

Two Decades of Changing Inequalities in the UK

Briefing from LSE's Centre for the Analysis of Social Exclusion (CASE)

Overview

- The assumption that economic inequalities have grown over the past two decades in the UK has often been used to explain political turmoil, such as the Brexit vote, with communities perceived to have been “left behind” voting against the establishment.
- However, new research from Dr Polina Obolenskaya and Professor John Hills, looking at two decades of inequalities data from across the UK, from 1995/96 to 2015/16, paints a far more nuanced picture.
- For instance, overall income inequality was broadly flat, contrasting with the rapid rise in the 1980s. But it is beneath the surface that the most interesting findings emerge. **Within individual groups – such as by age, ethnicity, region, housing tenure, and disability status – some emerge as big winners and others as significant losers.**

Key Findings

- The most pervasive change is that **younger adults lost ground to older ones** – whether looking at pay, household incomes, or wealth. While median hourly pay increased for all age groups in the decade 1995-2005, pay then *fell* for men and women in the age groups up to 30-34, but continued to grow for men aged over 54 and women aged over 34. And over the whole 20 years, **hourly pay grew by more than a third** for men and women aged 55 and over, but by **less than 20%** for those in their twenties.
- Those over Stage Pension Age did best: with typical (median) **real household incomes rising by more than 80%** (after allowing for inflation) over the two decades.
- But others fell behind as well after 2005, often the poorest within particular groups.
- Although typical lone parent incomes grew, the **poorest lone parents** (at the cut-off for the bottom tenth) saw only modest growth in income (after allowing for housing costs) in the first decade, which was almost reversed in the second. As a result, **the poorest lone parents saw overall real income growth of only 3% over two decades**, well behind that for the poorest of other family types.
- The data show large differences between regions and nations. Median household incomes (before housing costs are taken into account) rose fastest in the North East, London and the South West over the two decades, **while the South East and North West experienced a slowdown in the second decade**. And after housing costs (AHC) are allowed for, the second decade saw median incomes **fall in Wales**, the only region where this was seen.
- But the largest effects of rising housing costs were on the household incomes (AHC) of **the poorest Londoners** after 2005. While their income grew by 28% from 1995 to 2005, **it then fell by 14% between 2005 and 2015**, giving a rise of only 10% over 20 years, **lagging behind the poorest in other regions because of rising housing costs**.
- Wealth inequalities in London are even more dramatic. While wealth grew by 88% for the wealthiest Londoners (cut-off for the top tenth) over the two decades, it only rose by 14%

for the least wealthy Londoners, **so the '90:10' ratio reached an extraordinary 330:1 in 2014-16, vastly higher than anywhere else in the country** where the ratio varied between 50 and 80.

- There was **variation in income, wages and wealth changes by ethnicity** in the second decade. For White males, for example, hourly wages fell more than for all men, but White women's wages, household income and wealth grew more than for all women. Median wealth of Indian and Pakistani households grew more rapidly than for all households. Median Pakistani male wages and household incomes grew more rapidly than for the whole population, but female wages fell by more than 10%. Black Caribbean households saw rapid growth in income and wealth, but **Black African households became poorer, showing the clearest evidence of being "left behind"**.
- And in terms of disability status, in all the comparisons, **disabled people and households had lower levels of pay, income and wealth**. For example, median incomes (AHC) of adults reporting a disability in 2015/16 were only 77% of those who did not. Median hourly pay fell by 7% for disabled women in the second decade of the study, although rose by 5% for disabled men. Median non-pension wealth of disabled households *fell* by 7% between 2006 and 2014-16, while median wealth *grew* 12% for non-disabled households.

Conclusion

- The apparent stability in income inequality over the past two decades hides a far more complex reality, with significant changes and turbulence below the surface. In many cases **the nature and depth of economic inequalities have changed markedly for some groups**, with a number of groups "left behind" and experiencing marked and entrenched inequalities.
- These results offer evidence that should be taken into account as Government departments prepare their Spending Review submissions and all political parties consider what more needs to be done to better help those who have been 'left behind'.

These findings are published in the *Oxford Review of Economic Policy*, special issue on Inequality, July 2019, and are also available in SPDO research paper no 4 http://sticerd.lse.ac.uk/case/_new/publications/series.asp?prog=SPDORP