

How unequal is the UK?

IN BRIEF:

Inequality has become a hot topic in the UK, and there is a huge amount of evidence that inequality is extreme and increasing...

1 From 2015 – 2016, the average incomes of the chief executives of the largest 100 companies in the UK increased by 10% from £4.96 million to £5.48 million.¹ The average annual salary in the UK is £27,600.²

2 The combined wealth of Britain's 1,000 richest people has doubled in the last decade to £547 billion in 2016.³

3 The average income of the top fifth of households is 14 times the income of the bottom fifth.⁴

4 Two thirds of children in poverty in the UK are now growing up in a household where someone is working.⁵

5 Of the 1,109,309 emergency three-day food packages were provided to people in crisis this year by Trussell Trust, 415,866 went to children. In 2009-2010, 40,898 emergency packages were provided.⁶

6 Government cuts have had a disproportionate adverse impact on low income groups. It's estimated that 61% of those hit by the extended benefit cap will be female single parents.⁷

7 If the minimum wage had risen as quickly as house prices, it would be £14 in London and £10 in the rest of the UK.⁸ The minimum wage is currently £7.20.

8 Three quarters of all homeowners are over 45, while the number of 16-25 year olds owning houses has almost halved since 1998.⁹ According to Shelter, by 2020 first time buyers in London will need a £138,000 deposit.

9 In the UK, the poorest 10% of households paid on average 46.8% of their income in tax in 2014-15, while the richest 10% of households paid on average 34.4% of their income in tax.¹⁰

References

1. High Pay Centre (2016)

2. ONS (2016) 'Annual Survey of Hours and Earnings: 2015 Provisional Results'

3. The Sunday Times Rich List (2016)

4. ONS (2016) 'The effects of taxes and benefits

on household income: financial year ending 2015'

5. IFS (2016) 'Living Standards, Poverty and Inequality in the UK'

6. The Trussell Trust (2016)

7. DWP (2016) 'Welfare Reform and Work Act: impact assessment for the benefit cap'

8. NEF (2016) 'House prices have risen twice as fast as earnings: here's why'

9. Resolution Foundation (2016) 'Living Standards 2016'

10. The Equality Trust (2016) 'UK Taxation—Unfair and Unclear'

What can we do about inequality?



There is now political consensus on the need to address inequality. Policies to tackle inequality must address the root causes if we are to have a sustained drop in levels of inequality in the UK. Furthermore, the interconnections between the different drivers mean there is no silver bullet for tackling economic inequality. A bold package of interventions is required, and Class will be working on the detail of policy solutions in the months ahead. Here are six areas to start.

Dr Faiza Shaheen, Director of Class

1

Narrow the difference between top-to-bottom earnings and rebuild the link between economic prosperity and wages. Ensure workers have a collective voice in workplace decision-making by law; establish a Department of Labour tasked with restoring wages in the economy and improving working conditions; establish a stronger wage-floor to eliminate in-work poverty; and enforce pay ratio reporting to address wage differentials.

2

Good job creation across the UK. Co-ordinate and co-produce a national industrial strategy; establish a state investment bank with regional focus; funding for better jobs and training to guarantee full employment; and reform business to ensure workers have a collective voice.

3

Universal provision of high-quality childcare that is affordable for all. High-quality childcare can transform life opportunities for children and will help to address unequal starting points. We need public funding to support the supply of childcare in order to cap family childcare expenditure; increased standards of training and qualifications to ensure childcare is always high quality; and better working conditions for childcare workers, including a Living Wage, stable contract hours and career and pay progression opportunities.

4

A fairer, more progressive tax system. Strengthen legislation and resources to abolish tax avoidance and evasion; implement and co-ordinate more progressive income and wealth taxes; establish a Land-Value Tax; and shift the tax burden onto environmentally unfriendly activities through green taxes.

5

Access to valued careers for all with opportunities for progression and skills development. To help tackle polarisation in the labour market we must consider ways to rebuild the middle. To do this we must consider the opportunities for non-graduates to increase their skills. Policy fixes include: promoting pooled training investment by sector; investing in incentive structures to improve high-quality management skills at different levels; using state support to ensure apprenticeship schemes lead to progression at work across more industries; and establish better education, training and employment links at the local level.

6

Build affordable housing and restrict buying to UK taxpayers (including individuals, government institutions, charities, companies domiciled in the UK and entrepreneurs bringing direct investment in to the UK). The current problem of housing is a problem of both demand and supply. Housing wealth is now a key driver of inequality, and prime real estate has become a store of wealth for the international elite – an elite that is too often hiding money in tax havens. While we are in desperate need of new and truly affordable housing, especially in London, a programme of house building alone will not solve the problem. We need to have much stricter parameters on who can buy housing in the UK.



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