

**CASE 25 Anniversary – Celebrating John Hills
Poverty, Inequality and Social security**

An anatomy of Economic inequality: the work of the National Equality Panel

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Thank you immensely for this opportunity to celebrate John Hills' contribution to the field of inequality. It is really a great honour for me, having known John since I was a student here in 2000.

In this presentation, as clear from the title, I will focus on a specific project, the National Equality Panel, which John chaired between 2008 and 2010.

I will attempt to do so by telling a story of John's contribution to this specific project in four parts, starting from **where the NEP came from**, moving on to discuss **the process to establish the NEP** and **the process that was followed to carry out the task** and then, at the end, to discuss some of **the findings of the Panel** and the in which they have had an impact on the debate on inequality and on policy in particular.

1. The establishment of the NEP

Let's start with the origin of the NEP. It was launched in October 2008 by the R.H Harriet Harman, who, at that time, was Minister for Women and Equality.

So, why the NEP, how did it come about?

There were a couple of important events and circumstances that led to its creation. One is given by the political landscape, which was then characterised by the Blair-Brown succession and also by their "preceding" territorial dispute. What I mean will hopefully become clear in a moment but it is actually something that I remember well. In fact, between 2005 and 2007, I worked on the Equalities Review launched by the Prime Minister Tony Blair and chaired by Trevor

Phillips. Running in parallel to the Equalities Review, but not independent, was also the Discrimination Law Review, which focussed on changes to legislation in order to prepare the ground for the Equality Act 2010. The Equalities Review could not focus on economic inequalities, I believe for reasons of “territorial disputes” I referred to earlier: that was the remit of the Treasury while the Equalities Review was set up by the Prime Minister. I remember the frustration this created, not just amongst us working directly in the Review, but also when discussing with stakeholders. Nevertheless, I think that the Equalities Review – which saw the fundamental contribution of CASE, in particular of Tania and Polly – set up a novel way, for the Government at least, of thinking about inequality and measuring it. However, given the constraints I mentioned, it ended up being mostly a theoretical contribution, although it started to provide evidence, more consistently than previously done, about the range of equality characteristics, or equality strands as they were then referred to. But the fact remains that economic inequalities were beyond the scope of the Review. It was a clear, very evident gap that, soon or later, had to be filled. And indeed, the NEP focused solely on economic inequalities, which could not be part of the Equalities Review.

There were also other important events. Some of you may remember that Harriet Harman was not just Minister for Women and Equality in the Government led by Brown, but also Leader of the House of Commons and, additionally, Deputy Leader of the Labour Party. These latter two roles also were fundamental to the formation of the National Equality Panel. Why, How? When campaigning to become Deputy Leader of the Labour Party, Harriet Harman in various instances referred to the need to set up, or better to restore a Royal Commission to look at the widening income gaps. The Royal Commission on the Distribution of income and wealth ceased to exist in 1979. However, because of some arcane legislation, a Royal Commission can be set up only by a Secretary of State and Harriet Harman was not a Secretary of State, being the Leader of the House. So the NEP

was, in a way, the solution to the Minister's desire to restore the Royal Commission on the distribution of income and wealth.

[an aside note here, which I think is important when celebrating John's contribution to the field of inequality, is to say that Professor Atkinson served in the Royal Commission on the distribution of Income and Wealth. The link between these two eminent scholars of inequality was mentioned by lord Stern in another event commemorating John a few months ago]

John was of course fully aware of these political dimensions that led to the NEP and I remember very well how his understanding of the work done by the Equalities Review previously, the Minister's desire to restore the Royal Commission, as well of course, his knowledge of the evidence – on which I will come back in a moment (John had produced, back in 1995, the Joseph Rowntree Foundations' Inquiry into Income and Wealth), all this shaped the establishment of the National Equality Panel, its Terms of Reference and its composition, to which I now turn.

2. The NEP initial process

The National Equality Panel was composed of 10 members, including John as chair, all academics. This is worth emphasising because it reveals the objective to obtain and develop the best evidence available. Indeed, its remit did emphasise the evidence gathering and research side and the need to “provide an independent analysis of the evidence”. The TOR also said that the NEP should “provide advice to Government – please note here the wording, which I remember discussing with John - on the implications for the direction of policy”. So, a strong emphasis on independent research and analysis of the evidence, no specific policy recommendations but, instead, advice on the implications for the direction of policy.

Another aspect of the terms of reference that is worth remembering reflected John's deep understanding of the evidence in three ways: one, the evidence that was already easily available; two, the evidence which required more effort and three, that which would have been ambitious to obtain but still worth trying - all this is reflected in a kind of matrix that we discussed with John at that time. We had the various equality groups/ strands: gender, age, disability, ethnicity, sexual orientation, religion and belief. Then we had the need to look at intersectionality between these different groups. John knew that some data would not be available, or that we would run quickly out of explanatory power once you looked, for instance, at the economic outcomes by gender, age and ethnicity together.

In order to address this and increase the possibility of providing insights on intersectionality, other characteristics were added, for which there was evidence about their relationship with economic inequalities: social class in particular - I will come back to this later - but also housing tenure, area deprivation and also nation and regions. Then we had the economic outcomes. The TOR referred to employment, income and wealth but the report ended up looking at education, employment, wages and earnings, individual income, household income and household wealth. It also looked at social mobility as this provided a clear link to the need to understand the process of disadvantage during the life cycle.

I remembered also when we shared the ToR with John that the suggestions he proposed, included the specific one on using the wording "advice on the implications for the direction of policy", made it possible to structure the work in a very effective manner, meaning in a way that facilitated solid analysis, while at the same time delivering on the key policy/political objectives. I reflected on this, at the end of the process when reading the Forward to the report written by the Minister and her reference there to "important work carried out to a high standard of professionalism", and how the often-cited tension (if not trade-off) between rigorous evidence and policy and political objectives could very often be resolved. I think an important message from John's approach is the need to strive

to combine as effectively as possible a solid understanding of the evidence with policy making. He was a true believer that evidence-based policies can have an impact, they can change things.

Finally, on the initial process, it is also worth remembering John's diplomatic skills in proposing a balanced and effective panel composition. Again, this was not an easy task when considering the scope of the work to be carried out, the possible gaps in evidence to be filled, the need to have expertise across the wide range of equality characteristics, economic outcomes and the various dimensions the panel looked at, and also the UK-wide focus of the panel. So John's proposal was easily accepted by the Minister and all members, when contacted, were all extremely favourable to join the panel. I think it is important to mention them here, also because it shows John's sensitivity to various needs without compromising on robust evidence and also his willingness to open up opportunities to many. So we had Mike Brower (at the IFS at the time), Steven Jenkins (at ISER then), Ruth Lister (at Loughborough then), Ruth Lupton (at CASE), Steve Machin (at UCL), Colin Mills (at Oxford) Tariq Modood (at Bristol), Teresa Rees (at Cardiff) and Sheila Riddell (at Edinburgh). These were invited for their expertise on the economic outcomes the NEP covered, as applied to one or many of the equality groups, the geographical coverage and also, to ensure a full perspective on the social mobility debate, quite heated at that time, between sociologists and economists, which was summarised in Chapter 10 of the report.

3. The NEP working process

How did we go about it then? I will be brief on this aspect of the process, given time, so I can devote a bit more attention to the findings, their implications and the legacy of the Panel. I will point out to two aspects, about which John was very keen from the outset when we discussed the programme and the ways of working:

- a) The active engagement of Panel members in the evidence gathering and analysis. That meant not just engagement with the evidence that was put in front of them during the meetings, or in attending visits or organising visits to their own research centres, but also engagement in directly producing specific evidence they had expertise on. The report contains findings of research directly carried out by Panel members.
- b) Visits to key research centres and government departments across the UK but also events with equality groups and NGOs. We completed 24 such visits, when we heard and collected an incredible amount of evidence, which was extensively used in the final report.

This process resulted in the Report *An anatomy of Economy Inequality in the UK*. I also remember the discussion with John on the vision for the report, the title and also the cover page. He did want to show the map of the UK overlapping a scan of a body, a vertebral column with the box plots representing the vertebrae. In fact, the title and the associated cover reflected the fact that the report aimed to show a full scan of the extent of economic inequality in the UK, the focus on distributions and gaps, the “medical” association was also an attempt to the seriousness and importance of the task. On reflection, this reminds me now also about another interesting link with Professor Atkinson’s famous presidential address to the RES in 1996, where he raised the need to “bring the income distribution in from the cold”.

4. Findings and legacy

So, what was in the report, in particular what were the key findings from this scan of economic inequality in the UK? I will focus on just a few of them, which will help me to discuss the policy implications, or better, the implications for the direction of policy.

First, it is very interesting I think to note that one of the main conclusions is actually at the very beginning of the report, in the title of the first section of the first, introductory chapter, which reads “Inequality matters”. John was very adamant that the report, straight away, engaged with the issue of whether economic inequalities were inevitable in a modern economy, functional in creating incentives that promote overall economic growth. The conclusion, I think very robust, from the evidence analysed by the Panel was clearly that, for instance, comparisons with other equally or more economically successful countries, but with lower inequalities, undermine the arguments about the inevitability of the extent of inequalities that were documented in the report. Moreover, the view that greater equality would stifle diversity has to be set against the counter view that it is inequality that suppresses the ability of individuals to develop their talents. When large disparities in material rewards are used as the yardstick of success and failures, it is hard for those who fall behind to flourish.

Second, inequalities matters but also public policy matters. Governments have options. Certain outcomes are not inevitable and policy interventions in the past have shown that the kinds of differences described in the report are not immutable. This message, as mentioned earlier, was very important to John. Also, on reflection, there is a very good link here to an important message in Professor Atkinson’s latest book titled “Inequality – what can be done”.

Third, the report mapped in detail, I think for the first time, the relationship between inequalities in people’s economic outcomes and their characteristics and circumstances. From this detailed mapping, which at the time I think it is fair to say that it was against a backdrop of ignorance on the scale of inequality in those dimensions, I select two specific findings:

- a) One, which showed that the inequalities in outcome within each social group, however the population is classified, were much larger than those between groups. In other words, averages can be misleading, as there is quite a lot of variation around them. For instance, yes there is still a substantial pay gap between men and women that needs to be addressed, but there is also a much larger gap between low paid and highly paid women, and also between low paid and highly paid men. Achieving a more equal society then would require not only narrowing gaps between average outcomes for particular groups (such as between men and women, to continue with the same example) but also would require gaps to be narrowed between the more and the less disadvantaged within each social group. Now, this was a strong, powerful suggestion to look beyond averages, at the whole of the distribution of outcomes, trying to understand who, for instance, are the low paid and highly paid women, or men. Therefore, strong evidence for analysis of intersectionality, the need to consider, for instance, gender alongside other characteristics. The link between the extent of within group inequality and the case for intersectionality was, I think, one of the key messages of the NEP.
- b) The report also showed very clearly how economic disadvantages reinforced across the life cycle. John, in various dissemination presentations that followed the launch of the report, liked to say that the evidence showed “the long arm of people’s origin shaping their life chances, stretching through life stages, literally from cradle to grave”. I also remember how keen he was on emphasising the findings that total wealth for managers and professionals at the top of the wealth distribution when they were in their early sixties was around £2.5m, while that of routine workers at the bottom of the distribution was around £8000. Of course, he pointed out, these wealth differentials are associated with opportunities, such as ability to buy houses in catchment areas of the best schools, to

afford private education and so on, and also to point out that moving up a ladder is very hard when the rungs are so further apart and those who start higher up the ladder will, unsurprisingly, fight harder to make sure their children do not slip down. But he was also very keen to point out – and I remember this again distinctly in one of the final meetings we had with the Minister, that this process was not deterministic and policies could affect it one way or the other.

Conclusion

To conclude, I would like to reflect about the legacy of the NEP's work that John chaired. These are just my personal reflections and I have never, unfortunately, discussed about the NEP's legacy with John so I am not sure what he thought about it.

However, I think there was the immediate impact on equality legislation and that was quite clear, particularly on the “famous” Clause 1 of the Equality Act 2010, which placed a new duty on key public authorities to consider how they can reduce the inequalities of outcome which result from socio-economic disadvantage. What has happened to the implementation of the duty under the Coalition Government is of course another matter. So, of course, the legacy was affected by the change in Government soon after the NEP completed its work.

There was of course the ground-breaking mapping of various kinds of inequalities between different social groups – some of which had never been done before – for instance we did convince the Government to produce statistics for the report on household income and wealth by ethnicity and social class.

However, the Coalition Government also started to publish the distributional impact of the Budget measures and I like to think that initiative was also informed by the work that the NEP did, particularly around the use of the data on household income.

Finally, a more personal note on the immense impact that the experience of working with John. His approach, his knowledge, his way of communicating that knowledge, of engaging with all kinds of stakeholders, whether equality-based organisations from all backgrounds and perspectives, junior civil servants, ministers individually or in the Cabinet as a whole, John was really special. I think that to deliver on the task, which by the way was carried out in less than 14 months, given its scale and complexity, is great testament to John's ability to engage, create, analyse, interpret evidence and bring all kind of inputs together in a consistent, incisive and yet innovative way. He emanated trust, at the basis of which was, I think, principled honesty.

Thank you very much again.