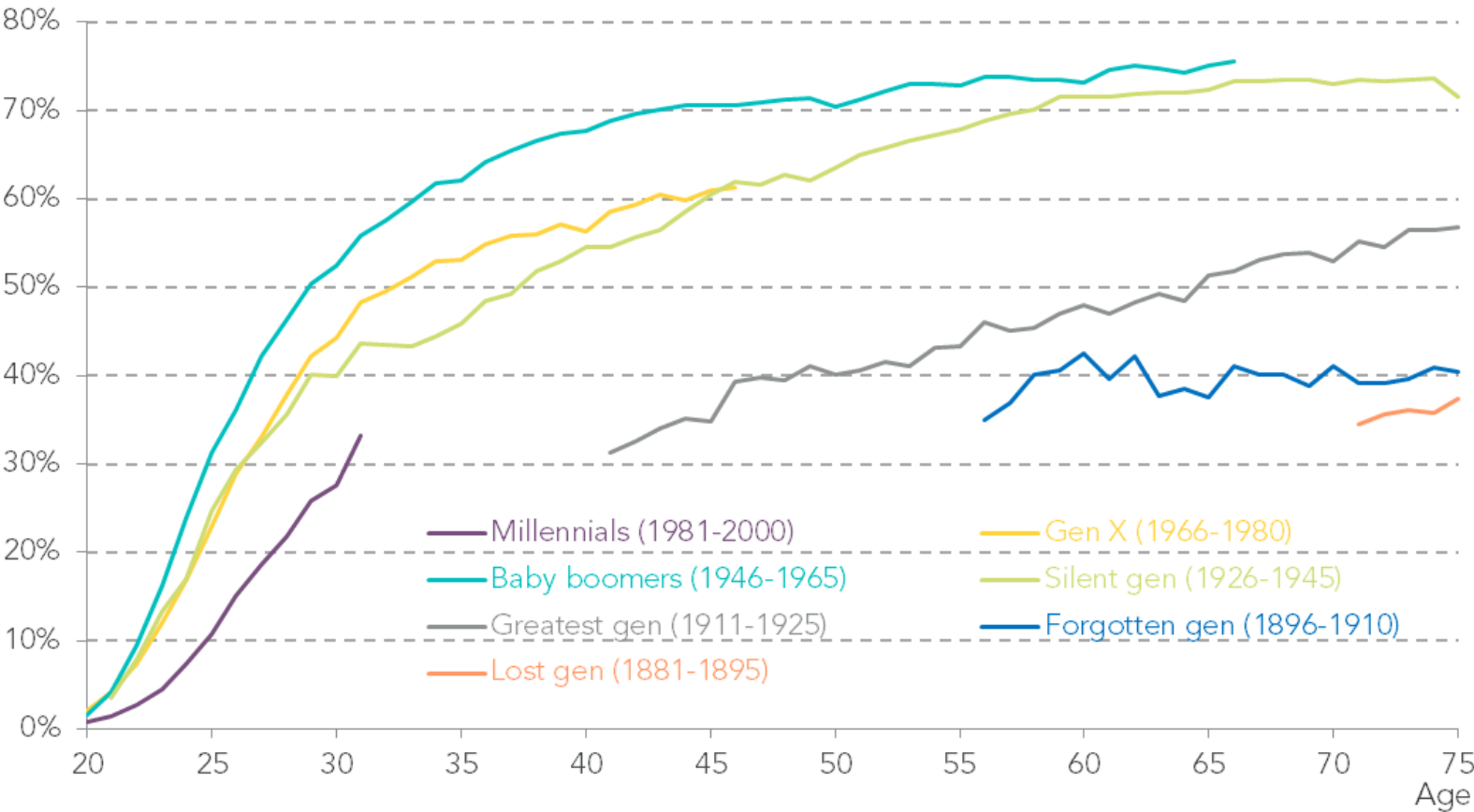


Source: RF analysis of DWP, Family Resources Survey  
For more see: A Corlett & L Judge, *Home Affront*, Resolution Foundation, September 2017

# ... leading to falling rates of home ownership

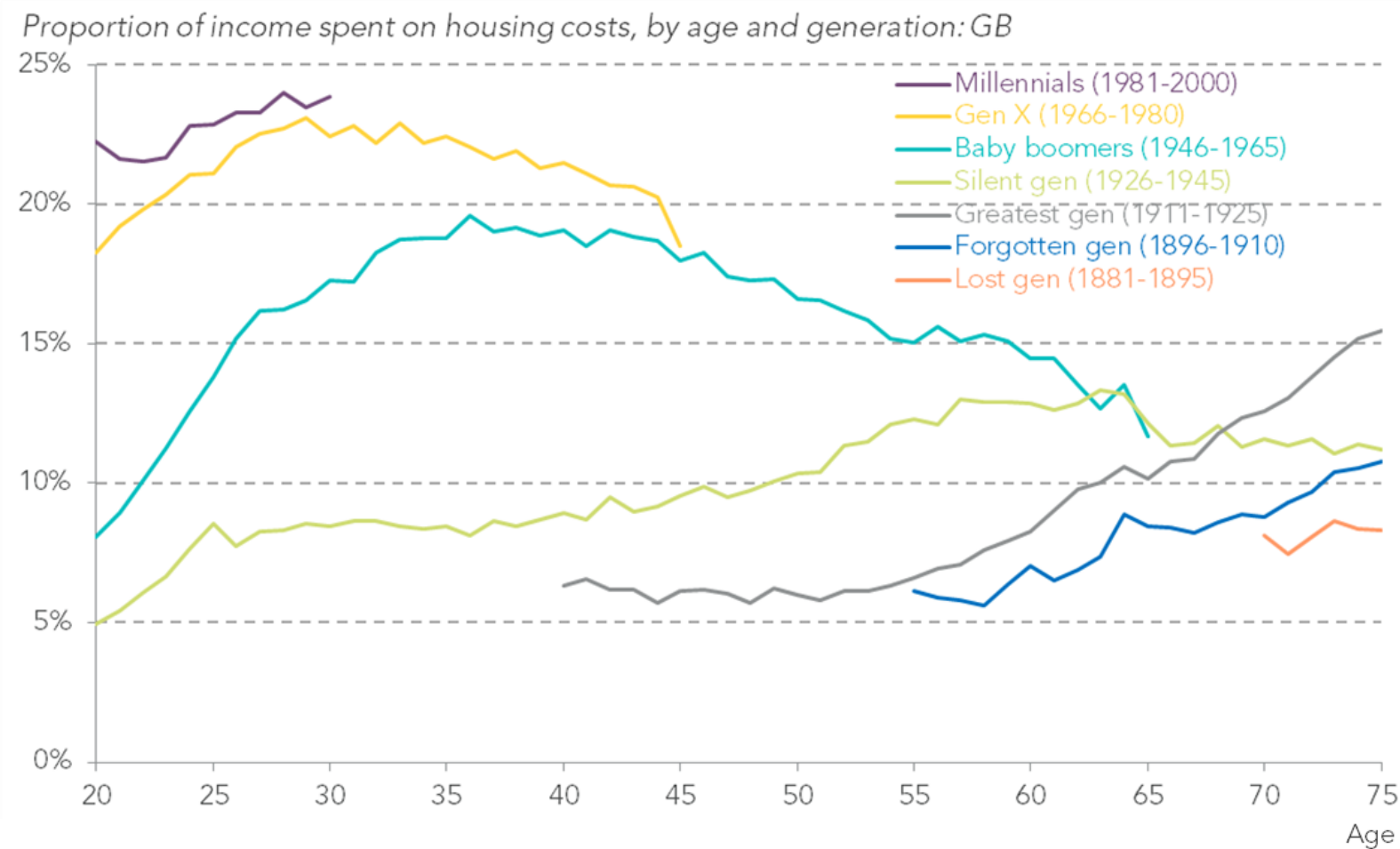


Family home ownership rates, by age and generation: UK



Source: RF analysis of ONS, Family Expenditure Survey, ONS, Labour Force Survey  
For more see: A Corlett & L Judge, Home Affront, Resolution Foundation, September 2017

# Costs are the real disaster

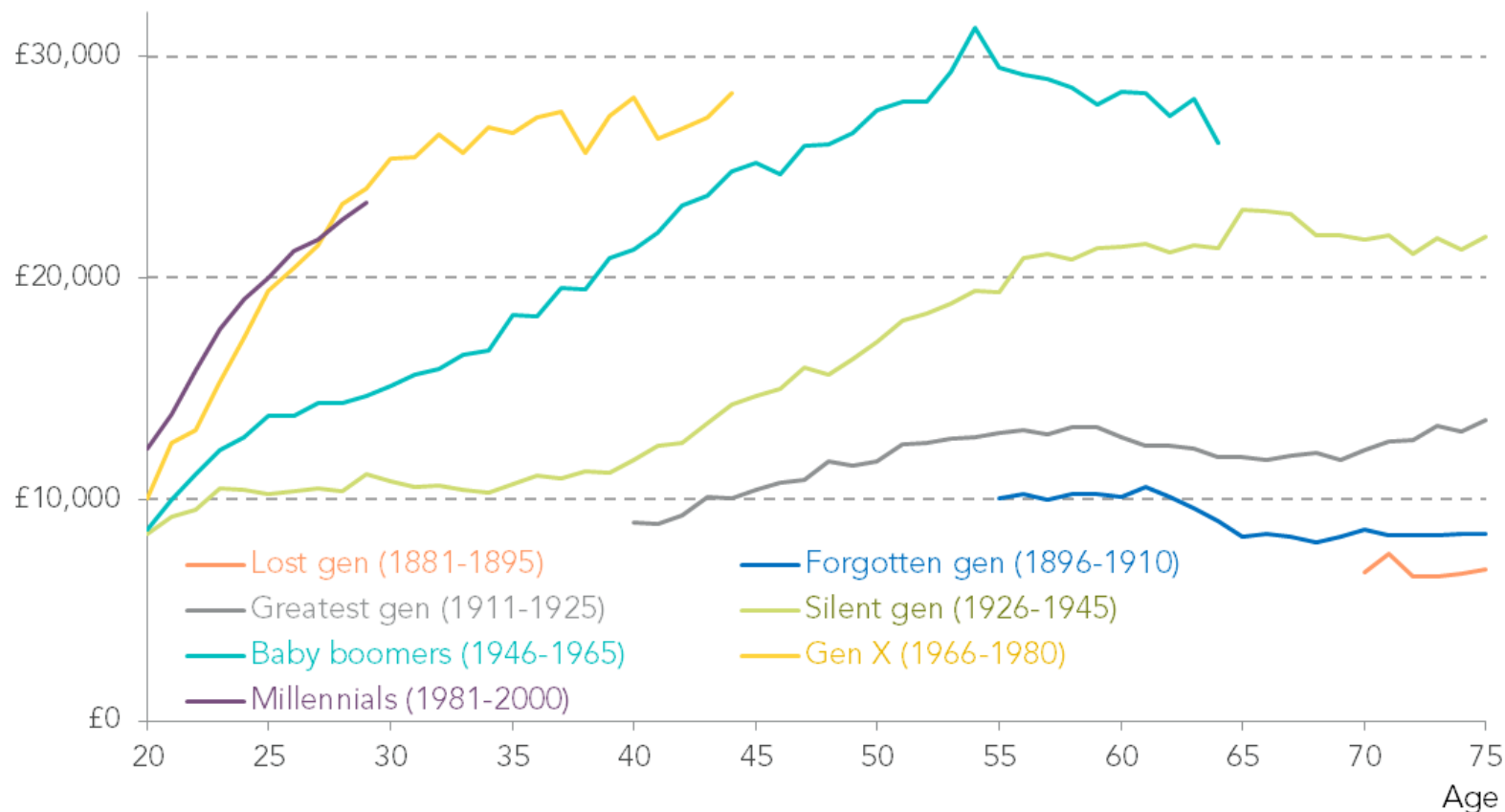


Source: RF analysis of ONS, *Family Expenditure Survey*; DWP, *Family Resources Survey*  
For more see: A Corlett & L Judge, *Home Affront*, Resolution Foundation, September 2017



# The cumulative impact of jobs and housing trends mean living standards progress has stalled

Average real household income (after housing costs), by age and generation: GB

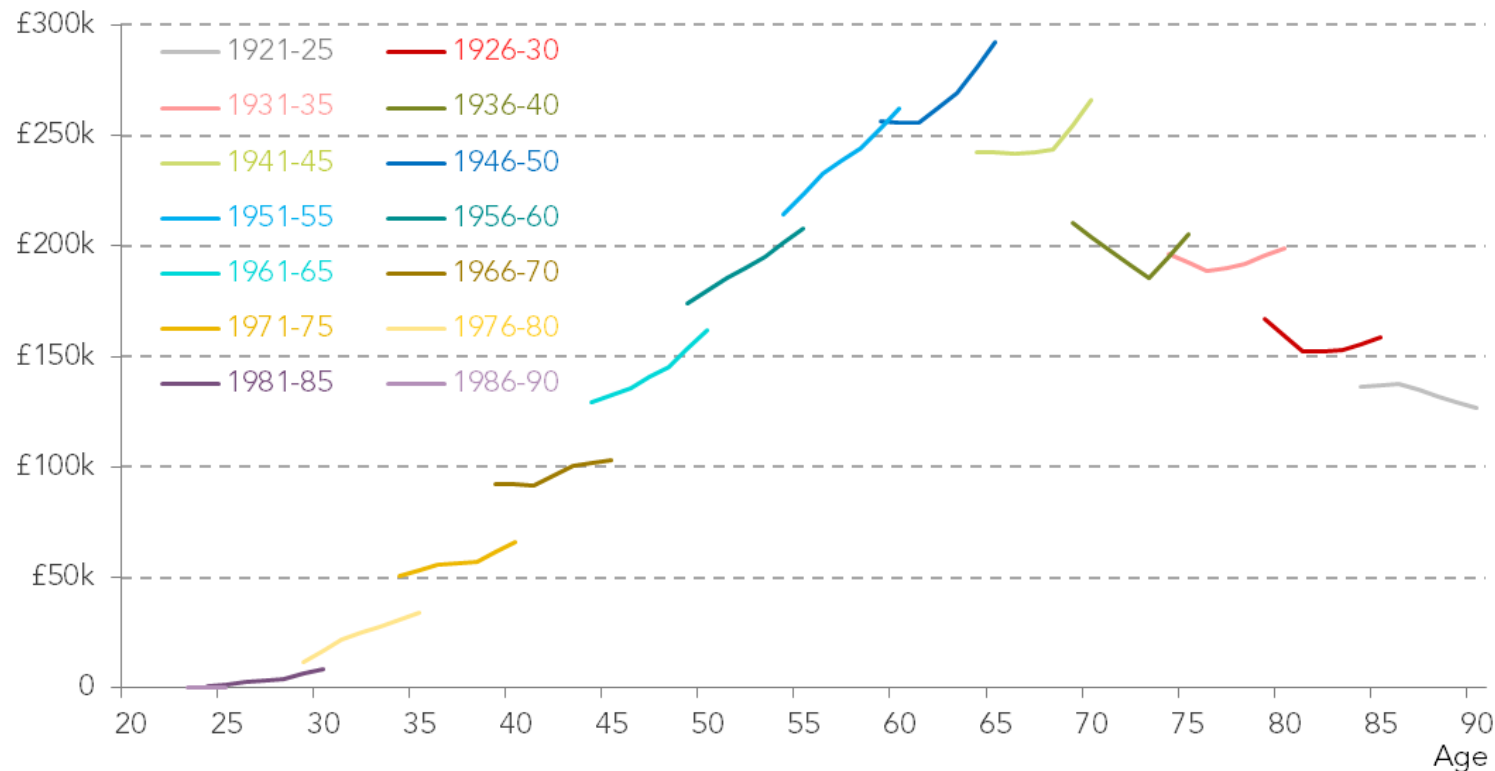


Source: RF analysis of ONS, Family Expenditure Survey; DWP, Family Resources Survey

For more see: A Corlett, [As time goes by: Shifting incomes and inequality between and within generations](#), Resolution Foundation, February 2017

# Wealth accumulation (crucial for future living standards) is also falling cohort-on-cohort

Median family total net wealth per adult, by cohort (CPIH-adjusted to 2017 prices):  
2006-08-2012-14, GB

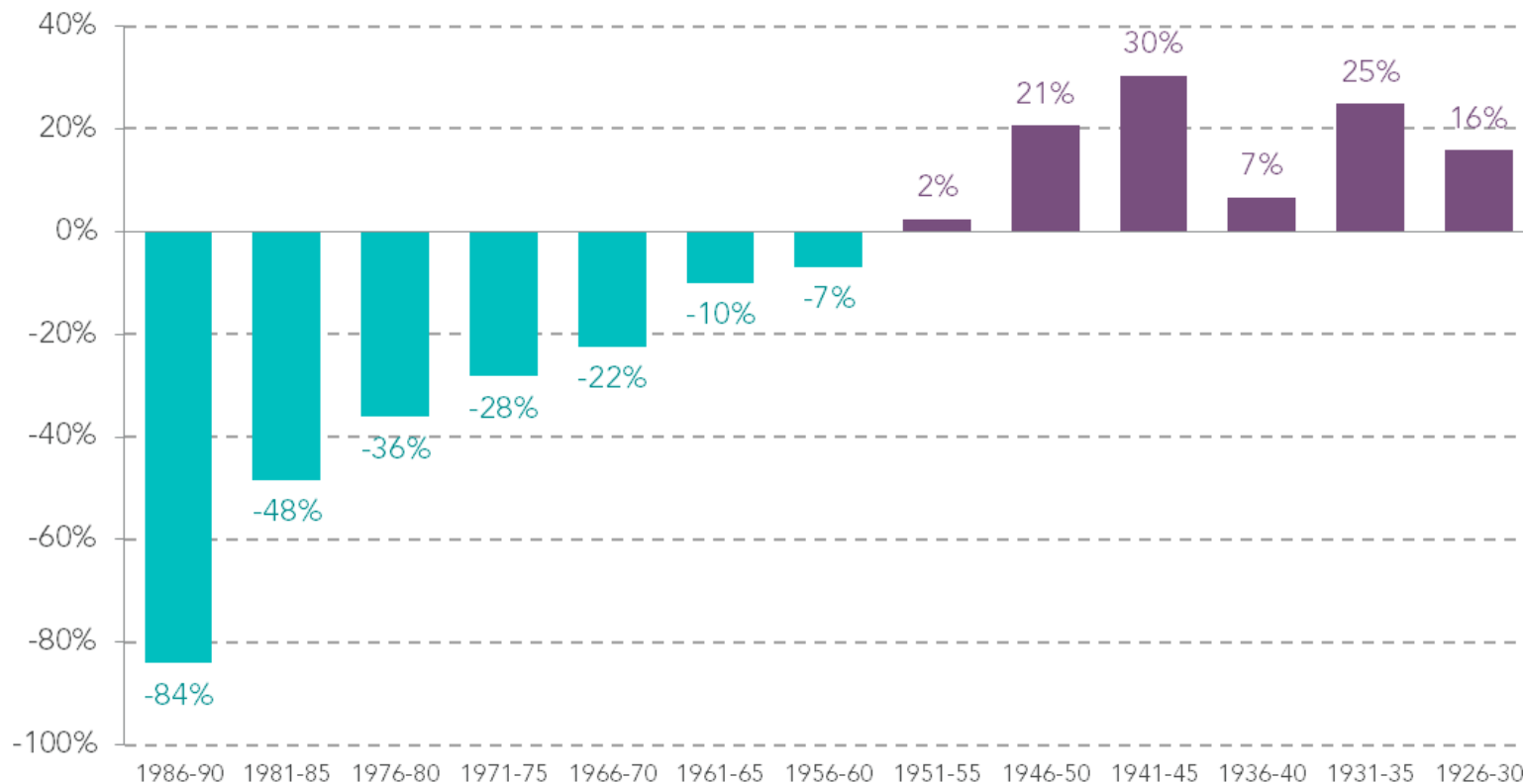


Source: RF analysis of ONS, *Wealth and Assets Survey*

For more see: C D'Arcy & L Gardiner, [The generation of wealth: Asset accumulation across and within cohorts](#), Resolution Foundation, June 2017

# Generational progress is going backwards for all cohorts born after 1955

Median family total net wealth per adult in 2012-14 as % of preceding cohort's wealth at the same age (CPIH-adjusted): 2006-08–2012-14, GB



Source: RF analysis of ONS, *Wealth and Assets Survey*

For more see: C D'Arcy & L Gardiner, [The generation of wealth: Asset accumulation across and within cohorts](#), Resolution Foundation, June 2017

# INEQUALITY BETWEEN GRADUATES AND NON- GRADUATES

# Graduate earnings figures



Aged 16-64	Median salary (nearest £500)
Graduates	£32,000
Postgraduates	£38,000
Non-graduates	£22,500
Aged 21-30	Median salary (nearest £500)
Graduates	£25,000
Postgraduates	£29,000
Non-graduates	£19,000

Source: DfE graduate labour markets statistics 2016.

# ATTITUDES TO INEQUALITY

# How much income inequality is a problem?

Hume's principle of envy:

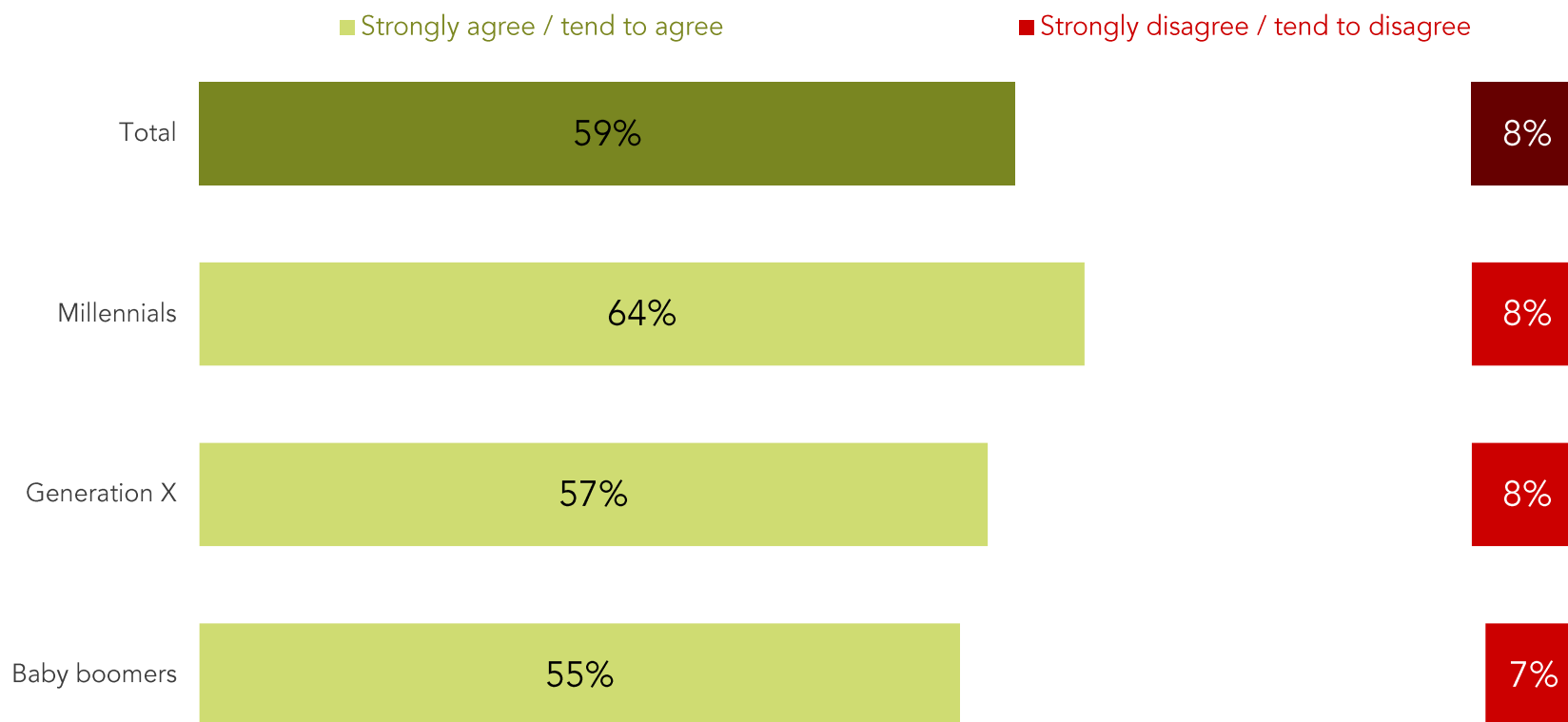
"A common soldier bears no such envy to his general as to his sergeant or corporal; nor does an eminent writer meet with so great jealousy in common hackney scribblers, as in authors, that more nearly approach him. It may, indeed, be thought, that the greater the disproportion is, the greater must be the uneasiness from the comparison."

*Treatise of Human Nature (1738-40)*

# Attitudes to intergenerational inequality

Belief in the principle of generational living standards progress, by generation: 2017, GB

Q: To what extent do you agree or disagree with the following statement?: Every generation should have a higher standard of living than the one that came before it.

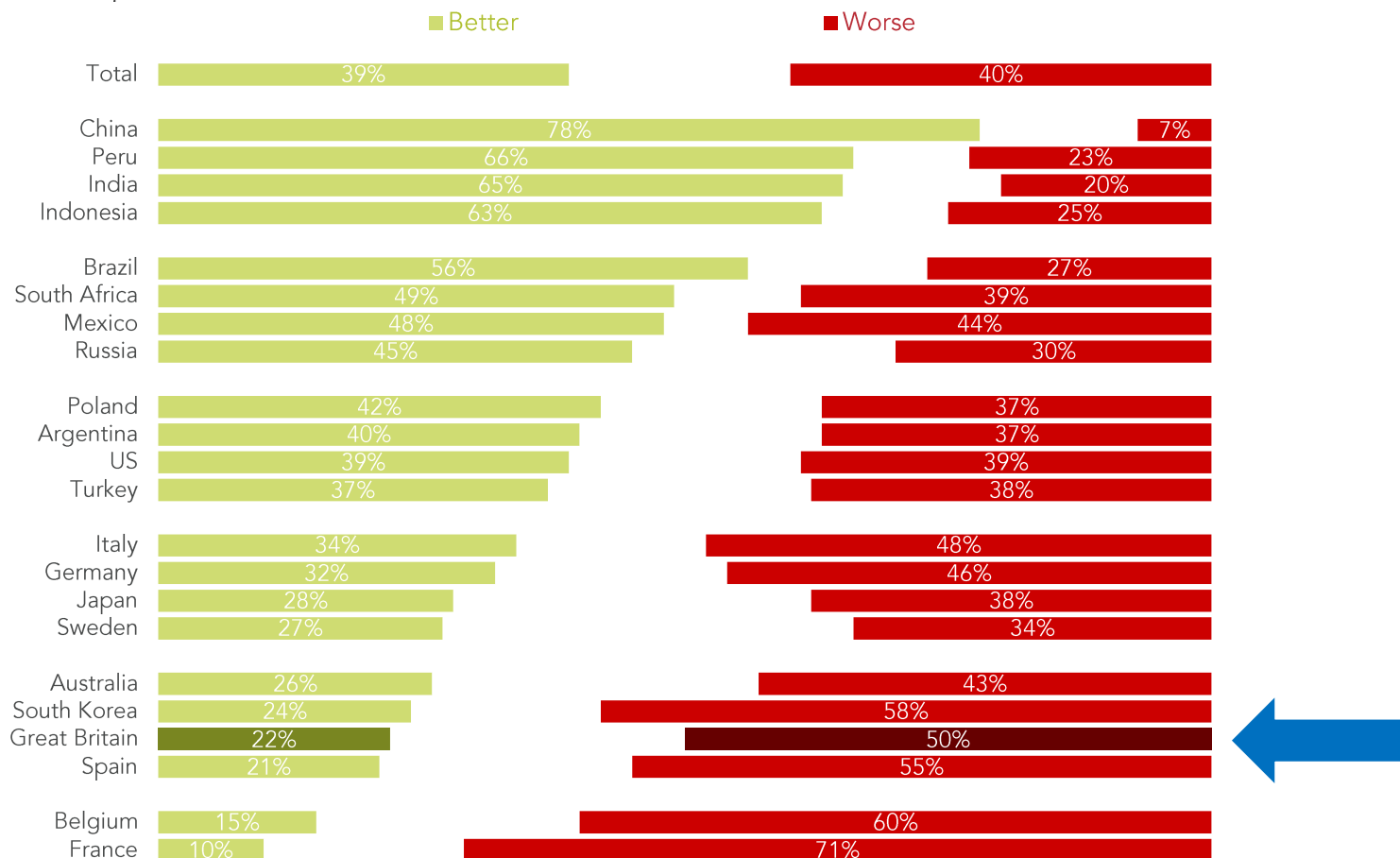


Notes: Base of 2,179 adults aged 16-75.  
Source: Ipsos MORI



# Britons are not optimistic about intergenerational progress

Q: To what extent, if at all, do you feel that today's youth will have a better or worse life than their parents, or will it be about the same?



Notes: Base of 18,810 adults aged 16+ in 22 countries, fieldwork conducted September-October 2016.

Source: Ipsos Global Trends Survey 2017

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