INEQUALITIES IN THE UK: NEW DISCOURSES, EVOLUTIONS AND ACTIONS

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INEQUALITIES IN THE UK: NEW DISCOURSES, EVOLUTIONS AND ACTIONS

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INTRODUCTION

The inequality question is back and is here to stay. This, in sum, is the thrust of this book that gathers 18 chapters by French and British academics exploring the many facets of inequality in the United Kingdom in 2017 and more particularly the changing face of inequality since the Great Recession of 2008.

Indeed, the end of the 2000s and the beginning of the 2010s saw the issue of inequality return to the fore in Britain, both in the academic and political worlds. Twelve years after the election of the New Labour government, the publication of *The Spirit Level* in 2009, the polemical book by Richard Wilkinson and Kate Pickett (Wilkinson & Pickett, 2009), reminded Britons how divided the United Kingdom remained. A few months later, in January 2010, the National Equity Panel report (the Hills report), commissioned by the Labour government, also contributed to reviving the debate on inequality, from a more traditional income and wealth perspective this time.

Still in 2010, the Equality Act, by imposing on public bodies a Public Sector Equality Duty, namely the duty to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relationships between different people when carrying out their activities, implied a return to a more interventionist approach in the social field. Finally, the election of Ed Miliband as Labour leader in 2010 was perceived as a challenge to the dominant consensus in the political sphere and its toleration of inequality.

This renewed focus on inequalities also suggested a break with post-1994 New Labour policies and a return to a more traditional social agenda. The changed Labour stance had been formulated a few weeks before in a piece in the New Statesman by the leader-to-be: ‘We, politicians and the public, have to decide what kind of society we want to live in, and whether the difficult task of greater equality is worth the candle. It is – and it is at the very heart of why we need to move on from New Labour. During our years in power, we didn’t do enough to stop the gap between rich and poor getting wider. If you really believe in a society where there is social mobility, where we look after each

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other, where we build social solidarity, then the gap matters' (Ed Miliband, 2010).

The slowly shifting ground of British politics did not fail to impact on the Conservative party. In the 2015 general election, the party positioned itself as the party of equality as the party manifesto made it clear (Conservative Party manifesto, 2015, p. 8) and as David Cameron, the then PM, argued in a *Guardian* article later in October 2015 (David Cameron, 2015).

Despite a majority of voters choosing not to support the Labour party in 2015, the inequality issue did not go away. Since then, a number of developments in Britain have contributed to keeping the question at the forefront of British politics. Abroad, for instance, the publication of *Capital in the Twenty-First Century* by Thomas Piketty in 2013 and its English translation in 2014 kept the debate alive. At home, in June 2016, the Brexit referendum outcome also helped to keep inequality high up the political agenda by drawing attention to working-class discontent. The dominant 'leave' vote in traditional working-class areas led the new Prime Minister Theresa May to appoint a cross-government review to assess the scale of inequality in public services and address what she termed 'injustices' in August 2016, and, at the Davos summit in January 2017, to speak against growing inequalities fuelled by globalisation. The sensitivity of British politicians to the issue reflects the high percentage of British voters expressing their dislike of growing economic inequalities but paradoxically also contrasts with the limited support for more redistributive policies (as explained by E. Shaw in this volume).

The influence of the inequality issue on the Labour party has been even more radical. Following Ed Miliband's resignation as Labour party leader after the 2015 General Election, Jeremy Corbyn was elected leader in 2015, and re-elected in 2016. To the left of the Labour party, he was elected on a platform that reflected, so he argued, his conviction that people 'are fed up with the injustice and inequality' of Britain (Rowena Mason, *The Guardian*, 12/09/2015).

Two years later, the 2017 General Election confirmed this rhetorical shift. The Conservative party manifesto promised to fight social division, injustice, unfairness and inequality (Conservative Party manifesto, 2017, p. 9) with a number of measures, including ending the 'triple lock' on pensions after 2020 and replacing it with a less generous 'double lock' (p. 64). This was intended to diminish inter-generational income inequalities between working-age households and retired people. The manifesto also included a promise to increase the National Living Wage to 60% of median income by 2020, a measure which would benefit low-paid workers. It also claimed that a Conservative government would fight the 'burning injustices' of the gender pay gap, the race gap, the mental health gap and the disability gap, while aiming at reducing domestic violence and homelessness (pp. 55–58). For its part, the Labour party manifesto of 2017 put the fight against inequalities and poverty at its core, as reflected in its title, *For the Many not the Few*. It criticised the previous

Conservative – and Conservative-Liberal Democrat – governments that attempted to 'balance the books on the backs of the poorest' and 'slashed social security over the last seven years, leaving more people in poverty, subject to a punitive sanctions regime, and reliant on food banks' (Labour Party Manifesto, 2017, p. 56).

The revival of the inequality issue since the late 2000s stands in sharp contrast to the political agenda and mood that dominated the two previous decades. Back then, a key feature of the 1980s and 1990s Conservative governments was their hostility to state intervention in the economic sphere and their reluctance to take into account the issue of inequality in the social domain. Far from leading to legislative intervention, economic inequalities were extolled as incentives to social mobility and enterprise. As for social inequalities, they moved down the political agenda and were often defined as the outcome of different abilities between individuals, if not pathological flaws. These beliefs translated into various social and economic policies, including the reduction of the top rate of income tax from 60% to 40% in the 1988 budget and the shift away from direct taxation to indirect taxation (Giles & Johnson, 1994, p. 2). These changes benefited the high-income groups at the expense of the low-income groups, so that on average the bottom decile of the population lost 2.9% of net income in the decade 1985–1995 while the top decile saw its average net income increase by 5.8% (p. 15). Consequently, the Conservative years, from 1979 until 1997, saw widening inequalities.

After coming to power in 1997, the Labour party did not fundamentally challenge this model and adopted an ambiguous position. Although the Labour years of government were characterised by a strong social exclusion agenda, as well as many redistributive policies (Child Trust Fund, Working Family Tax Credit etc.) and attention to some forms of inequality (health, housing, education, gender pay gap), the Labour party seemed to be more sensitive to Robert Putnam's theories (Putnam, 1995) in favour of greater social capital in deprived communities than to calls for greater equality. In an attempt to distance itself from previous Labour governments, New Labour underlined that inequalities did not matter as much as poverty and social exclusion (Hopkin & Variego, 2010). Its leader, Tony Blair, refused to say whether he thought it was right for the gap between rich and poor to get bigger (Blair, 2001). When New Labour was interested in equality, it was more interested in equality of opportunity than outcome (Orton & Rowlingson, 2007).

The emphasis placed on inequalities since the late 2000s seems to point to a change in the political rhetoric in Britain. The issue of social exclusion, at the centre of the New Labour programme and of academic thinking in the 2000s, is no longer at the top of the political agenda. The criticisms levelled at the concept of social exclusion – encouraging a simplistic vision of British society divided between included and excluded citizens and ignoring the differences among the included – seem to have won the day. A discursive shift from exclusion to inequality has taken place. This shift has brought politicians in line with public opinion. Indeed, during the 20 years prior to the 2008 Great Recession, a large majority of British people (between 72% and 87%) already expressed their hostility to growing levels of economic inequality (Orton & Rowlingson, 2007).

Consequently, following Ruth Levitas' model of three discourses of social exclusion (Levitas, 2005), we believe that a fourth one characterises the post-2008 years. In addition to the three dominant discourses since 1979 (a redistributionist discourse, a moral underclass discourse and a social integrationist discourse) must be added an egalitarian one that increasingly emphasises the detrimental consequences of economic inequalities on the state of the nation, the degree of social cohesion in Britain and the well-being of the individual. Whether this discourse has found its way into government policies is explored at length in this book.

In the last decade, the rise of the inequality question at a UK but also global level has led to the publication of countless books and reports at home and abroad that broke with previous publications addressing social exclusion and poverty (Gordon, 2006). These publications tend to focus either on the causes or consequences of inequalities, in the United Kingdom and abroad.

Focusing on the relationship between causes and consequences, Wilkinson and Pickett (2009) argued in their seminal book that economic inequality is strongly correlated with the prevalence of a range of social and health problems (such as teenage pregnancies, crime, imprisonment and mental illness) in a group of 23 rich nations. These problems occur less frequently in more equal countries, and more often in more unequal countries. According to their analysis, the prevalence of these problems is linked to the level of inequality rather than to average living standards in a given society. Focusing on the root causes of inequality, they argue that the drivers of inequality are political orientations rather than market forces. In particular the switch to neo-liberal, New Right policies from the 1980s in a number of English-speaking countries, including the United Kingdom, has led to rising inequalities. They emphasise a paradox – neo-liberals, who tend to favour a 'small State' paradigm, view inequalities as either inevitable or good, while the evidence shows that more unequal countries, such as the United Kingdom, actually need 'bigger' government than more equal countries in order to mitigate the negative social consequences of inequality.

For his part, Dorling (2012, 2015) argues that there are five tenets of injustice in rich societies – elitism is efficient; exclusion is necessary; prejudice is natural; greed is good; and despair is inevitable – which are held by a majority of the powerful in rich developed nations and underpin dominant discourses on inequalities. Contrasting these 'new' social evils with the old Giants of Evil of William Beveridge – Want, Idleness, Ignorance, Disease and Squalor – which have largely been vanquished in rich societies, Dorling argues that exclusion through (lack of) work grew from the 1980s onwards at the bottom of the social scale, and that as inequalities grew, so did consumerism. More and more people found themselves either excluded or at risk of exclusion from an increasingly consumerist societal norm and often resorted to debt to 'keep up' with the rest of society, thus inadvertently contributing to the credit issues that helped to fuel the financial crisis of 2007–2008. This 'age of greed' did not become seriously challenged until after the crisis which exposed some of the fundamental economic and financial imbalances that exist in many rich countries.

In his influential book, *Capital in the Twenty-First century* (2013), Thomas Piketty argues that rising inequalities in the developed world over the last 30 or so years are linked to the different growth ratios of capital (or investment) as opposed to earned income. Based on extensive international data, he argues that in contemporary rich countries, income derived from capital grows faster than income derived from earnings (salaries etc.), partly because of low rates of economic growth in post-industrial societies. This favours the top 10% and in particular the top 1%. This matters because this group is able to influence the political and social order to their advantage, to a degree that is disproportionate to their actual numbers (see chapter by Nicholas Sowels in this volume). The question of the top 1% was addressed in the same year by Joseph Stiglitz who argued that the current high levels of inequality were not inevitable (Stiglitz, 2013). Highlighting the three main reasons for the current situation internationally, he pleaded in favour of less austerity and a reform of economic and political systems.

Danny Dorling explored the topic further and also focused on the 1% (Dorling, 2014) arguing that the income from all sources of the top 1% has been rising faster than that of the other 99% of the population, in the United Kingdom and in other rich countries, and that this growth was unaffected by the 2008 Great Recession. According to him, the spiralling-off of the top 1% has serious consequences for the rest of the population. In countries where inequalities between the 1% and the rest are highest, such as the United Kingdom, this correlates strongly with a host of social problems, from higher rates of poverty, lower overall educational attainment and higher rates of mental illness. In other words, societies with the highest differential between the top 1% and the rest inflict a heavy penalty on the vast majority.

The year 2015 was marked by a flurry of publications on inequality including *Inequality: What Can Be Done?* (Atkinson, 2015) and *the Globalization of Inequality* (Bourguignon, 2015). Both books charted the development of inequality over the long term, highlighting the paradox of decreasing inequality between countries and growing inequality within countries, while exploring the causes of this predicament and putting forward proposals for action. A further book by Andrew Sayer (2015) sought to debunk the myth of the rich as talented entrepreneurs, to highlight the unfair mechanisms used by them to make and increase their wealth and to refer to the environmental dangers involved.

Other authors emphasise the link between inequalities and poverty. In their 2015 book, Lansley and Mack analyse the perception and measurement of poverty and its impact on the lives of individuals and families. Based on data from a large-scale survey completed in 2012 and from previous surveys carried out in 1983, 1990 and 1999, they define the concept of 'deprivation poverty'. This characterises most individuals or families who miss three or more basic necessities, as defined by the general public. Lansley and Mack highlight the growth of this group and of the numbers of people living on the margins of poverty since the early 1990s. Furthermore, they emphasise the intrinsic links between inequality and poverty, arguing that poor people have seen their income stagnate or fall over the last 30 years, while the rest of society – and especially those at the top of the income range – have become richer. They argue that growing inequality and poverty are major political issues, which the Labour government (1997–2010) and the Conservative-Liberal Democrat coalition (2010–2015) tried to tackle differently, but both were ultimately unsuccessful because they failed to address the root causes –the UK economic model itself.

These books were published in parallel with a number of reports, usually based on large-scale statistical surveys, that have completed the picture of the evolution of inequality in the United Kingdom since the late 2000s.

Based on data covering the years 2006–2008, the National Equity Panel report analysed how economic outcomes varied between different groups with different characteristics and circumstances. They highlighted that the United Kingdom was a more unequal country than a generation before, and more so than many European countries, and indicated that growing inequality was a threat to common citizenship and human dignity (Hills et al., 2010, p. 2). While income and wealth inequalities had not increased much overall between 1995–1997 and 2006–2008, they had increased within all sub-groups considered (p. 294 and p. 314). Trying to draw conclusions about the likely impact of the 2008 Great Recession, they warned that the income of those relying on benefits would be affected and pointed to worrying signs in youth, disabled people and ethnic minorities employment rates (p. 317).

In a subsequent report, Hills and colleagues analysed how inequalities changed over a six-year period (2007–2013), following the Great Recession, in the United Kingdom (Hills, Cunliffe, Obolenskaya & Karagiannaki, 2015). As in the National Panel report, they focused on seven economic indicators: educational qualifications, employment, hourly wages, weekly earnings, incomes (individual and per household) and wealth. They found that the Great Recession had not affected all groups equally. The low-paid had been more affected than the higher earners, and young people in their twenties had been disproportionately affected compared to older age groups. Regional differences between the North and the South had deepened, and London had become even more unequal. These increasing inequalities were due to the impact of the recession on employment, but also to cuts in benefits and reforms of the Welfare State, which affected the low-paid and the young disproportionately compared with the rest of the population (pp. 10–11).

These findings have been confirmed by the 8th Annual Report into UK living standards by the Resolution Foundation, published in early 2017. This suggested that the economic 'mini-boom' in Britain between 2014 and 2016, driven by falling inflation and higher rates of employment, was unlikely to last. Slowing income growth, rising inflation and deep working-age welfare cuts were likely to lead to falling standards for the bottom half of the income distribution in the period 2017−2021. This would lead to the biggest rise of inequality since the 1980s (Corlett & Clarke, 2017, pp. 4−11). The report also confirmed that regional inequalities persist, with the North-East and the West Midlands having the lowest income levels and the South-East the highest. Furthermore, they noted that inter-generational inequalities were rising − with typical pensioner incomes (after housing costs) having become higher than those of a typical working household (p. 7). They concluded that the outcome was likely to be particularly bleak for low-income families with children and for public sector workers in the future (p. 11).

To these reports could be added a report by the Institute of Fiscal Studies (Belfield, Cribb, Hood & Joyce, 2014) that sought to measure how living standards, poverty and inequality had increased since the Great Recession and a major study of welfare policies and provision by the Social Policy Association. This followed up on a 2010 volume and indirectly threw light on growing inequalities in the United Kingdom by concentrating on 50 aspects of welfare over the previous 5 years (Foster, Brunton, Deeming & Haux, 2015). It provided a strong attack on the then government for having ignored the needs of the poorest sections of the community but listening to the powerful.

This 18-chapter-book complements existing publications by adding a recent contribution to the debate on inequality, focusing on the period since 2008 and seeking to assess whether the change in political rhetoric mentioned above has been translated into changes in policy and how this has affected the many facets of inequality in the United Kingdom.

Apart from a comparative chapter setting inequality in the United Kingdom in the European context, and a chapter addressing the issue of the integration of immigrants in Paris (France) and London, this book focuses exclusively on the United Kingdom − unlike books published in the last decade that approach inequality from an international perspective (Dorling, 2012, 2014, 2015; Wilkinson & Pickett, 2010). These publications chart the increase in inequalities around the world through quantitative methods and/or focus on globalisation processes (Atkinson, 2015; Bourguignon, 2015; Piketty, 2014; Stiglitz, 2015; Wilkinson & Pickett, 2010). However, they generally do not track changes in specific policy areas or analyse the response of the authorities since the 2008 crisis within the context of the evolution of the British Welfare State and the British polity. When authors have engaged with these issues (Lansley & Mack, 2015), they have not taken a public policy approach but instead have chosen to focus on the impact of inequality on the lives of individuals in the United Kingdom and have outlined alternatives. By contrast, this volume focuses both on the extent of inequalities in the United Kingdom and on policy responses.

Furthermore, most published books study inequality at the macro or micro levels, concentrating on international and national trends as well as individual experiences of inequality. They leave aside the meso level, namely the level at which various intermediate organisations and institutions (job centres, local authorities, the NHS, devolved institutions) address and deal with the manifestations of inequality.

The main thrust of this book is that the Great Recession led to a rhetorical shift in the United Kingdom. This collection of 18 chapters assesses the extent to which the fourth 'egalitarian' discourse on social exclusion has superseded previous ones and a new political agenda has emerged as a result of this. It explores the impact of the Great Recession on the UK polity from three distinct perspectives that provide the structure of this book. First, it seeks to chart whether, and if so how, economic inequalities in the United Kingdom have evolved since the 2008 Great Recession both from a domestic and international perspective. Second, it attempts to measure how far equality is still a driving principle in a range of social and health services, and whether policies are in place to ensure that equality (of access, treatment or outcome) is a reality today in a range of welfare state sectors. Finally, it sets out to explore how the issue of inequality is addressed at the meso level in the post-2008 context and examines whether local initiatives are effective in reducing inequality, what can be learnt from them, whether devolved institutions have embraced the fight against inequality and with what results.

Part I is devoted to measuring economic inequalities from various perspectives. It opens with a chapter by Nicholas Sowels which reviews the definitions of poverty, inequality and social exclusion, in order to provide a broader overview and remind us of the polemical dimension of any definition. The chapter points to a paradox: on the face of it, income inequality has shrunk since 2008 and is back to what it was in the mid-1980s. However, the chapter shows that the picture of poverty and inequality in the United Kingdom is far more complex than suggested by the main measure of income inequality. As Sowels explains, such measures may hide a growth of inequalities and the picture since 2008 varies depending on the data used. The chapter also locates the United Kingdom among OECD countries and points to its contrasted position. It concludes by looking at the situation of different age groups and suggests that Brexit may well lead to future rises in inequality.

The next chapter by Stewart Lansley builds on these points and challenges dominant thinking. Until the 2008 Great Recession, the prevailing economic orthodoxy, accepted across the broad political spectrum, was that inequality was a necessary condition for economic health. Instead, Lansley shows that the evidence of the last four decades is that this trade-off theory – that you can have more equal or more efficient economies but not both – is incorrect. Lansley also highlights a paradox: although there is now a broad acceptance among global leaders that inequality poses significant risks for social cohesion and economic stability, there has been little or no action to match the high level verbal critique of inequality. As a result, inequality has carried on rising within nations since 2008 and in the United Kingdom, the gap between the top and bottom has continued to widen. Lansley concludes that this is due to a downward shift in the protective role of the state since 2010 and the growing share of national income going to profits rather than to technological changes and immigration as others have suggested. For the author, income stagnation for some groups is a trend that is now common across rich countries, leading to a transformation in social structure and the emergence of 'hour-glass' societies. This undermines one of the central promises of the market experiment: that growth would make successive generations better-off.

Chapter 3 by Mark Bailoni looks at economic inequalities in the United Kingdom from a regional perspective and questions the relevance and the significance of the North–South divide in 2017, after the impact of the 2008 Great Recession. The author first reminds us of the historical and structural origins of the North–South divide and uses various official indicators to show the persistence of the gap, drawing attention to disparities at the local level. He then examines the divide from a critical geopolitics approach that focuses on the analysis of stakeholders' discourses, their perceptions and representations. Using electoral results and public opinion studies, he shows that the divide is not just socio-economic but also geopolitical. The author goes on to look at the strategies and mechanisms implemented by successive governments since the Blair years and concludes on the possibility of a regional political revival in a political context dominated by Brexit and austerity policies.

Chapter 4 by Niall Cunningham, Fiona Devine and Helene Snee explores the inter-urban dimensions of contemporary inequality in the United Kingdom. It does so by drawing on quantitative measures of inequality from the BBC's 'Great British Class Survey' experiment of 2011–2013 and representative economic indicators of productivity. Their analysis of inequality deliberately moves away from the so-called employment aggregate approach and takes into account other determinants of life chances. Drawing on Pierre Bourdieu's concept of cultural capital, the authors aim to demonstrate the ways in which economic inequalities are reflected and reinforced in social and cultural domains. The authors map the concentration or diffusion of economic, cultural and social capital in the United Kingdom and, through this, highlight the interplay between different forms of capital. By exploring the multiple dimensions of inequality, they argue that there is a need to reconceptualise our understanding of inequality and move beyond a mere economic conception of it.

Chapter 5 by Abigail Davis and Matt Padley focuses on the topic of the Minimum Income Standard (MIS), the income needed to have a socially acceptable standard of living. The chapter approaches the study of inequality from a living standards perspective. The authors show that one arrives at different conclusions about poverty in the United Kingdom depending on whether one uses relative poverty indicators or MIS. They remind us that the topic of living standards has risen in prominence since the 2008 Great Recession as a result of a real terms fall in wages and of stagnant incomes and hence, since 2010, there has been a commitment by the two main parties to improve them. They argue that MIS, unlike the income threshold definition of poverty, is accepted by members of the public on the basis of what everyone should be able to have, and does not fluctuate with median incomes. Because of this it offers a much more satisfactory measure of poverty and a means of charting its evolution. Reference to MIS demonstrates that, since 2008, the proportion of all individuals with incomes insufficient to guarantee adequate living standards has risen but that the pattern of change has been uneven.

In Chapter 6, Jonathan Bradshaw and Oleksandr Movshuk supplement the study of economic inequalities and poverty in the United Kingdom by taking a broader European perspective and providing one of the rare recent studies comparing income inequality at the EU level since the Great Recession. The secondary analysis of the European Union Statistics on Income and Living Conditions (EU-SILC) is used to examine inequality in the United Kingdom compared with other EU countries and to show how inequality has changed over the period from the start of the crisis in 2008 to 2015. As they explain, for European countries as a whole, inequality has risen quite substantially since the mid-1980s. Using a variety of official measures, they examine the effects of the Great Recession on EU countries, the impact of benefits and taxes across Europe and locate the United Kingdom on the EU spectrum. In addition, inequality within the EU is explored by categories of households and linked with social conditions. The chapter concludes with a discussion of what role the EU itself plays through its own institutions and policies (CAP, ERDF or ESF) in mitigating market inequalities. They conclude that EU policies have relatively little impact on inequality which can only be tackled effectively using national redistributive policies.

Part II of the book analyses how far equality is still a driving principle in a range of public policies and examines whether the 2008 Great Recession marks a turning point in the history of the equality agenda as well as for a number of vulnerable groups.

It opens with the only chapter devoted to a political party, the one with strong ethical commitments and whose ideology was long based on the fight for equality, the Labour party. In this chapter, Eric Shaw explores the conceptual and ideological shifts in attitudes to equality that took place after the advent of New Labour and after the election of Ed Miliband, what has prompted them and how they have been articulated in policies. Shaw explains that even though it has always been difficult to define precisely what the quest for equality entails, what guided Labour for decades was practical equality. With the advent of New Labour (1997–2010), this mission was radically redefined, and egalitarianism was superseded by the determination to uphold meritocracy and to alleviate poverty. Shaw then examines the Miliband leadership (2010–2015), highlighting the determination of Labour's then leader to address the causes of inequality, but emphasises how opposition inside and outside the party to anything that was redolent of an anti-business ethos limited his political authority in the party leading to a disappointing 2015 manifesto. The author concludes by looking at slow progress on policy development under Corbyn and paradoxical mounting popular resistance to redistributive politics.

In Chapter 8, Simon Roberts, Bruce Stafford and Katherine Hill examine the tension between the Equality Act 2010 and the welfare reforms introduced by the UK Coalition government during its term of office between 2010 and 2015. After reviewing the history of anti-discrimination legislation in the United Kingdom, the authors explore the extent to which the Department for Work and Pensions (DWP) adequately assessed the equality impacts of key welfare reforms when policy was being formulated on individuals with protected characteristics. They seek to gauge any mitigating actions put in place to offset negative impacts and how the collection of evidence on equality impacts (EIA) was used when formulating policy, or could have been used to feed into future policy reform and spending decisions. They show that the impacts of the reforms were only systematically assessed by age and gender, and, where data were available, by disability and ethnicity. Little or no assessment was made for the other protected groups. The chapter highlights the gap between substantive egalitarian policy mechanisms and practice.

In Chapter 9, Alan Murie addresses housing policy in England since 2007 and changes in housing opportunities and inequalities. First, he explains that the housing policies pursued in the decades before the credit crunch had increased affordability issues and so widened housing inequalities in England and reduced the extent to which public and social rented housing moderated social and spatial inequalities. Murie goes on to show that the credit crunch and its aftermath (changes to welfare and housing benefits) speeded the established trend to greater inequality in housing. So did housing policies that relied, after 2010, on boosting the private sector and home ownership. He then examines Conservative housing policies since 2015 and the attack on housing associations. Murie argues that despite the government rhetoric developed in the 2017 Housing White Paper, the policy direction adopted since 2010 failed in its ambition to increase housing supply and home ownership and further increased social and spatial inequalities. He concludes by looking at how housing inequalities create and exacerbate other social inequalities.

In Chapter 10, Anne Beauvallet studies inequalities in education in England. She reminds us that inequalities in English schools stem from numerous factors and that the Thatcher and Major governments reshaped the education agenda in the 1980s while ignoring the issue of inequality. Then she briefly reviews the tenets of the New Labour education policies and contrasts them with Coalition and current Conservative policies. Beauvallet shows that London schools experienced major improvements unlike the rest of the country but warns about the methodological obstacles inherent to studies on the evolution of inequalities at school level. She goes on to point out that Theresa May's government seems to have adopted a different policy since July 2016, focusing on meritocracy while pressing on with school diversification. Finally, Beauvallet argues that successive cabinets since 1997 have not implemented structural reforms designed to tackle economic inequalities thus limiting the effect of their educational reforms and underscores that too often the working class and the teaching profession have been blamed for the lack of improvements and enduring inequalities in education.

Chapter 11 by Mhairi Mackenzie, Annette Hastings, Breannon Babbel, Sarah Simpson and Graham Watt examines the issue of health inequalities in Scotland, and more specifically the concept of proportionate universalism by Michael Marmot, within the wider debate of universal versus targeted welfare provision. The analysis is drawn from a small case-study which included participants from the Scottish government, NHS Health Scotland and planning officers and practitioners within a primary care and health policy settings. The authors conclude that there are three main levels at which proportionate universalism needs to be analysed as a means of mitigating the impacts of health inequalities – at the political level, at the policy and planning level and at the practice level where individual practitioners are enabled (or not) to practice in such a way as to mitigate existing health inequalities.

In Chapter 12, Louise Dalingwater briefly reviews some of the main structural determinants of gender inequalities in the British labour market. She reminds us that the spectacular progress made since the 1970s to reduce the gender pay gap in Britain seems to have come to a halt after 2008. She goes on to look more specifically at the effects of austerity policies on women and shows that cuts to benefits and public services have affected women disproportionately. The author also focuses on a range of new policies that have been or are due to be phased in to tackle gender inequality and considers whether the new emphasis on tackling gender inequality simply represents a discursive shift or a decisive commitment from central government. Finally, some of the weaknesses to the gender equality framework to be introduced in 2018 are examined.

In Chapter 13, Rebecca Yeo considers the relationship between inequality and disability in the context of forced migration. She starts by tracing the origins of asylum and the evolution of the benefits asylum seekers are entitled to before showing that disabled migrants are a blind spot in public policy. She goes on to look at the deprivation experienced by disabled asylum seekers, drawing on the findings of a study using creative methods to highlight the issues they face. She then draws a parallel between cuts to entitlements for asylum seekers before the Great Recession and cuts affecting people with disabilities since then. She reminds us that cuts to public expenditure, in response to the recession, have affected people with disabilities particularly severely. This, she argues, can be explained by hegemonic assumptions of differences in human worth. Within the asylum population itself, inequality of treatment exists as some are deemed exceptionally worthy. This suggests that if withdrawal of entitlement is tolerated for a specific group of people, then it may be extended to a wider group.

Part III of the book revolves around the governance of inequality, namely the way inequality is addressed at a local level and in the other parts of the Union, following devolution, as well as abroad.

Emma Bond, in Chapter 14, explores the consequences of the Great Recession on young people's lives and employment opportunities in a town with high levels of deprivation (Lowestoft). The chapter is based on 52 interviews with unemployed young people, most of whom had been claiming Job Seeker's Allowance (JSA). The interviews sought to identify barriers which prevented or discouraged young people from engaging with existing employment support services and considered how these may be overcome. The author highlights the difficulty for the respondents of finding and keeping a stable job as well as the consequences of being unemployed. She goes on to describe the many problems unemployed young people face that trap them in poverty and how they are perceived by the institutions that are supposed to help them. Finally, Bond examines the local responses to both their situation and their needs following the passing of the Localism Act 2011.

In Chapter 15, Markéta Seidlová and Paul Chapman explore how the city councils of Paris and London, and of some of their boroughs, help immigrants integrate into the host societies of these two cities. The authors compare and contrast the tools and measures used in both cities, making a distinction between those targeted at the immigrant population and those that focus on the host population. According to them, there are many similarities in terms of the methods and programmes used, and the main difference concerns the extent to which programmes are actively put in place. In this respect, the London borough of Lewisham is particularly active. As an employer, Lewisham has promoted a policy of non-discrimination and active recruitment of BAME (Black and Minority Ethnic) employees. The authors argue that this programme could inspire the Paris city council and that conversely, Lewisham could learn from some of the measures targeted at vulnerable sub-groups of immigrants in Paris.

The last three chapters are devoted to the consequences of the devolution agenda on the inequality question. In Chapter 16, Edwige Camp-Pietrain looks at the way successive devolved Scottish governments have been attempting to address inequalities by adapting UK policies or by devising their own solutions. She shows that egalitarian policies have been a distinctive feature of all devolved Scottish governments and that promoting 'equality in opportunities' and 'reducing poverty and inequalities' have become quite consensual purposes at Holyrood beyond SNP ranks. She deals then with some of the policies aiming at tackling inequalities and underlines that from 2011 progress has stalled. The chapter also points to a tension between the SNP's emphasis on fairness, public uneasiness about higher income taxes and the powers and resources devolved to the Scottish Parliament. She concludes by looking at the links between economic inequalities and electoral behaviour before suggesting some consequences of Brexit on inequalities in Scotland.

In Chapter 17, Rhys Davies and Alison Parken consider economic inequality in Wales set within the policy and economic context. With powers in 20 devolved policy areas, the Welsh Assembly would appear well placed to interrupt the reproduction of socio-economic disparities. The authors first analyse how the Welsh labour market has responded to the economic crisis and how this has affected both inequality *within* Wales and spatial inequality that exists *across* the United Kingdom. They examine the development of equalities and anti-poverty policymaking in Wales in the wake of specific duties placed on the Welsh authorities after 2006. With no redistributive powers for the Assembly, they show that an implementation gap has opened. The chapter concludes by considering the potential for new and distinct policy levers in Wales in relation to the integration of anti-poverty, employment, economic and equality policies to address the combined impact of socio-economic inequalities in the future.

The last chapter by Valérie Peyronel deals with social inequalities in post-conflict and post-2007–2008 financial crisis Northern Ireland. Against the background of the economic boom of the late 1990s and early 2000s, and growing immigration to Northern Ireland, the author examines social inequalities related to wealth, employment and housing in order to assess how Northern Ireland has changed since 2008. She then focuses on traditional indicators of Catholic/Protestant inequalities: education employment and housing. Finally, Peyronel explores the extent to which the 1998 Good Friday Agreement, the 2006 St Andrew's Agreement and the 2014 Stormont House Agreement tackle the issue of social inequalities in the Province.

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PART I
MAPPING INEQUALITIES IN THE UNITED KINGDOM TODAY: THE CHANGING FACE OF INEQUALITIES?

CHAPTER 1

ECONOMIC INEQUALITIES IN THE UNITED KINGDOM SINCE 2008

Nicholas Sowels

ABSTRACT

The financial crisis of 2008 and ensuing recession led to falls in earnings in the United Kingdom, not seen since the Great Depression of the 1930s, and it was only in 2014 that overall household income returned to its pre-crisis levels. At the same time, according to one official measure, income inequality has actually fallen, although different data indicate no change. This situation follows from several factors, notably the continued growth in pensions, higher earnings of lower-income households as these have worked more since the recovery in 2013, and the continued stagnation of earnings in higher income households (even if very high incomes have continued to pull away from the rest of the population). Incomes of younger workers also remain below their pre-crisis peak. This chapter shows, however, that the picture of poverty and inequality in the United Kingdom is far more complex than suggested by the main measure of income inequality. To this end, it begins by reviewing the definitions of poverty and inequality, in order to provide a broader overview of these pressing but complex social problems. The chapter goes on to examine wealth inequalities, the impact of housing costs on inequality and poverty, and it concludes by presenting recent studies suggesting that Brexit may well lead to future rises in inequality, as higher inflation could well hit lower-income households most.

Keywords: Poverty; inequality; income; wealth; United Kingdom; financial crisis

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INTRODUCTION

In the years following the financial crisis of 2008, the standard rate of income inequality using one key official measure in the United Kingdom fell. According to the Office for National Statistics (ONS), inequality in Britain in 2016 was back to the levels recorded in the mid-1980s, a decade in which inequality rose strongly. This may sound paradoxical, given the long squeeze on household incomes following the financial crisis, and the divisions in British society exposed by the Brexit vote, but it reflects the opaque nature of poverty, inequality and calculations based on averages: other government figures suggest there has been no change.

This chapter seeks to describe and explain the evolution of inequality since 2008. It will look at what lies behind and beyond the standard definition of inequality which refers to equivalised disposable household income. The chapter here includes more contextual information about inequality, examining poverty trends in recent decades and changes in wealth inequality, which is far greater and more difficult to identify.

It must be stressed that this presentation is based on aggregate statistics. These shroud the harsh reality of poverty which in many ways is invisible, hidden behind closed doors or confined to marginalised neighbourhoods. Documentaries and deeper academic studies like Stewart Lansley and Joanna Mack's *Breadline Britain* (2015) can partly relate the daily misery of poverty. So too can writers: yesterday George Orwell in *The Road to Wigan Pier*, today perhaps JK Rowling in her description of 'The Fields' sink estate in *The Casual Vacancy*. The films by Ken Loach also stand out, not because they show something unusual, but because they contrast with the sanitised image of society and history shown by mainstream media, such as the beautifully made *Downton Abbey*. Aggregate numbers provide an overall picture but say little about the real lives of millions.

The chapter begins by briefly recalling the basic definitions of poverty and inequality as given in official statistics. It then reviews the evolution of inequality in the United Kingdom since the financial crisis, and more generally since the rise of neoliberalism. Next, the chapter provides key figures on poverty since the financial crisis. Finally, the conclusion touches on some forecasts of future trends in inequality and poverty, especially in the light of Brexit.

UNDERSTANDING STANDARD MEASURES OF POVERTY AND INEQUALITY

The standard rate of inequality has been flat or perhaps even falling in recent years, depending on the data, even though the financial crisis led to the biggest drop in household incomes since the Great Depression. These two trends are not contradictory, but need explaining, and so it is necessary to look at the basic concepts of poverty and inequality. These are deeply divisive in most societies, because they are central to political identities and fundamental social struggles. One emphatic view of equality as a political dividing line was given, for example, by David Willets (1992, p. 109),[1] writing in the heyday of the Thatcher-Major years. In defining *Modern Conservatism*, Willets notes that 'there is one key idea, seductive, and with a strong emotional appeal, which cannot be absorbed into conservative thought: egalitarianism. Socialism may be dying but not the idea of equality. It is now the key, anti-conservative concept'.

Defining Poverty

This kind of political cleavage runs deep in discussions about poverty and inequality, and is reflected in the way these phenomena are measured. At the risk of simplification, the conservative approach to measuring poverty is based on looking at people and households living below an absolute level of poverty. This usually involves calculating the cost of a basket of goods and services individuals or households need to subsist in extremely straightened circumstances. This approach is used in the United States, surely reflecting its more individualistic political culture, and is coherent with the United States as a 'liberal welfare state' in Esping-Andersen's terminology (Esping-Andersen, 1990). In this case, the poverty line is calculated on the basis of a 'dollar amount for the sum of three broad categories of basic goods and services – food, clothing, and shelter (including utilities)' (Citro & Michael, 1995, p. 5). The poverty line is then adjusted to take into account the number of persons living in a household, and their age: in 2016, the US poverty line was set at \$12,486 for a single person, and at \$24,339 for a family of four, with two children under 18.[2]

By contrast, the main definition of poverty adopted by the European Union (EU) is a relative measure. Individuals are considered as poor when they live in households with an income of less than 60% of the median equivalised disposable household income. This is the standard definition used in British government statistics. The term equivalised means weighting the people living in a household, as children are assumed to cost less than adults. Disposable income refers to income after benefit payments and taxation have been taken into account (Wells, 2016). According to the ONS, median UK household disposable income was £26,300 in 2016. Sixty per cent of this is £15,780.[3]

Related to the idea of relative poverty is the notion of social exclusion. In the United Kingdom, this view of poverty was pioneered by Peter Townsend in the 1970s. He argued that people are living in poverty when '[t]heir resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities'. Access to certain goods and services or resources is essential not for nutritional reasons or with the immediate objective of survival. Instead, they are 'necessity[ies] of life' because they are part of 'life-long customs and [are] psychologically essential'. They are vital to 'maintaining the threads of social relationships' (Townsend, 1979, Chapter 1).

Such necessities evolve over time, as society changes. This makes their identification more difficult than stricter calculations of absolute poverty. However, surveys of public opinion indicate that it is possible to identify goods and services at any one moment which members of the public as a whole appear to agree on as being essential 'needs' or 'the necessary minimum for decency'.[4] In the United Kingdom, this *Breadline Britain* methodology was first used in 1983 as part of an ITV television series. Successive surveys conducted in 1990, 1999 and 2012 underline the changing nature of necessities, and the vital importance of goods and services which maintain relationships, such as 'visiting family or friends in hospital or other institutions', 'celebrations on special occasions', 'attend weddings, funerals and other such occasions'. It is notable that according to Lansley and Mack, there is a 'strong consensus across social and income groups, across gender, education levels and ethnicity, about what is necessary to enjoy such a minimum'. Also, surveys indicate that public opinion is more generous towards children than adults (Lansley & Mack, 2015, pp. 16–31). Other things being equal, such widely held values provide a political base for policies to fight poverty.

By definition, relative poverty is also connected to the question of inequality. Reference to a median equivalised income creates a link between how poor households are defined and how 'most people' – that is, households grouped around the central level of income in a society – actually live.

Finally, official British statistics also include a measure of absolute poverty. This is a composite approach, because it involves looking at changes in the number of people living below the real value of 60% of the median income in a given base year: 2010 is the current base year. The nominal value of the 60% level for this year is then adjusted for inflation, to provide a real, absolute poverty line which does not automatically follow the evolution of the median income. This makes it easier to demonstrate there have been falls in the poverty rate, providing comfort for existing policies.

Defining Inequality of Income and Wealth

There are usually two standard measures of income inequality. The first is the Gini coefficient and the second compares the median income of the top 10% (decile) or 20% (quintile) of households as a multiple of the bottom decile or quintile. These figures may be given for both original incomes (i.e. salaries and other income, normally from investments, before benefits and taxes), gross incomes (i.e. original income plus cash benefits like pensions, income support and child benefit) or for disposable incomes (i.e. gross income less all direct taxes, including national insurance and local taxes). The difference in equality between the original and disposable income values is substantial. For example, according to the ONS, the original median income for the richest fifth of households was 12 times higher than for the poorest fifth in 2015–2016 (respectively £85,000 and £7000). By contrast, the median disposable income (after benefits and taxes) of the fifth richest households was only five times higher than for the poorest fifth (respectively £62,400 and £12,500) (ONS, 2017b).

The advantage of these statistics is that they provide a simple way of comparing inequality over time and across countries. But they are very aggregate statistics, and variations in the Gini coefficient often seem minimal even if they actually indicate big differences. The Gini coefficient runs on a scale of 0–1 (or 0% to 100%): 0 indicates a situation of perfect equality between households and 1 (or 100%) a situation of total inequality in which the 'top 1 per cent' receives all income. This range may seem large. In practice, however, actual observed Gini coefficients for disposable income within the Organisation of Economic Cooperation and Development (OECD) countries only run from about 0.25 for Scandinavian countries to 0.394 for the United States and 0.46 for Mexico and Chile (see Table 1). This is quite a narrow spread for what we usually view as very different types of societies.

A similar assessment can be made concerning the data on comparative quintiles. The ratio of the median equivalised disposable income of the top 20% of UK households to the bottom 20% – as calculated by the OECD – was only

Table 1. Selected Figures on Inequality and Poverty in the OECD Countries.

	Gini Coefficient		S80/S20 Income Share Ratio		Poverty Rate (50% of Median Income)	
	2007	2014 or Latest	2007	2014 or Latest	2007	2014 or Latest
Iceland	0.289	0.244	4.2	3.4	7.0	4.6
Slovenia	0.240	0.255	3.5	3.8	8.0	9.5
Germany	0.285	0.292	4.3	4.4	9.0	9.1
France	0.295	0.294	4.4	4.4	7.6	8.0
Korea	0.312	0.302	5.6	5.4	14.8	14.4
OECD	**0.317**	**0.318**	**5.4**	**5.5**	**11.4**	**11.5**
Canada	0.318	0.322	5.3	5.5	12.2	12.6
Japan	0.329	0.330	6.0	6.1	15.7	16.1
Australia	0.338	0.337	5.8	5.7	14.9	12.8
Spain	0.324	0.346	5.6	6.7	14.2	15.9
United Kingdom	**0.373**	**0.358**	**6.6**	**6.0**	**12.8**	**10.4**
Estonia	0.316	0.361	5.3	6.7	14.0	16.3
United States	0.374	0.394	7.9	8.7	17.4	17.5
Chile	0.480	0.465	11.8	10.6	17.8	16.8

Source: Author's presentation using data from: OECD, Income Distribution Database, updated 24 November 2016. Retrieved from http://www.oecd.org/social/income-distribution-database.htm. Accessed on March 30, 2017.

6.0 in 2014. This compares with an OECD average of 5.5 and a range running from 3.4 in Iceland to 10.6 in Chile (OECD).[5]

There are other criticisms of such aggregate measures. At the bottom end of the income distribution, falling or unchanged *overall* inequality is compatible with worsening absolute living standards for the *poorest* households. Furthermore, the standard indicator of overall inequality does not say much about the overall distribution of income (see the next chapter by Stewart Lansley). It is wholly compatible with the sustained pulling away from society of top incomes. This top income group – widely identified as the '1 per cent' versus the remaining 99% – is today seeing its income rise far more quickly than the rest of society. In the words of Danny Dorling (2014), '[i]n the UK the bottom 99 per cent now have more in common than has been the case for a generation. Some 99 per cent of us are increasingly "all in it together". It is the top 1 per cent who are not part of this new austerity norm' (Dorling, 2014, p. 4).

The landmark analysis of capitalism by Thomas Piketty (2013), *Capital in the 21st Century*, also makes a number of significant points which expand on this observation. Piketty notes rather obviously but unusually that this seemingly small group – the 1% – actually includes quite a large number of adults: 508,000 in the United Kingdom, in 2015.[6] He also points out that these populations (the 1%) tend to live in concentrated areas, and are visible in the social landscape as well as having money. Significantly, they are sufficiently numerous to structure the political and social order (Piketty, 2013, pp. 398–399). Piketty further notes that within the 1%, investment income provides an increasingly large share of their earnings, compared to salaries. This is especially so for the 0.01% of top income earners.

Such investment income is also significant in the compensation packages of senior executives which have skyrocketed since the 1970s. Today they make up a majority (60–70%) of the top 0.1% of income earners in the United States. A further 20% of this ultra-high-income group work in finance (Piketty, *ibid*, pp. 477–478). These figures confirm how pay for senior corporate executives has risen as a multiple of average company pay from about 30–40 in the 1950s and 1960s to 200 or even 300 times average pay today (Mishel & Schieder, 2016). While these shifts are especially strong in the United States, the United Kingdom has followed the American model more than other European countries. According to the High Pay Centre, the average pay ratio between FTSE 100 CEOs and the average total pay of their employees was 129:1 in 2015, with median earnings of these CEOs running at £3.973 million (High Pay Centre, 2017). This contrasts spectacularly with the late 1970s, when earnings by top company directors of UK firms like BP, Barclays, Lloyds and GKN were only about 15 times greater than average pay (Curtis, 2011).

The explosion of pay for senior executives and the rising importance of investment income among the 1% connects with the main hypothesis developed by Thomas Piketty, that the return on investments (r) has a general tendency under capitalism to rise more quickly than the growth rate (g): that is, $r > g$.

This easy-to-understand equation has been central to the impact which Piketty's book has had, notably in the United States, because it implies that wealth has an inexorable tendency to concentrate. Drawing on long-term data for the United States, France and the United Kingdom in particular, Piketty shows that capitalism inherently leads to ever greater inequality, not so much of income, but of wealth. Here he touches on another issue which is obscured by the standard definition of inequality, namely the inequality of wealth. Piketty observes that whereas the Gini coefficient tends to vary across societies between 0.2 and 0.4 for wages and salaries, and between 0.3 and 0.5 for total income (i.e. salaries plus investment income before tax), the Gini coefficient of the ownership of capital across societies ranges from 0.6 to 0.9 (Piketty, p. 418). Wealth inequality is thus far more pronounced than income inequality.

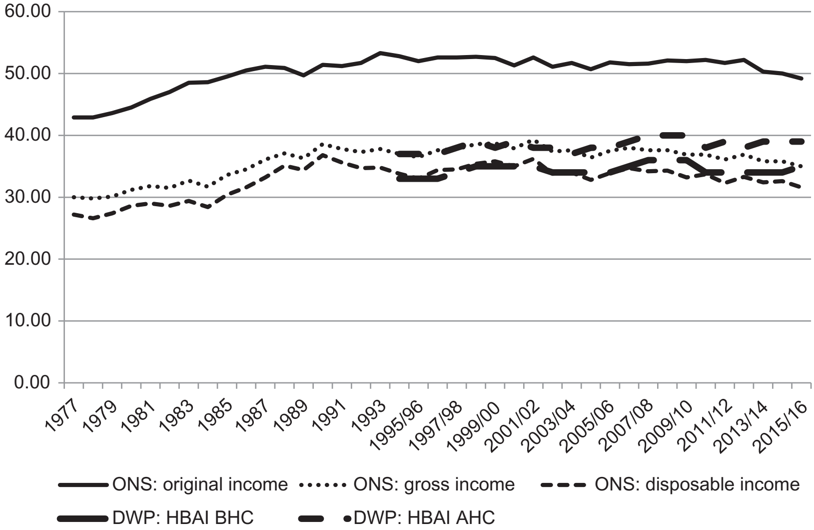
THE EVOLUTION OF INEQUALITY AND POVERTY IN THE UNITED KINGDOM SINCE THE FINANCIAL CRISIS OF 2008

Recent Inequality Trends in Context

With these qualifications in mind, it is now possible to return to examining recent trends in inequality and poverty in the United Kingdom, notably since the financial crisis. Here two different stories emerge, depending on the data used which are based on two different household surveys: (1) the ONS draws on the Living Costs & Food Study survey of about 5,000 households together with data for the Effects of Taxes & Benefits on Household Income to make its calculations; and (2) the Department of Work and Pensions (DWP) statistics on households below average income (HBAI), based on the Family Resources Survey of around 19,000 UK households.

According to the ONS data, the Gini coefficient for equivalised disposable income (i.e. income after receiving benefits and paying taxes) has fallen quite clearly since the financial crisis years (see Graph 1). In 2006–2007, the Gini value was 34.7% (or 0.347), already down from its peak in 1999–2000 when it stood at 35.80%. By 2015–2016, this measure had decreased to 31.6%, the same level as in 1986. This figure explains media reports in early 2017 that inequality in Britain had fallen to its lowest level since the 1980s.

Data from the DWP on the other hand indicate that there was no overall change in the key Gini coefficient relating to equivalised income. This is true both before and after housing costs. In 2006–2007, the Gini coefficient before housing costs (BHC) was 35% and after housing costs (AHC) it was 39%. The figures in 2015–2016 were exactly the same, although there had been some fluctuations in-between. On balance, given the larger survey size of the DWP data, it may provide a better reflection of reality, although the differences may also



Graph 1. Trends in Inequality: The Gini Coefficient for Equivalised Household Incomes (Before and After Benefits and Tax Payments; Before and After Housing Costs (BHC, AHC)). *Source*: (1) Based on data from ONS, 'Household disposable income and inequality in the UK: financial year ending 2016', Statistical Bulletin, 10 January 2017. Retrieved from https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2016. Accessed on March 29, 2017. (2) Based on the DWP, 'Households Below Average Income, 1994/95 to 2015/16', The Income Distribution – Time Series (Table 2.2ts BHC and AHC), 16 March 2017. Retrieved from https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201516. Accessed on April 18, 2017. *Note*: The figures for the Gini coefficient are given in percentages here (100% = 1).

follow from the exact statistical processes used. Both sets of data, however, show that there has *not* been a worsening of inequality since the financial crisis.

Graph 1 shows up some other salient facts. First, the benefits and tax system has a substantial impact on the difference between the inequality of original incomes (i.e. before households receive benefits and pay taxes) and disposable income. In particular, the impact of benefits on the inequality of equivalised income is significant: in 2015–2016, benefits reduced the Gini value by more than 14 percentage points. Second, concerning the long-term picture of inequality, it is possible to identify three broad phases in the evolution of income inequality since the 1970s. During the first phase, from the mid-1970s to the early 1980s, Britain's income inequality measure by equivalised disposable income was low, with a Gini value clearly less than 30% (or 0.30), using the ONS data. This was followed by a surge in inequality from the mid-1980s onwards, as the British economy and society were transformed, partly in direct response to the policies of the Thatcher governments (1979–1990). According to Anthony Atkinson (2015), key factors explaining the rise in inequality included the switch in uprating state pensions so that the basic pension for a single person fell by nearly one-fifth relative to take-home pay in the second half of the 1980s, while unemployment insurance also fell relative to incomes (Atkinson, 2015, p. 66). A significant government policy here was the move from indexing benefits on wages to indexing on consumer price inflation, which over time increased the gap between benefits and wages. The surge in inequality also followed substantial income tax and capital gains tax cuts implemented by the Conservatives: the top rate of income tax was brought down from 83% in 1979 to 40% in 1988. Moreover, Britain's economy experienced profound restructuring as a result of government policies to strengthen domestic and international market forces, leading to the loss of large numbers of relatively well-paid manufacturing jobs (Machin, 1998). The final phase began in the 1990s, as inequality has fluctuated somewhat but on the whole has remained fairly unchanged, though this depends on the data set used.

Turning to trends since the 2008 financial crisis, the fall (ONS) or constancy (DWP) of inequality is mainly due to the rise of incomes of the bottom quintile (i.e. the 20% of households with the lowest income), and the fall of incomes of the top quintile (i.e. the 20% of households with the highest income. According to the ONS, the median income of the bottom quintile rose by £1,600 (or 13.2%) between financial year 2007–2008 and 2015–2016. In its report on UK living standards, poverty and inequality published in July 2016, the Institute for Fiscal Studies (IFS) links this improvement in low incomes to the performance of the labour market, which has seen strong employment growth since late 2013. This has helped low-income households raise their earnings especially, although by working more hours, as, for example, the number of second earners in households has increased (Belfield, Cribb, Hood, & Joyce, 2016). By contrast, the average income of the top quintile fell by £1,900 (or −3.4%) in real terms during the same period, due mainly to lower average income from employment (including self-employment). For all households, the median disposable real income in 2015–2016 was £1,000 higher than in 2007–2008 (ONS, 2017a).

The Diverging Fortunes of Different Social Groups

The most notable contributing factor to lower inequality is the relatively strong income growth of Britain's senior population. According to the IFS, the median income of the over-60s rose by 11% between 2007–2008 and 2014–2015. This increase has been driven by the 8.1% rise in pensioner benefits. Real growth of private pensions and increases of employment among older people also contributed to the improved situation of the over-60s (Belfield et al., 2016, p. 12).

For the 31–59-year-old age group, income growth after 2012–2013 saw their median income (BHC) finally return to its pre-recession level by 2014–2015. By contrast, workers aged 22–30 have suffered most since the recession: in 2014–2015, their real median income was still 7% below the pre-recession level.

Another divergence concerns the greater inequality in earnings between men. This is a long-term feature of the labour market, which has remained largely unchanged in recent years. More specifically, looking at one definition of the ratio of the top 10% of incomes by men, compared to the bottom 10% (respectively the 9th and 1st deciles), it moved from 4.1 in 1994 to 4.5 in 2014. This compares to a narrowing for all incomes, which for the same ratio fell from 4.1 to 3.9. The greater inequality of incomes among men stems not just from a widening inequality of incomes, but also a covariance between male wages and hours worked: in other words, lowly paid men also work fewer hours. By contrast, the inequality of earnings among women has fallen, and the inequality in the number of hours they work has fallen too (Belfield, Blundell, Cribb, Hood, & Joyce, 2017).

Britain's Income Distribution and Comparative Situation

An alternative way of looking at inequality is to look at the distribution of incomes. Graph 2 is based on DWP data (the Family Resources Survey 2015–2016).[7] It plots the percentages of the households earning different amounts of income per week, in income bands of £100. The largest, narrow categories each account for 12% of households, earning '£200 but less than £300'; and '£300 but less than £400' per week. Significantly, 25% of households also fall within the broad '£1,000 or more' category.

These figures are for *all* households, and the distribution is slightly flatter for households with children, as the largest single category earns '£400 but less than £500', accounting for 11% of the households surveyed. For households with children, more than one-third (34%) are part of the broad "£1,000 or more" category. This catch-all group is both large and comparatively rich. Following Piketty's comments above about the power of the 1 per cent, this category is likely to exercise considerable economic and political influence on society, although its interests and values are not necessarily homogenous.

IFS figures also clearly indicate to what extent the 1 per cent has pulled away from the rest of society. While equivalised median income in the United Kingdom in 2014–2015 was £24,600, the average income for the 1st decile was £12,700; for the 9th decile (i.e. the top 10% of households) it was £49,200; but for the top 1% (i.e. the 99th percentile) it was £122,500.[8]

Table 1 provides some comparative data from selected OECD countries, chosen to reflect broadly different country groups within the organisation. The countries here have been sorted by the Gini coefficient for '2014 or latest' column. Not surprisingly, Iceland and other Scandinavian countries (not shown here) are among the most equal countries of the OECD. So too are the countries of central

Graph 2. Distribution of Household Income in Per Cent Based on Survey Data. *Source*: Data taken from 'Table 2.5: Households by composition and total weekly household income, 2015/16, United Kingdom', Family Resources Survey, 2015/16: Income and State Support, Department of Work & Pensions. Accessed on March 16, 2017.

Europe, like Slovenia. Germany and France are ranked together among all OECD countries, reflecting their position as 'conservative welfare states' in Esping-Andersen's typology, with considerable horizontal welfare transfers. Portugal and Greece (not shown here) are grouped with Spain, corresponding to what is sometimes called 'Mediterranean capitalism', while the two Asian members of the OECD straddle the average. The Baltic States, represented here by Estonia, stand out as being more unequal than the other countries of Eastern Europe. Chile is the most unequal country of the group (followed by Mexico, which is not shown here), reflecting the strong inequalities found in Latin America.

As for the 'Anglosphere' countries, to use a fashionable term, they are all more unequal than the OECD average (except Ireland which is not shown here). The United States clearly stands out as the most unequal. Within the OECD, it is the third most unequal country with the two other countries of the Americas, albeit still quite some way behind Mexico and Chile.

On the basis of this comparative data, the United Kingdom is quite clearly the most unequal major European country. Its Gini coefficient for 2014 is considerably higher than the OECD average (respectively 0.358 and 0.318). This position is also confirmed by the income ratio of the top quintile relative to the bottom quintile.

Wealth Inequality

In contrast to income inequality, analysis of wealth inequality was relatively neglected for many years. More recent interest follows the increasing recognition of how unequal wealth contributes to unequal income flows, given the importance of investment income at the top of the income distribution (Alvaredo, Atkinson, & Morelli, 2016). Wealth inequality is also more difficult to measure and calculate: not surprisingly, wealth holders tend often to under-report their wealth, and calculating the value of assets is not always easy. In the United Kingdom, there are four main potential sources which provide information about the distribution of wealth: (i) administrative (tax) data on estates at death; (ii) administrative tax data on investment income; (iii) household surveys of personal wealth, such as the Wealth and Assets Survey (WAS); and (iv) lists of wealth holders, like the Sunday Times 'Rich List'. All of these methods have shortcomings: It is often not possible to distinguish between wealthy individuals, households and families; accounting for future pension entitlements, which are also a form of wealth, is complex etc.

That said, some indicators do emerge which clearly attest to the greater concentration of wealth than income. According to Alvaredo et al. (2016), using estate-based estimates indicates that the top 1% own between one-fifth and one-quarter of total personal wealth. Similarly, the share of total net worth (of individuals) was around double the share of after-tax income earned by the top 1% during the first half of the 2000s, standing at about 10%. The share of wealth held by the top 10% was about 50%, which was higher than their share of income, although top wealth holders are not necessarily the same as the top income earners (ibid).

In terms of wealth distribution as indicated by the Gini coefficient, Rowena Crawford, Dave Innes and Cormac O'Dea (2016) calculate a Gini value of 0.64 for total net wealth held in the United Kingdom, in 2010−2012. This contrasts with a net income Gini coefficient of 0.34 (for 2011−2012), using DWP data. Not surprisingly, given the importance of inheritance and family wealth, the concentration of wealth is greatest in the 24−34-year-old age cohort, where the Gini coefficient for total net wealth is 0.74, while the net income coefficient is only 0.26.

How do these figures translate into actual amounts of wealth held? Using data from the latest wave of the WAS covering 2010−2012, Crawford, Innes, and O'Dea (2016) show that the 1st percentile of households (i.e. the 1% poorest households) actually had a negative net wealth exceeding £12,000, while the 9th percentile owned nothing (£0 of net wealth). Total median wealth in the survey was £104,000 per adult (including housing). By contrast, the 95th percentile owned £0.7 million, and the 99th percentile (the top 1%) owned on average £1.4 million (per adult), though these latter figures could well be underestimates.

As for the impact of the financial crisis, Crawford et al. (2016) calculate that real levels of pension wealth (at the mean and the median) increased in the period between 2006−2008 and 2010−2012. On the other hand, the mean and median holdings of nonpension wealth fell, which is likely due to the fact that asset prices fell in the wake of the financial crisis. Similarly, the economic shocks of the period may have affected households' normal wealth accumulation, leading to 'decumulation'. More recently, however, asset prices (stocks and housing) have been rising again, partly spurred on by quantitative easing by the Bank of England. This is fuelling renewed increasing wealth inequality (see the chapter by Stewart Lansley).

The Impact of Housing Costs on Inequality and Decline of Homeownership

Connected to the issue of wealth is the question of housing costs. They tend to worsen income inequalities, because poorer households pay a greater share of their income towards housing. This is a development which has become more important since the recession of the early 1990s (Department of Work and Pensions, 2017a). Graph 1 shows that taking housing costs into account raises the Gini coefficient by an average of 4% (or 0.04). This gap has been fairly steady over the last two decades, occasionally falling to 3% (in the early 2000s) or rising to 5% in the early 2010s (Department of Work and Pensions, 2017b).

The impact of housing costs on income inequality acts, among other things, through the rate of homeownership. The Resolution Foundation has found that households in the private rented sector spend 30% of their incomes on housing, compared to 23% of income spent by households with a mortgage. Moreover, the UK housing sector is experiencing profound challenges, linked to the low level of construction: in the year to December 2016, annual new dwelling starts totalled 153,370, with completions for the same period standing at 140,600 (actually −1% on a year-on-year basis) (Department for Communities and Local Government, 2017). At the same time, the rise of the 'buy-to-let' rental sector is putting pressure on homeownership. In fact, data by the Resolution Foundation indicate that homeownership levels in England have fallen back to 1986 levels, down by 7% on the peak owner−occupier rate of 71% in 2003. This phenomenon is not concentrated in London and the South East. On the contrary, Great Manchester, South and West Yorkshire and the West Midlands Metropolitan area have all suffered double-digit falls in homeownership rates since their peak in the early 2000s (Resolution Foundation, 2016; see also the chapter by Alan Murie).

The Poverty Rate(s)

According to the latest HBAI statistics published by the DWP in March 2017, the median equivalised net disposable income in the United Kingdom was £481 per week (£25,012 per annum) BHC. The mean was £593 per week, while 60%

of the median was £288 per week. The respective figures AHC were £413 (median), £516 (mean) and £248 (60% of median). These data also show that 0.3 million individuals had an income of below −£100 per week (AHC).

Table 2 shows the evolution of poverty defined both in relative terms (less than 60% of the median income), and according to the absolute measure used by the UK government (60% of the median income in 2010−2011, subsequently adjusted for inflation). In 2010−2011, the rates were respectively 16% BHC and 21% AHC. Three broad characteristics stand out. First, whatever the indicator of poverty used (relative or the new absolute), the role of housing costs significantly aggravates the poverty numbers. Second, the percentage share of people living below the relative poverty rate fell by a small, but clear amount between the mid-1990s and the mid-2010s, both BHC and AHC. Lastly, the number of persons living in poverty according to the new absolute measure fell quite substantially over the two decades covered by the data here.

Significantly, there was no discernible rise in poverty − under any measure shown here − in the wake of the financial crisis. That said, in 2015−2016, 14 million people − 22% of the population − were living in relative poverty, after accounting for housing costs. Concerning children, of the United Kingdom's 13.6 million children in 2015−2016, 2.7 million (17%) were living below the 60% median threshold BHC, and 4.0 million (27%) were living below the threshold AHC.[9]

To finish with a comparative look at the UK situation, data from the ONS suggest a fair degree of similarity in the overall poverty rate today between the United Kingdom and the EU as a whole: in 2014, the relative poverty rate stood at 16.8% in the United Kingdom and at 17.2% in the EU (see Graph 3).

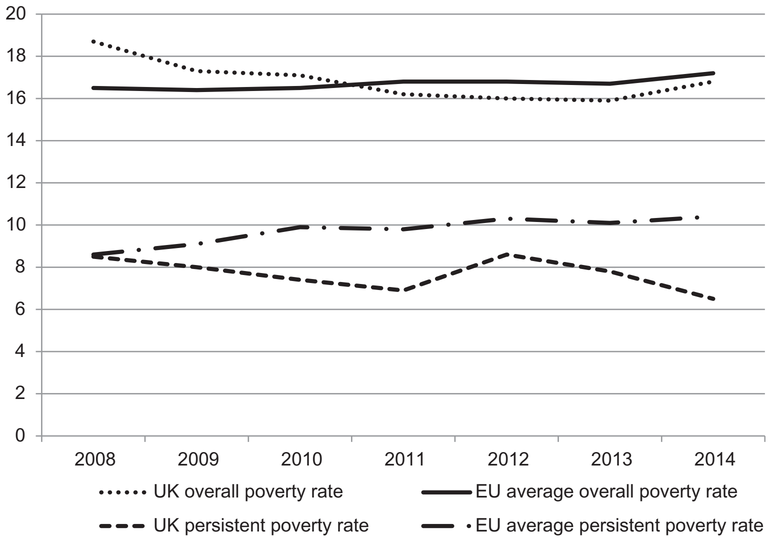
It may be noted, however, that the evolution of this relative income poverty rate since the start of the crisis has been better in the United Kingdom, however, where the rate in 2008 was higher than the European average (respectively 18.7% and 16.5%). Also, the rate of persistent income poverty in the United Kingdom is clearly lower today than in the EU: persistent poverty is defined as 'experiencing relative low income in the current year, as well as at least 2 out of the 3 preceding years' (Wells, 2016). Back in 2008, the rates were practically identical (8.5% in the United Kingdom and 8.6 in the EU). By 2014, however, the EU persistent poverty rate had crept up to 10.4%, whereas the UK rate had fallen to 6.5%. This likely reflects the more dynamic growth of employment in the United Kingdom than in the rest of the EU.

CONCLUSIONS AND A DIFFICULT FUTURE

Britain's economic growth from 2013 onwards, combined with strong employment growth, have meant that real median income finally rose above its pre-crisis level in 2013−2014. Significantly, when looking at the broad aggregates

Table 2. Key Poverty Rates in the United Kingdom: Trends Since the Mid-1990s.

	Relative Low Income BHC – Percentage Below 60% of Contemporary Median Income	Absolute Low Income BHC – Percentage Below 60% of 2010–2011 Median Income in Real Terms	Relative Low Income AHC – Percentage Below 60% of Contemporary Median Income	Absolute Low Income AHC – Percentage Below 60% of 2010–2011 Median Income in Real Terms	All Individuals (Total UK population): Millions
1994–1995	19	37	24	41	55.3
2000–2001	18	26	23	29	56.2
2005–2006	17	19	21	22	59.3
2006–2007	18	18	22	22	59.7
2010–2011	16	16	21	21	61.6
2015–2016	16	15	22	20	64.0
2015–2016 population millions	10.4	9.3	14.0	12.8	64.0



Graph 3. Poverty and Persistent Poverty Rates in the EU and the United Kingdom since the Crisis. *Source*: ONS, Persistent Poverty in the United Kingdom and EU: 2014, 16 May 2016. Retrieved from https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2014. Accessed on March 30, 2017.

of equivalised disposable income, stronger growth at the bottom of the income distribution and income stagnation at the top of the distribution mean that income inequality has remained unchanged since the crisis, and may even have fallen (depending on the data used). This situation reflects the continuing real growth in pensions in particular.

Young people in contrast have been the big losers in terms of inequality since the crisis. As an age group, the 22- to 30-years were still facing a median income in 2016 that was 7% below its 2007−2008 level. This has mainly been due to weaker labour market outcomes for younger people, who are also most strongly penalised by housing costs.

Looking forward, concerns about future inequality and poverty have been voiced by both the Resolution Foundation and the Institute of Fiscal Studies. In early 2017, the former noted that the strong growth of median real household disposable income in 2014−2015 (3.4%) had been very dependent on falling oil prices and rising employment, rather than productivity growth (which has been flat since the financial crisis). Drawing on official forecasts by the Office of Budget Responsibility (OBR),[10] the Foundation estimated that income growth is likely to slow significantly in 2016−2017, with typical incomes only 1.2% higher than in the previous year, while working-age households in fact are only likely to experience income growth of 0.5%. The contrasting evolution of incomes for pensioners and 24–44 year olds, whose incomes have still not recovered from the crisis, is set to continue. While the Resolution Foundation notes that the impact of Brexit is hard to predict, it stresses the negative consequences of the pound's devaluation on inflation and hence real income growth. Income growth will also slow sharply, especially for poorer households, given the government's tax and spending policies announced in late 2016 (Corlett & Clarke, 2017).

Forecasts published by the IFS in March 2017 point in the same direction. Again, using the OBR's forecasts, the IFS estimates that real median income growth is likely to be flat until 2018–2019 when it may pick up. Indeed, if earnings grow in line with the OBR forecast, then the IFS projects that median incomes will only be 10% higher in 2021–2022 than in 2007–2008. Once more, pensioners fare better than the rest of the population, as their median income is forecast to grow by a total of 6.8% between 2016–2017 and 2021–2022, compared with only a total increase of 3.3% for nonpensioners. In terms of inequality, the IFS estimates that real earnings growth will henceforth favour high-income households more than low-income households. Planned cuts to working-age benefits are also likely to aggravate inequality, as the freeze of nominal benefit levels leads to real income falls due to higher inflation. Low-income private renters will be hit especially, as real AHC incomes are projected to fall between 2014–2015 and 2021–2022 for the poorest 15% of households. Given continued growth in pensions, the absolute AHC poverty rate of pensioners is set to fall slightly (from 12.8% to 10.9%), but the absolute AHC child poverty rate is forecast to rise from 27.5% in 2014–2015 to 30.3% in 2021–2022.

NOTES

1. David Willets was an MP at that time, and was Director of Studies at the Centre for Policy Studies from 1987 to 1992. He was Minister of State for Universities and Science from 2010 to 2014. In 2015, he became executive chairman of the Resolution Foundation which aims to improve living standards of people on low to middle incomes.
2. United States Census Bureau, *Poverty Thresholds*, annual data. Retrieved from https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html.
3. The standard household as defined by the ONS (following the OECD) is a couple, with a combined equivalence value of 1 (0.67 for the first adult plus 0.33 for the second adult). In a household with two adults and two children, the equivalence value is 1.4 (1 for the two adults plus 0.2 for each child). To have the same median standard of living, this household would need an income of £26,300 × 1.4 or £36,820.
4. This expression was coined by J.K. Galbraith, and is quoted in Lansley and Mack (2015, pp. 16–31).
5. Table 1. Key indicators on the distribution of household disposable income and poverty, 2007, 2012 and 2014 or most recent year (OECD).

6. Author's calculation based on ONS data of the UK population by age (ONS, 2017b).
7. The data used here are taken from Table 2.5 time series, Department of Work & Pensions (2017b). The sample size is 19,324 households.
8. Table 3.1, p. 18, Belfield et al. (2016).
9. Tables 4.2tr and 4.3tr, Department of Work and Pensions (2017b).
10. Official economic forecasts in the United Kingdom are calculated by the Office of Budget Responsibility.

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