

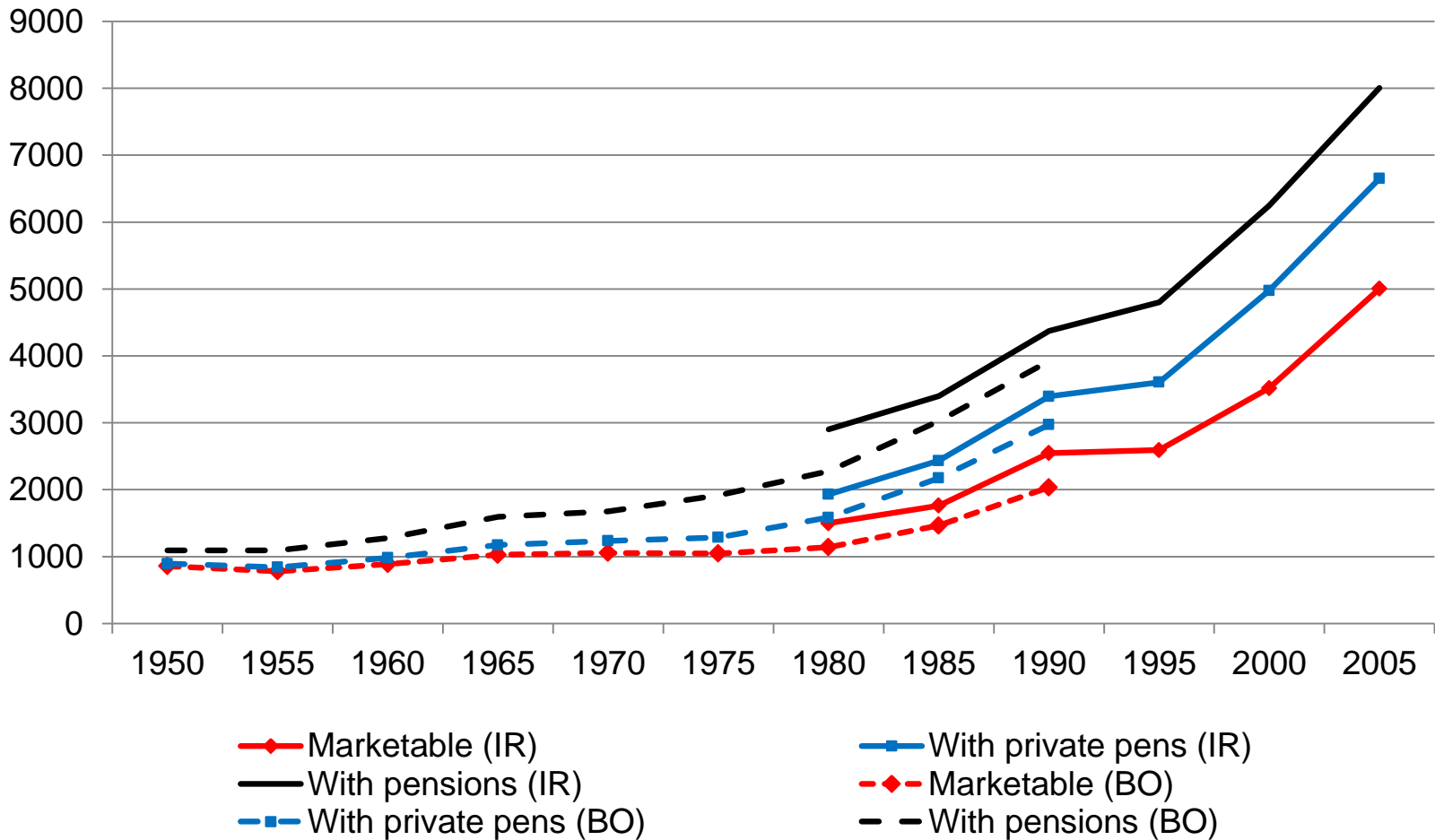
Where we are and how we got here

John Hills

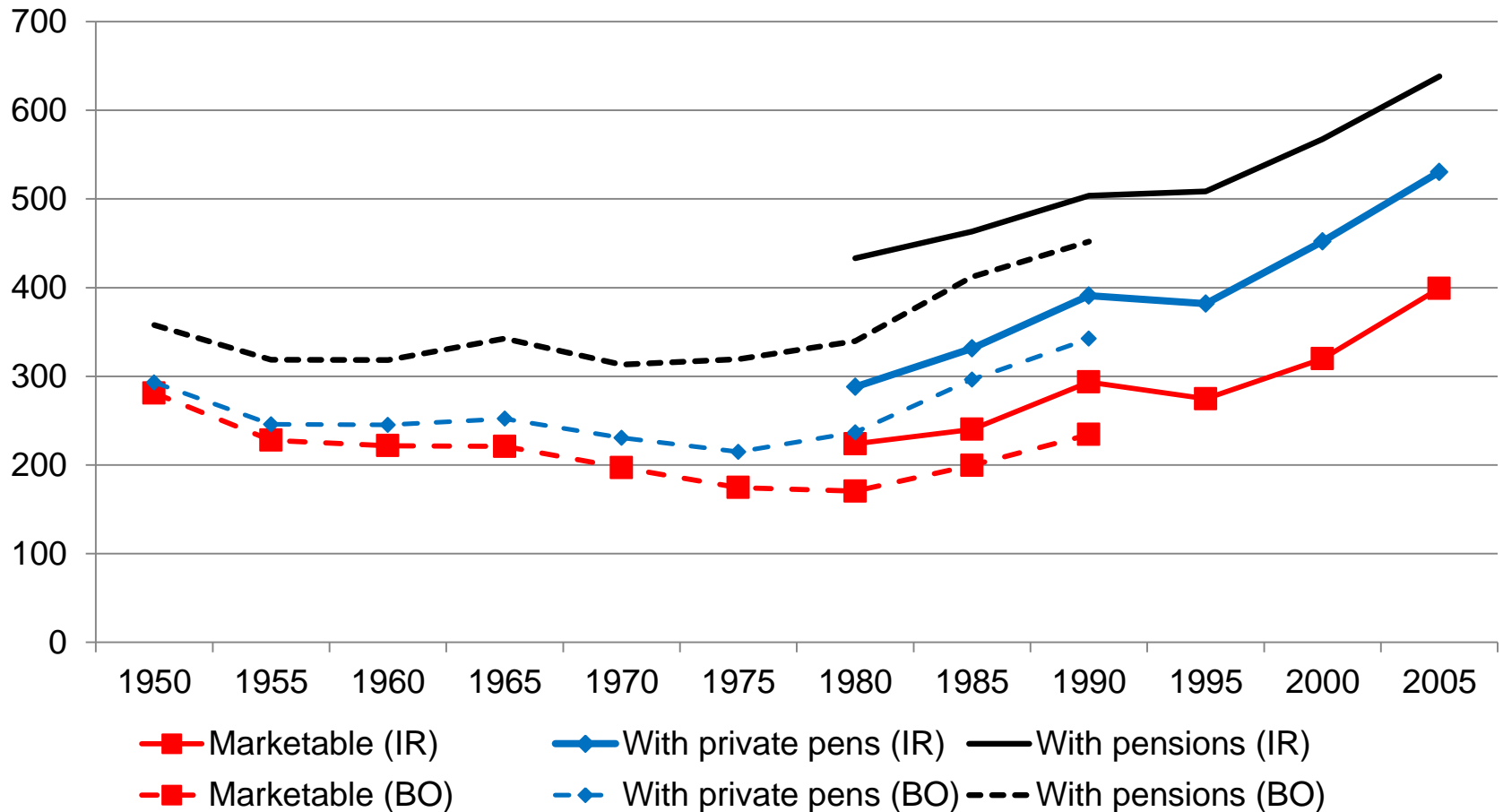
CASE seminar on The Changing
Distribution of Wealth

20 June 2012

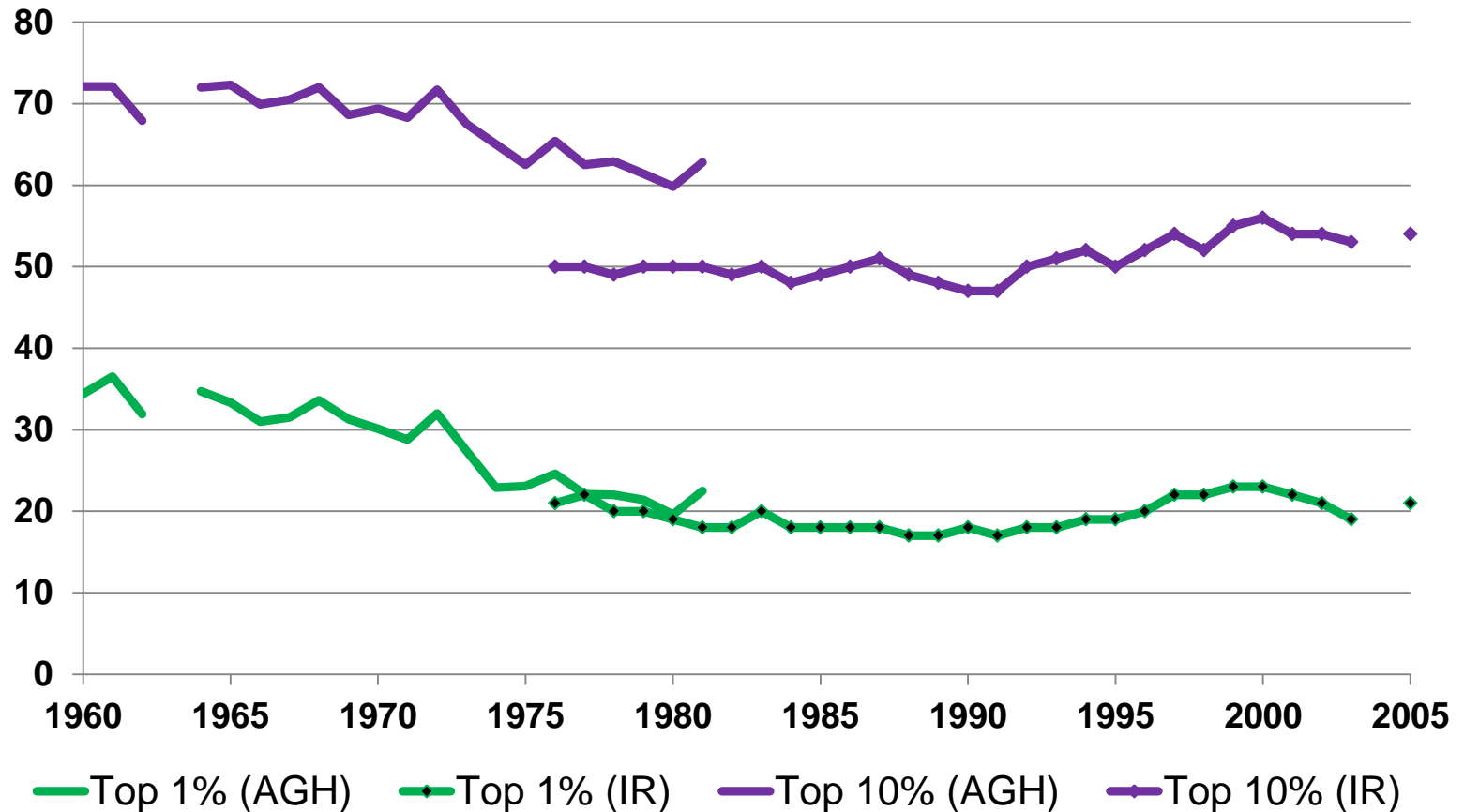
Personal wealth has grown rapidly in real terms since the 1950s (£ billion, 2005 prices, UK)



Personal wealth has become more important as % of GDP (UK, 1950-2005)



Individual wealth distribution appears relatively stable over last 30 years (% shares, GB and UK, estate series)



... following a period of rapid inequality decline

(shares of marketable wealth, adults)

	Top 1%	Top 10%	Top 50%	<i>Gini coefficient</i>
1923	61	89		
1938	55	85		
1950	47			
1976	21	50	92	66
1985	18	49	91	65
1995	19	50	92	65
2005	21	54	94	70

1923 figures are England and Wales only; 1938 and 1950 are Great Britain (from Atkinson, Gordon and Harrison, 1986). 1976-2005 figures are for UK from HMRC. Figures are from estate duty for distribution between individual adults (old methodology).

And household survey data shows *lower inequality*

(Shares of household wealth, %)

	Top 1%	Top 10%	Top 50%	<i>Gini</i>
Financial and housing wealth (BHPS)				
1995	12	48	96	69
2005	8	39	90	59
Wealth in 2006-2008 on different definitions (WAS wave 1)				
Physical and financial	12	46	89	<i>Na</i>
Non-pension	11	41	90	59
Total (with private pensions)	12	44	91	61

Sources: Own calculations from British Household Panel Study (BHPS; Office for National Statistics, Wealth and Assets Survey (WAS). Figures refer to GB.

But the absolute gaps are huge (individuals, £000s, 2005 prices, HMRC)

	Average wealth of:			Bottom 50%	All (mean)	Median
	Top 1%	Next 9%	Next 40%			
1976	700	110	35	5	33	-
1980	690	130	37	7	36	14
1985	740	140	43	7	41	-
1990	1040	190	66	8	58	23
1995	1090	200	75	8	57	-
2000	1770	280	75	8	77	-
2005	2230	390	110	13	110	37

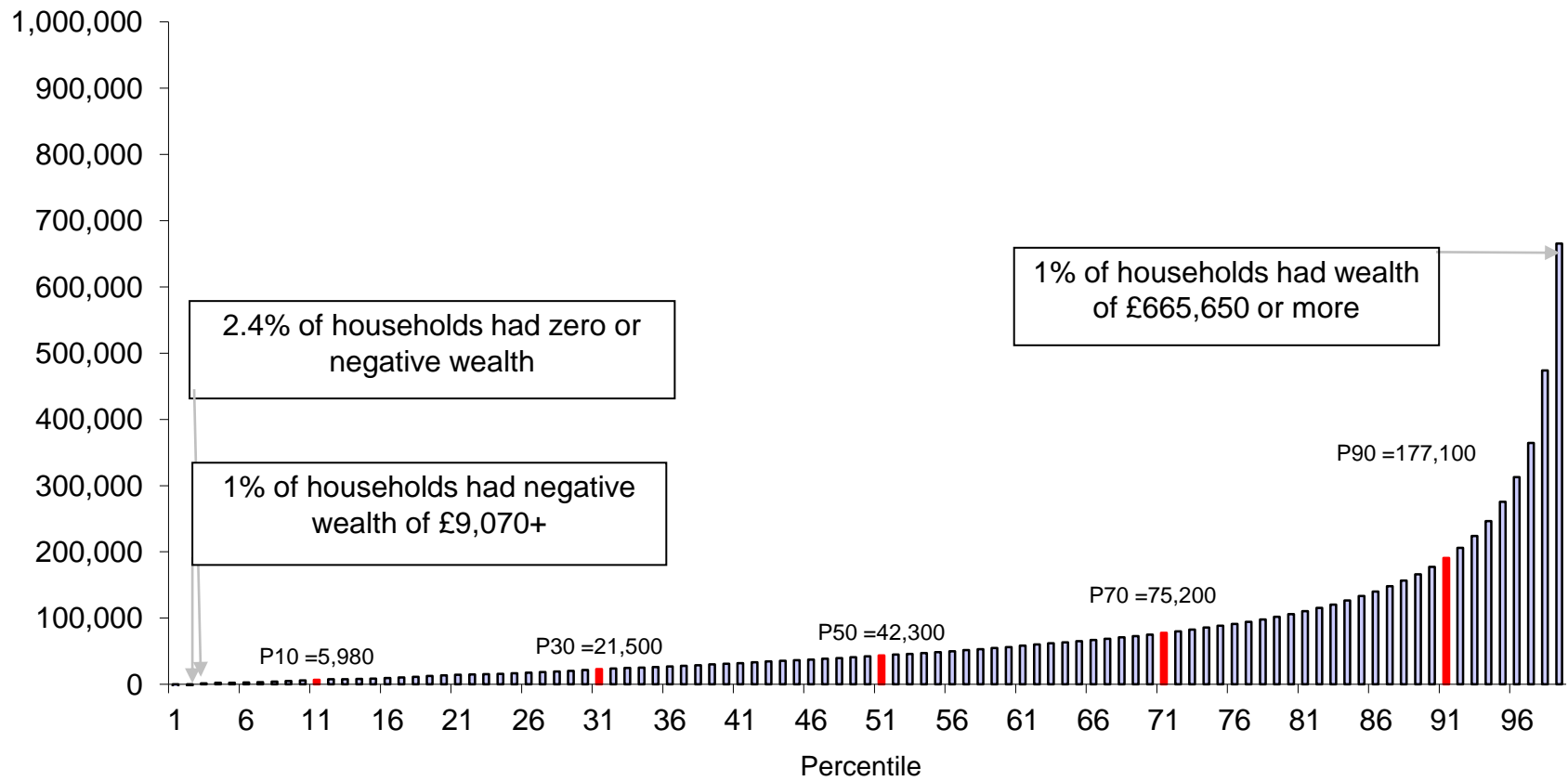
And absolute gaps have widened

(household wealth at different points in distribution, £000s, 2005 prices)

	P10	Median	P90	Mean
Financial and housing wealth (BHPS): levels (£000s)				
1995	-0.1	37	190	76
2005	0	110	390	160
Financial and housing wealth (BHPS): changes				
£000s	+0.1	+73	+200	+84
Change as multiple of median earnings	0	+3.1	+8.6	+3.6

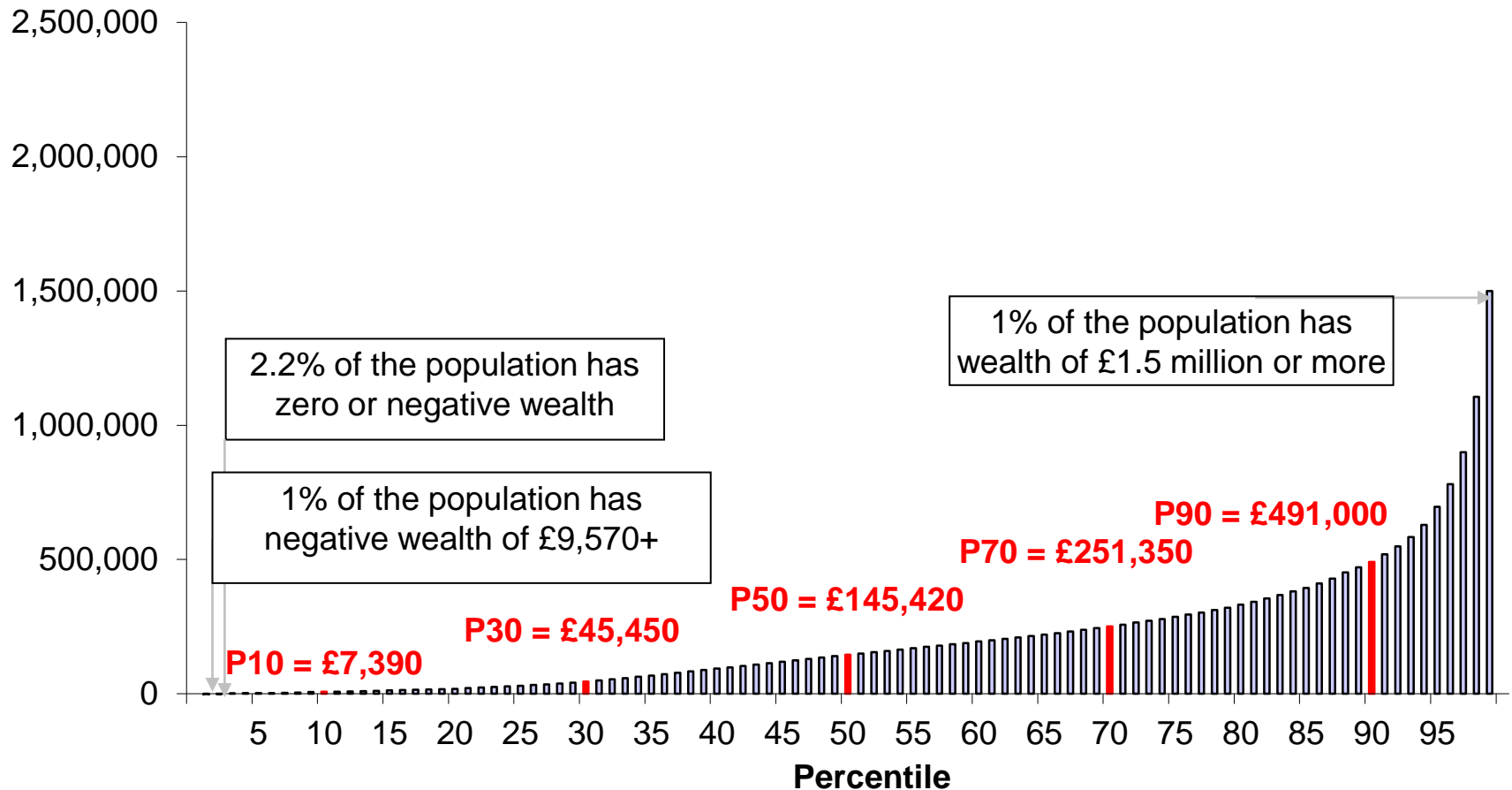
Source: Own calculations from British Household Panel Study (BHPS). Figures refer to GB.

Half of households had financial and property wealth over £42,300 in 2006-08. A tenth had over £177,000 and one per cent over £665,000.



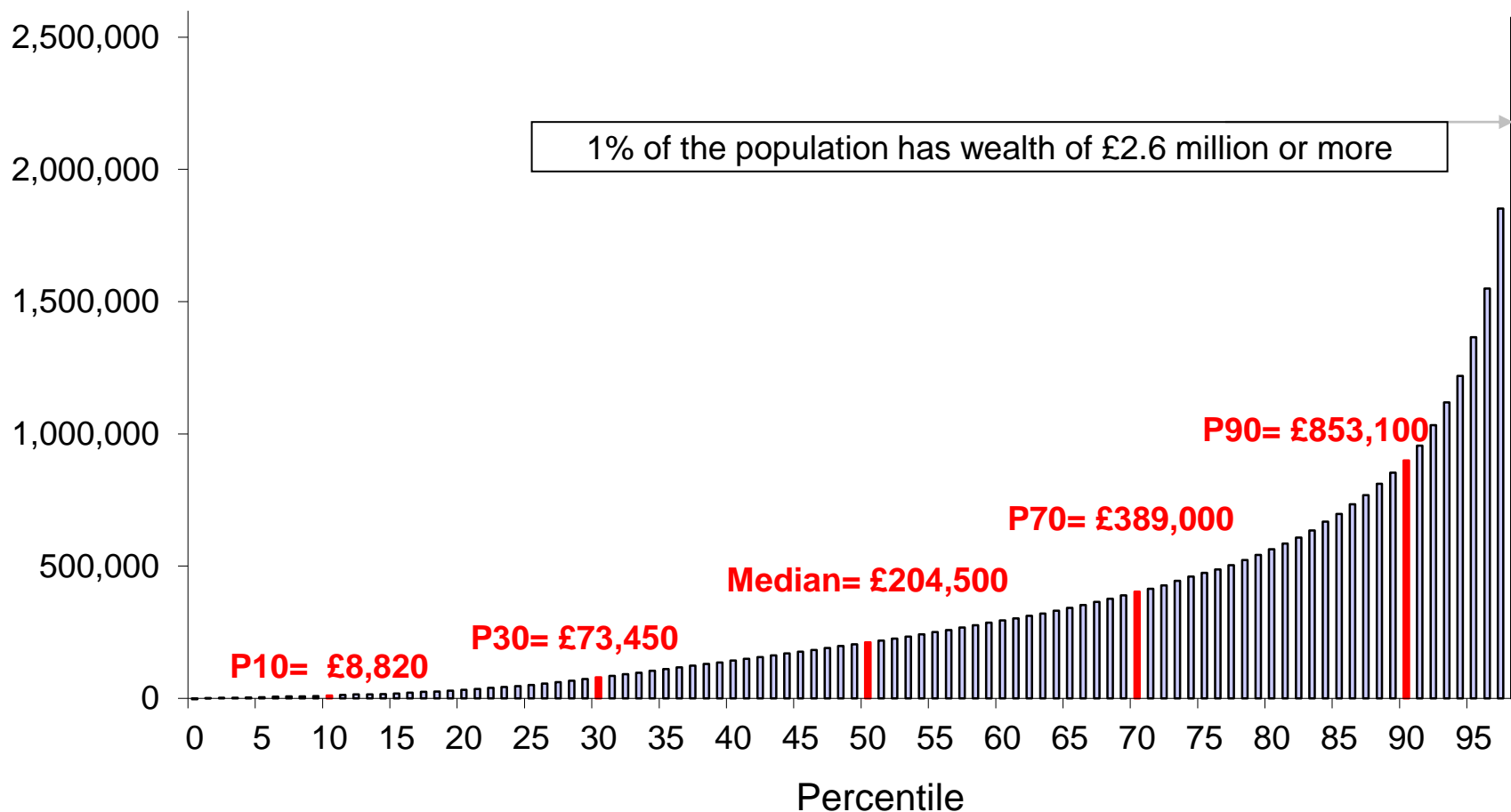
Source: National Equality Panel from ONS, based on Wealth and Assets Survey, 2006/08.

Half of households had total wealth (excluding pension rights) over £145,000 in 2006-08. A tenth had over £491,000 and one per cent over £1.5 million.



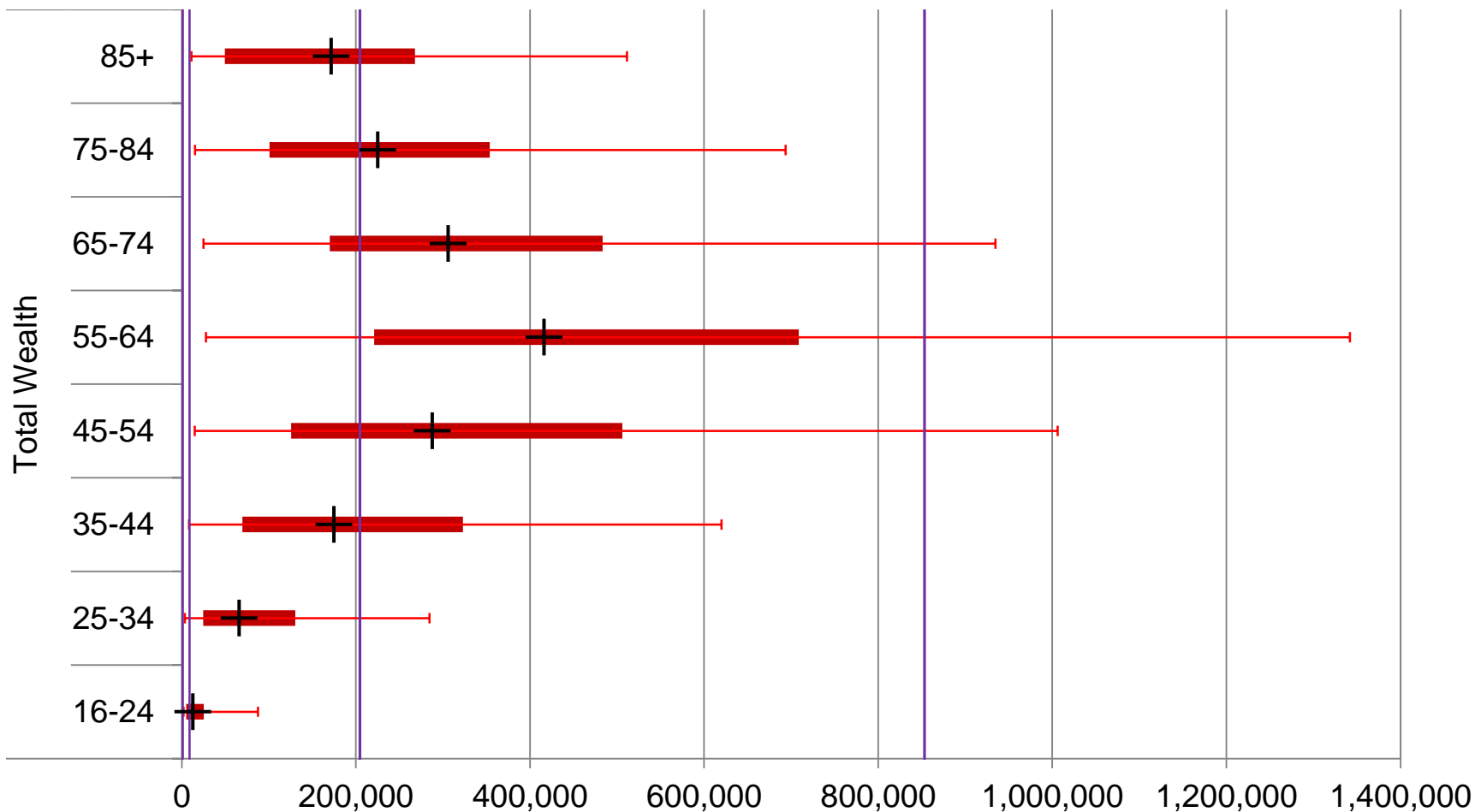
Source: National Equality Panel from ONS, based on Wealth and Assets Survey, 2006/08.

Half of households had total wealth (*including* non-state pension rights) over £200,000 in 2006-08. A tenth had over £850,000 and one per cent over £2.6 million.



Source: National Equality Panel from ONS, based on Wealth and Assets Survey, 2006/08.

The life cycle has a substantial effect, but there is substantial inequality *within* every age group (P10, P30, median, P70 and P90 for households by age)



Source: NEP from ONS Wealth and Assets Survey, 2006/08 (includes private pension rights).

It is not only property wealth that varies by tenure (£000s, 2006-08, WAS)

	P10	Median	P90	Mean
Financial and physical wealth				
Outright owner	20	75	290	130
Mortgage/loan	14	54	170	83
Private renting	2	15	73	33
Social tenant	3	15	47	22
Financial, physical and property wealth				
Outright owner	140	280	720	400
Mortgage/loan	56	180	480	240
Private renting	2	16	95	50
Social tenant	3	15	49	25
Total wealth (including private pensions)				
Outright owner	170	410	1,200	640
Mortgage/loan	75	270	870	410
Private renting	3	25	210	92
Social tenant	3	18	110	47

And differences approaching retirement are closely related to occupational social class (households aged 55-64, 2006-08)

	Total Household Wealth (£000s)		
	P10	Median	P90
Large employers and higher managerial	370	990	2430
Higher professional	290	910	2170
Lower managerial and professional	190	670	1720
Intermediate occupations	84	400	1070
Lower supervisory and technical	20	300	820
Semi-routine occupations	13	220	640
Routine occupations	8	150	520
All	28	420	1340

Source: National Equality Panel (2010) from ONS, based on Wealth and Assets Survey, Wealth includes financial assets, houses, and private pension rights.

Summary

- In 2006-08, ONS's Wealth and Assets survey put total household wealth at £5.5 trillion, £9 trillion including private pension rights
- HMRC's long-term series put total marketable wealth at £5 trillion in 2005, four times national income
- Wealth is far more unequally distributed than income: in WAS the 90:10 ratio is nearly 100:1, compared to around 4:1 for incomes and earnings
- On the HMRC series, in 2005 the top 10% of *adults* owned 54% of marketable wealth and the top 1% owned 21% (an average of £2.2 million, compared to median of £37,000)
- In WAS in 2006-08, the top 1% of *households* owned 11% of non-pension wealth and 12% of total wealth, including pension rights (with a lower cut-off of £2.6 million, compared to median household wealth of £205,000)

Summary (2)

- Wealth inequalities declined considerably up to the 1970s, but have been fairly flat since then, even falling after 1995 as the house price boom boosted 'middle' wealth relative to top wealth
- But it may be *absolute* inequalities in wealth and changes in them (eg in relation to average incomes) that matter, rather than the relative differences (as captured by Gini coefficients)
- While some of recent changes result from 'paper gains', they still give command over resources to support children and grandchildren during life times and through inheritance
- Wealth inequalities are closely related to – but by no means explained by – age and life cycle differences
- They are also closely related to housing tenure