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POLITICAL SCIENCE ■

Falling Behind, Getting Ahead: The Changing Structure of Inequality in the UK, 2007-2013

John Hills, Jack Cunliffe, Polina Obolenskaya
and Eleni Karagiannaki



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About this Report

The report is part of CASE's research programme [Social Policy in a Cold Climate](#) (SPCC), funded by the [Joseph Rowntree Foundation](#), the [Nuffield Foundation](#), and [Trust for London](#) being undertaken by a team of researchers from the LSE and the Universities of Manchester, Essex and York. The programme as whole is designed to examine the effects of the major economic and political changes in the UK since 2007, particularly their effects on the distribution of wealth, poverty, income inequality and spatial difference.

A summary version of this paper is available at <http://sticerd.lse.ac.uk/dps/case/spcc/SRR05.pdf>. Further detailed tables and breakdowns, and an interactive web-tool for their analysis will be available on: www.casedata.org.uk.

List of authors

Jack Cunliffe is a Research Officer at the Centre of Analysis for Social Exclusion, LSE.

John Hills is a Professor of Social Policy at LSE and Director of the Centre for Analysis of Social Exclusion

Eleni Karagiannaki is a Research Officer at the Centre of Analysis for Social Exclusion, LSE.


Polina Obolenskaya is a Research Officer at the Centre of Analysis for Social Exclusion, LSE.

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Summary

This report contains a detailed examination of the qualifications, employment, pay, incomes and wealth of different groups since the economic crisis. It shows that the legacy of the crisis has not fallen evenly. Across a range of outcomes, people in their twenties have lost most, despite higher qualifications than any earlier generation.

- By 2013 more than a third of those in their thirties had a degree, and those in their twenties were on course to become even better qualified. But full-time employment fell by 10 percentage points for men and 8 points for women aged 20-24 between 2006-08 and 2013.
- Hourly wages and weekly earnings fell fastest the younger workers were. This affected the highest-paid under 35, as well as the lowest-paid. After allowing for housing costs, typical incomes for those in their twenties in 2012/13 were 18 per cent lower than five years before.
- Wealth changes tilted against younger households. By 2010-12, median total wealth for households aged 55-64 had grown to £425,000, but had fallen to £60,000 for those aged 25-34. To bridge the £365,000 gap would require young households to save or make pension contributions of £33 for every day for thirty years.
- Social tenants fared worst in the labour market. By 2013, fewer than half of adults in social housing were employed or self-employed. But allowing for increased rents, incomes of private tenants fell fastest from 2007/08 to 2012/13, down by 13 per cent in real terms.
- Employment fell less in London between 2006-08 and 2013 than in other regions, but London still had the joint lowest employment rate in 2013, and the gaps between low-paid and high-paid Londoners grew fastest. After allowing for housing costs, the lowest-income Londoners were 18 per cent worse off in 2012/13 than five years earlier. The top tenth of London households had total wealth over £1 million, but the bottom tenth less than £6,300.
- Experiences of ethnic groups varied considerably. A smaller proportion of White working-age adults now have degrees than of any other group apart from Bangladeshis. But White men had the smallest rise in unemployment and a much higher proportion of White adults are employed than of other groups. Chinese and Indian households now have the highest wealth.

1. Introduction

In 2010 the then government published the report of the National Equality Panel, *An Anatomy of Economic Inequality in the UK* (Hills, et al., 2010). The Panel had been asked to look in detail at the way that economic outcomes varied between people with different characteristics and circumstances, particularly the ‘equality’ characteristics defined in national legislation, such as gender and ethnicity. The report looked at differences not just between groups, but also at differences *within* groups defined in each way. The outcomes covered included educational qualifications, employment patterns, hourly wages, weekly earnings, individual incomes people receive in their own right, incomes based on the total net income of the household in which they live, and household wealth.

The data available to the Panel mainly related to period between 2006 and 2008, centred around 2007. In other words, it showed what the anatomy of inequality in the UK looked like immediately *before* the financial and economic crisis and subsequent ‘great recession’, as well as before the change of government in 2010. Much has changed since then, including a profound economic recession, which we already know affected some people more than others. We now have much more recent data. In this report we use detailed data from 2013 (or the financial year 2012/13 in the case of household incomes or July 2010-June 2012 for wealth) to show how different groups have been affected over the six years: which groups have been falling behind and which getting ahead? More than that, how have inequalities changed within those groups: where a group has lost out has this been to the same extent for its poorest members and its richest ones?

We have compared the positions around 2007 and 2010 as well as around 2013. In total we have therefore a mass of data looking at different outcomes, different breakdowns and for three years. Even in a report of this length we have had to be highly selective, so tables giving all of the available breakdowns for each year will be available on the website, www.casedata.org.uk, with an interactive tool that allows users to produce the particular graphs and comparisons in which they are most interested. We concentrate in this report on seven economic outcomes: the highest qualifications of the working age population; employment patterns; hourly wages and weekly earnings for those who are full-time employed; people’s net incomes based on those of the household in which they live both before and after housing costs; and household wealth (concentrating in most of the comparisons on non-pension wealth). The first four of these are based on Labour Force Survey data for the calendar years 2006- 2008 (adjusted for inflation where appropriate and averaged), 2010 and 2013. The income data, using the ‘Households Below Average Income’ (HBAI) dataset based on the Family Resources Survey compare the financial years 2007/08, 2010/11 and 2012/13 (the latest currently available). The wealth data, based on the ONS Wealth and Assets Survey, relate to two year periods starting in each of July 2006, July 2008 and July 2010. In a related project, we have been examining changes in *individual* incomes from different sources, going to people in their own rights, comparing pooled data from the Family Resources Survey from the period 2005/06 to 2007/08 and the period 2009/10 to 2011/12. Those will be reported separately, but some headline results are included in Section 3, where we look at changes by age and by gender.

We have also had to be selective in the characteristics for which we present changes since the period covered by the National Equality Panel analysis.¹ In Section 2 we look at changes for the

¹ The detailed tables that will be available on our website also look at labour market outcomes by religious affiliation, occupational social class, and whether people report that they are in a same sex couple. They also analyse wages and earnings for part-time as well as full-time employees. A more detailed background paper

population as a whole and by gender (we also break down labour market results in later sections by gender). In Section 3 we look at differences in outcomes between age groups, in Section 4 between groups by ethnicity, in Section 5 by housing tenure, in Section 6 by region, and in Section 7 by disability status.²

To make all of this accessible our main presentations focus on percentage changes between 2007 and 2013, with the bars showing the changes divided between those before and after 2010.³ We show real changes in wages, earnings and incomes.⁴ In the graphs we show changes at the median (middle) for each group, near the bottom of its distribution (the tenth percentile) and near the top (the ninetieth percentile), and in some cases at intermediate points. This allows us to show whether the changes have affected better-off and poorer members of the group in the same way as those in the middle of it.⁵ For each breakdown we also show as a figure or a table the values reached in the final year. Where these are for money values we show the median levels of the outcome being examined and what has happened to inequality within that group using the '90:10' ratio – the amount going to someone at the ninetieth percentile as a proportion of the tenth percentile for the group.

While there are inevitable technicalities in how we describe the derivation of our results, the picture they show has more straightforward implications. The crisis and its aftermath have not affected everyone equally. The fall in employment and rise in unemployment was not uniform. Wages and earnings have fallen more for the low-paid than for the high paid in many cases, but up to 2012/13 (before many of the most important recent social security reforms and cuts), some of those with low incomes were protected by benefits – although not against rising housing costs. Wealth gaps have increased.

As Section 3 sets out, there have been major differences between age groups, with the position of those in their twenties deteriorating sharply, despite their higher levels of qualifications than any previous generation, while some older age groups have had real increases in their earnings and incomes despite the recession. Experiences have varied sharply between ethnic groups. The labour market position of social tenants deteriorated even compared to their already weak position, but the incomes of private tenants after allowing for their increased rents have fallen fastest. Some Londoners

(Obolenskaya, forthcoming) will also analyse these changes in more detail than was possible here. The tables available on-line also show breakdowns for net incomes by occupational social class, and those for wealth by occupational social class, religious affiliation, household composition, and area deprivation (as measured by the Index of Multiple Deprivation). The on-line tables show breakdowns for wealth on three definitions (see Section 2), whereas most our analysis in Sections 3-7 focuses on non-pension wealth.

² The comparisons we can make over time are affected by changes in the survey questions and definitions used to define disability status, so should be treated with caution in some cases.

³ For changes in qualifications and employment position, we only show a bar for a particular group if the change is statistically significant (at the 10% level). The various distributional statistics for any continuous outcome (e.g. earnings, wages, all forms of income and wealth) in this report are reported based on the following rules: for any grouping if sample size less than 30 nothing is reported; if sample size between 30 and 100, we report the median and mean only; if sample size between 100 and 200, then we report P30 (thirtieth percentile), median, mean and P70; if sample size 200 or over, then we report P10, P30, median, mean, P70 and P90.

⁴ For wages and earnings we adjust by the Consumer Prices Index (CPI). The results therefore differ somewhat from those we presented in an earlier interim analysis up to 2010 (Hills, et al., 2013), which used the Retail Prices Index (RPI) for price adjustment. The results for net incomes based on analysis of the HBAI dataset use the Department for Work and Pensions' bespoke index derived by ONS from the RPI excluding Council Tax for incomes before housing costs, and the RPI excluding housing for incomes after housing costs. The changes (both percentage and absolute) in wealth levels are in nominal terms, unadjusted by any price index.

⁵ The data we use are cross-sectional, not longitudinal, so we are comparing different people who are at the same points in the distribution in each year, not what has happened to the same individuals over the period.

have survived better than elsewhere, but London has become even more unequal. The differences between the economic positions of disabled people and others remain profound.

These differences in economic fortune and misfortune over the last seven years will form a key part of the social inheritance of whatever government is elected, or re-elected, in the coming General Election.

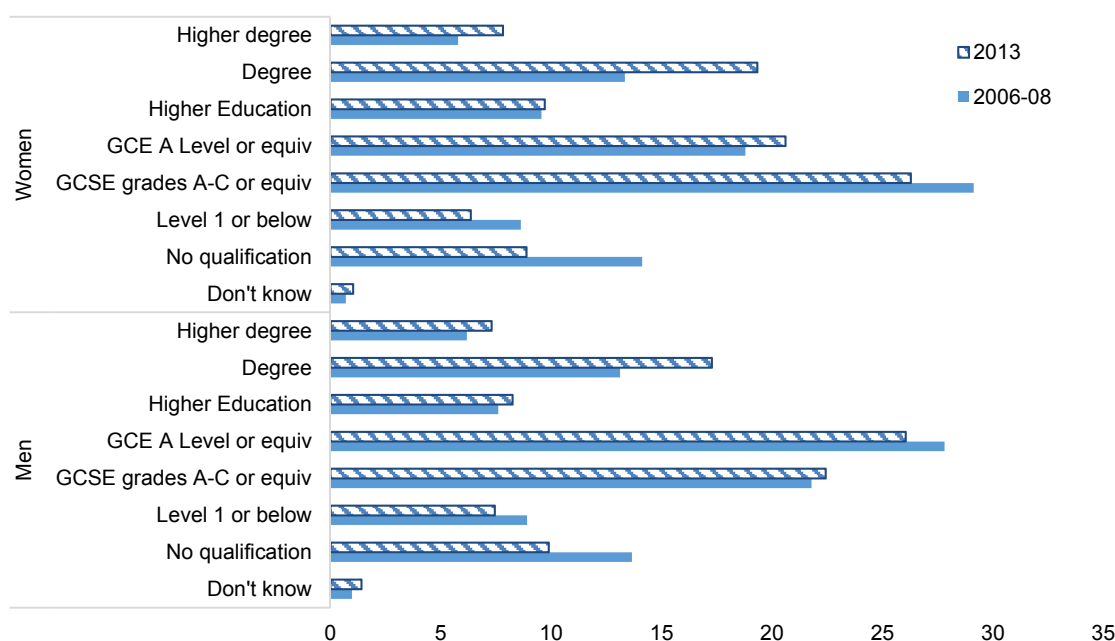
2. Overall changes in outcomes 2007-2013: Whole population and by gender

Qualifications of the working population

It is now a commonplace to assume that economic success depends on people's skills and training, and that differences in these, as indicated by qualification levels, lie behind much of the inequality we observe. In different times, one might therefore have expected that the pattern of rapidly improving qualification levels of the working age population shown in Figure 2.1(a) and (b) to have been associated with more prosperity. In fact, of course, it coincided with the economic crisis and its aftermath.

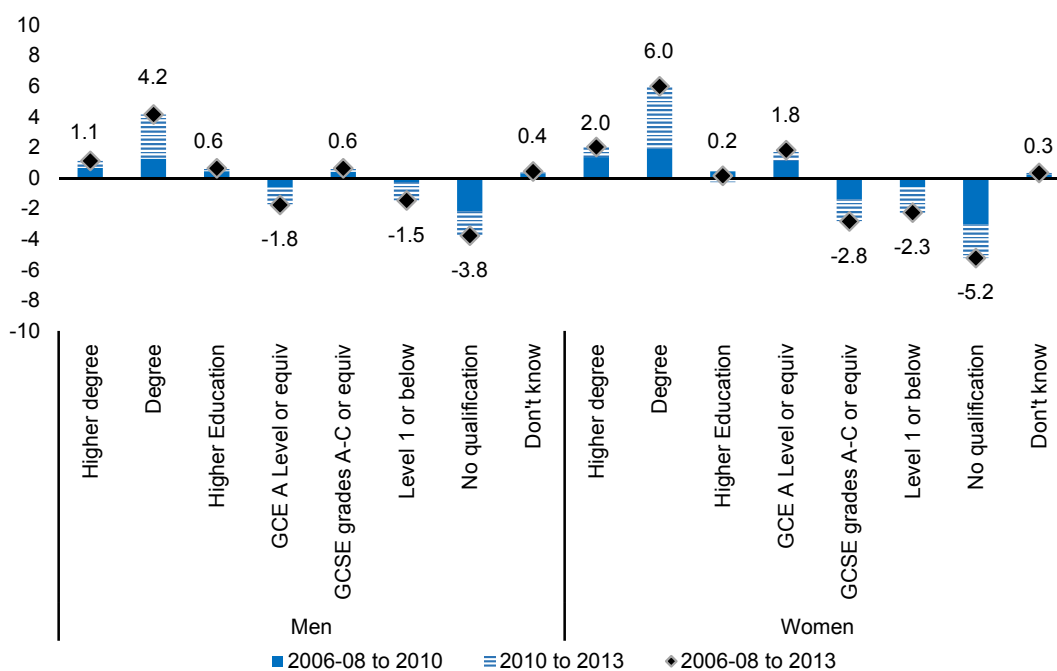
None the less, these changes – and those explored in more detail in later sections by other characteristics – are an important part of the backdrop to the way other inequalities have changed. Between 2006-08 and 2013 the proportion of men of working age with a degree or higher degree rose by more than 5 percentage points; for women the rise was 8 percentage points. By 2013, that meant that 25 per cent of men and 27 per cent of women had a degree or higher degree. Conversely, the proportion of men with qualifications below GCSEs at A-C (or equivalent) fell by 5 percentage points for men, and 10 percentage points for women. Women of working age are now better qualified than men, with more having degrees and 37 per cent now having higher education qualifications of some kind, compared to 33 per cent of men, although if the threshold is taken as A levels, men retain their advantage.

Figure 2.1(a): Highest qualification of working age population by gender, 2006-2008 and 2013 (% , UK)



Source: Labour Force Survey.

(b) Changes in highest qualifications by gender, 2006-08 to 2013 (% points)



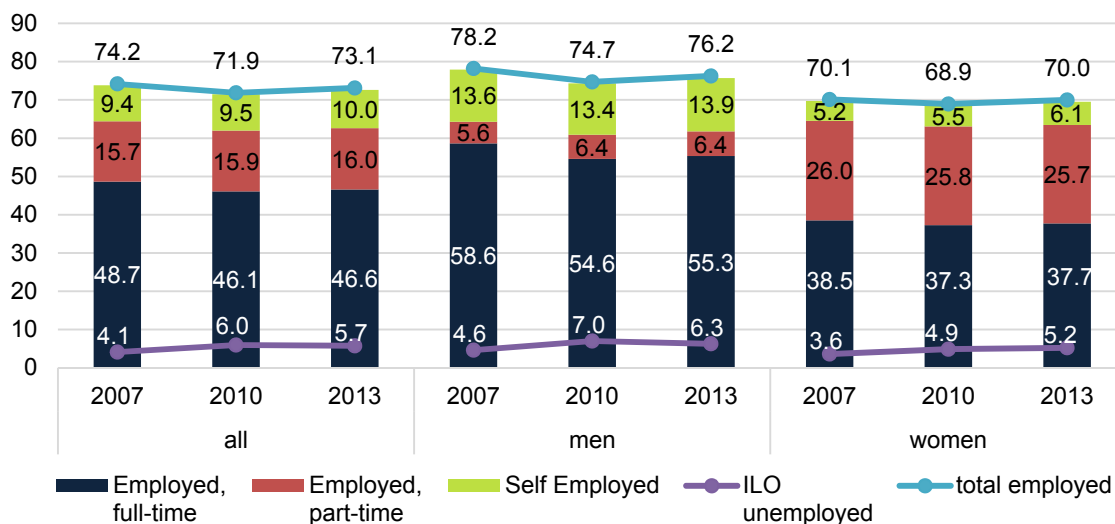
Source: Labour Force Survey. Figures cover working-age population, taken here as aged 16 to 59 for women and 64 for men, (for consistency, despite rise in women's State Pension Age from 2010 to reach above 61 by the middle of 2013). In the National Equality Panel report, and in our interim update to 2010, the starting point of the working age population was also taken as 16. All the changes reported in this figure are statistically significant (at the 1% level), apart from the proportion of women whose highest qualification is 'higher education' (which is insignificant).

Employment status

Employment patterns deteriorated sharply between 2006-08 and 2010, with a limited recovery by 2013. Figure 2.2(a) shows unemployment and the breakdown of employment status for those of working age who were economically active, and Figure 2.2(b) changes in the composition of economic inactivity. Overall employment of any form dropped by 2.3 percentage points from 2006-08 to 2010, recovering half of the loss by 2013. However, within that male full-time employment fell by 4 percentage points in the first period, only recovering by 0.7 points by 2013. For women, the initial drop in full-time employment was smaller. Self-employment and part-time work grew for men, and self-employment for women. Strikingly, by the end of the period, virtually the same proportion of women were employed (70 per cent) as at the start, but for men employment had fallen by 2 percentage points to 76 per cent. Male unemployment was up from 4.6 to 6.3 per cent by 2013 and for women by the same amount from 3.6 to 5.2 per cent. However the time patterns differed: while male unemployment fell after 2010, female unemployment rose. Over the period as a whole, female economic inactivity dropped from 26.3 to 24.8 per cent, with the majority of this accounted for by the fall in the proportion of women who were "inactive looking after family or home".

Looking at the patterns overall then, men were worst hit by the recession in the first period, but gained more in the partial recovery, although they still lost most overall.

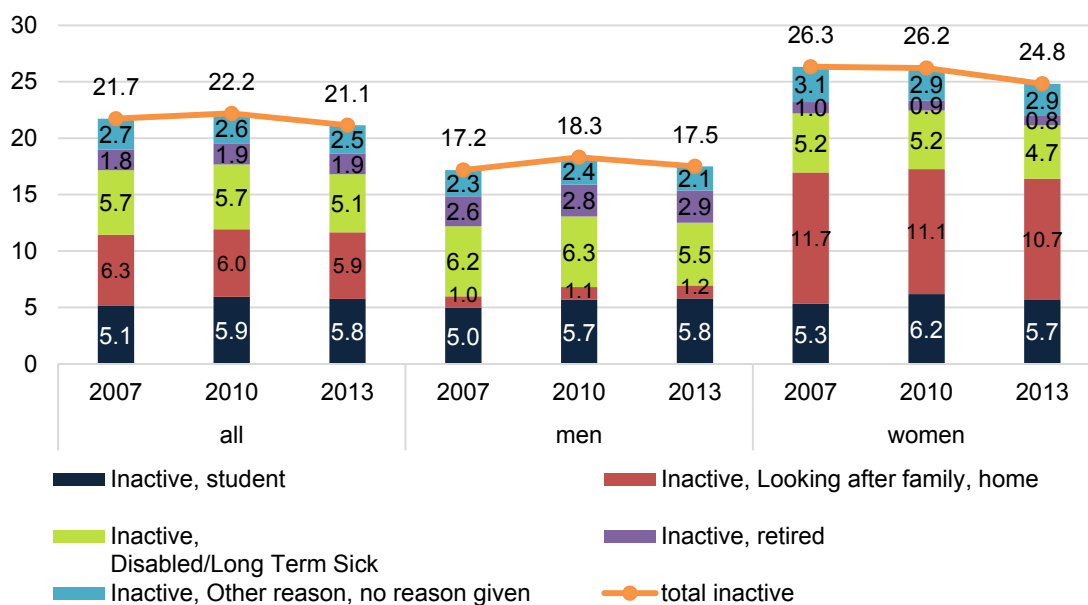
Figure 2.2(a): Proportion of working age men and women employed and unemployed, 2006-08 to 2013, %



Source: Labour Force Survey (UK).

Note: Total employed also includes those who are 'employed-time not known'. Proportion of these people vary between 0.3 and 0.5% of total sample.

Figure 2.2(b) Proportion of working age men and women who are economically inactive, 2006-08 to 2013, %



Source: Labour Force Survey (UK).

Hourly wages

While employment patterns showed some recovery after 2010 the same was not true of real wages.⁶ Table 2.1 shows the changes in hourly wages for all full-time and part time employees together, and then for male and female employees separately. Overall, mean wages fell by 1.8 per cent in the first period and a further 3.9 per cent from 2010 to 2013, taking the overall fall to 5.6 per cent. The fall was faster for men than for women, particularly in the first period, so overall average wages fell by 6 per cent for men and 5 per cent for women. However, in the second period and overall, median (middle) female wages fell a little faster than the male median. Whether the gender differential narrowed or widened therefore depends on whether the measure used relates to mean or median wages.

Table 2.1: Percentage changes in hourly wages for all employees, and for men and women, 2006-08 to 2013, UK (2013 prices, CPI-adjusted)

	Mean	P10	P30	Median	P70	P90	90:10 ratio
<i>2006-08 to 2010</i>							
All	-1.8	-2.4	-3.6	-2.8	-1.5	-1.7	+0.03
Men	-2.3	-3.9	-4.5	-2.8	-2.1	-1.7	+0.10
Women	-1.4	-2.1	-2.3	-1.7	-0.5	-0.9	+0.04
<i>2010 to 2013</i>							
All	-3.9	-4.5	-3.9	-3.1	-3.5	-2.4	+0.08
Men	-3.9	-4.7	-3.2	-3.4	-3.5	-2.6	+0.09
Women	-3.7	-5.1	-4.4	-4.8	-3.5	-4.2	+0.04
<i>2006-08 to 2013</i>							
All	-5.6	-6.8	-7.3	-5.9	-4.9	-4.0	+0.11
Men	-6.1	-8.4	-7.5	-6.2	-5.5	-4.2	+0.19
Women	-5.0	-7.1	-6.5	-6.4	-4.0	-5.0	+0.08

Source: Labour Force Survey. All the changes at the mean are significant at the 1% level.

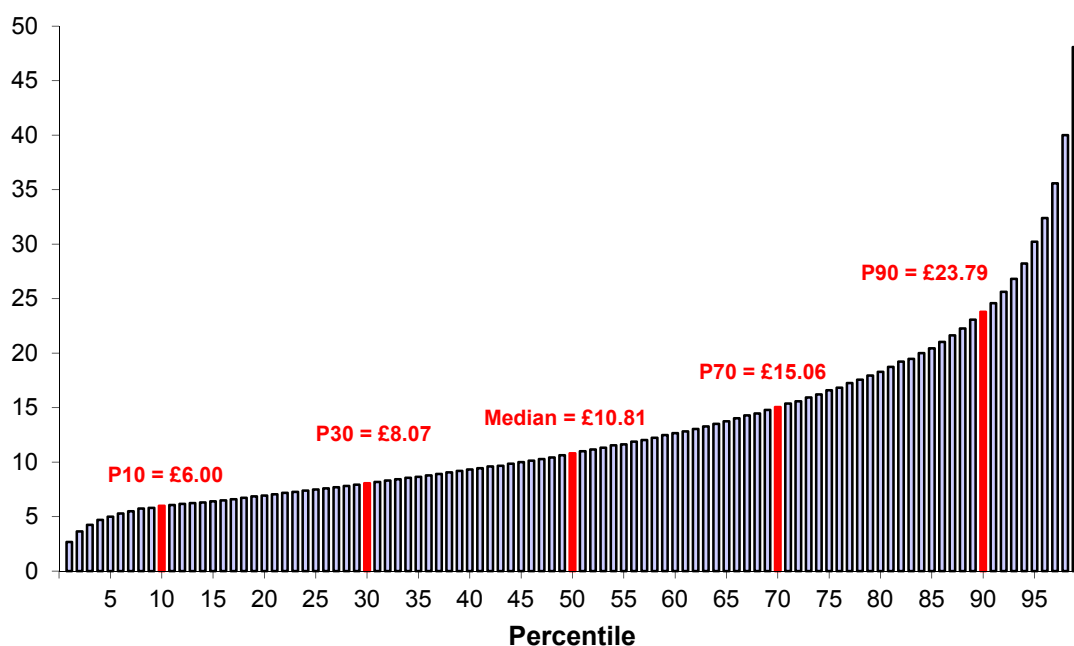
The table shows that wage inequality increased in both periods, as across all of the breakdowns shown the falls were greater near the bottom of the distribution (the tenth percentile, P10) than near the

⁶ In this paper we adjust wages and earnings by the Consumer Prices Index (CPI). See Obolenskaya (forthcoming), to see the effects of using the CPI to adjust for inflation, as opposed to the Retail Prices Index. In Appendix 1 we discuss the differences between the changes in wages and earnings shown in the Labour Force Survey and those shown in the Annual Survey of Hours and Earnings (ASHE) between 2008 and 2013. We use the LFS because it allows us to break down changes between groups defined by a wider range of characteristics (and outcomes) than is possible using ASHE. However, for overall changes ASHE may be more accurate. The comparison in Appendix 1 suggests that levels of wage dispersion at both the start and end of the period we cover are similar in the two surveys, and the percentage changes in median values over the period are also similar (although with ASHE showing a slower nominal rise). However, ASHE shows a smaller nominal rise in wages and earnings at the 90th percentile than the LFS, so that our results may understate falls in the real values of wages and earnings at the top of the distribution.

top (ninetieth percentile, P90). Again, this was more marked for men than for women, with the male 90:10 ratio growing by 0.19 and the female ratio by 0.08. The 90:10 ratio for all employees grew from 3.85 to 3.97 between 2006-08 and 2013.

A more detailed picture of the shape of the distribution of wages in 2013 is given by the ‘Pen’s parade’ presentation in Figure 2.3. Median hourly wages were £10.81 (down from £11.48 in 2006-08 at 2013 prices), while 10 per cent of employees earned less than £6, and 10 per cent earned more than £23.79. Right at the top, 1 per cent earned £48 per hour, down from £51 in 2006-08 (at 2013 prices).

Figure 2.3: Pen’s parade of hourly earnings, all employees, £/hour, 2013

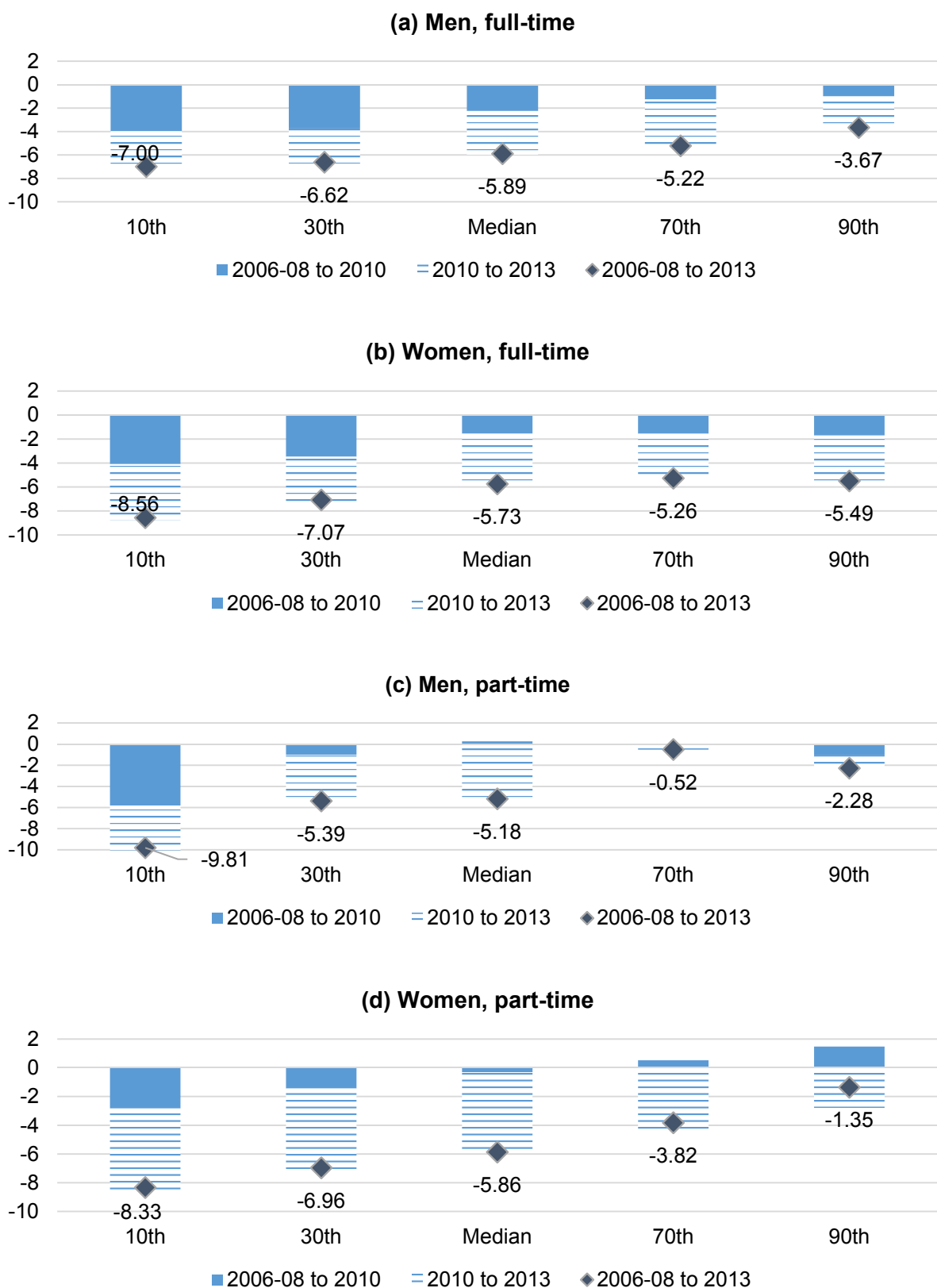


Source: Labour Force Survey.

Within this, inequalities in part-time pay grew more quickly than within full-time pay, as can be seen in the panels of Figure 2.4. At the median, real pay fell by nearly 6 per cent for both men and women working full-time and women part-time employees, and by 5 per cent for men employed part-time. But the falls were smallest for the highest paid in each case, and were less than 2 per cent for the best-paid women part-timers (whose pay actually grew in the period up to 2010). At the bottom, pay fell by 7 per cent for male full-timers, and by between 8-9 per cent for both groups of women, but by 10 per cent for male part-timers.

As the breakdown within each column shows, the falls in real wages were greater – often much greater – after 2010 than before it. Unlike the signs of improvement in employment, real wages fell faster between 2010 and 2010, and inequalities grew further.

Figure 2.4: Change in hourly pay, men and women, full-time and part-time, 2006-08 to 2013 (2013 prices, adjusted using CPI;%)

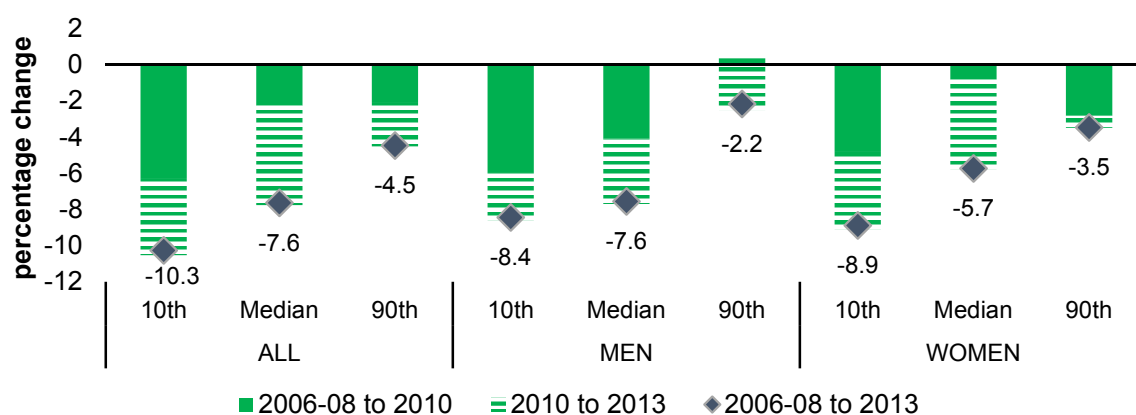


Source: Labour Force Survey (UK).

Weekly full-time earnings

As well as hourly wages falling (and part-time employment growing, while full-time employment fell for men), hours of work reduced for full-timers. This meant that full-time weekly earnings fell even faster than hourly wages, as is summarised in Figure 2.5. Median full-time real earnings fell by 7.6 per cent for men between 2006-08 and 2013, compared to the fall of 5.9 per cent in the hourly rate shown in Figure 2.4(a). For the worst paid men and women, weekly earnings fell by more than 8 per cent, faster than the fall in the hourly rate in each case. However at the top the fall at the 90th percentile was only 2.2 per cent for men and 3.5 per cent for women, in each case a *smaller* fall than in the highest hourly wages, suggesting that the best paid were increasing their hours, while hours fell for others.

Figure 2.5: Change in weekly earnings, full-time employees, 2006-08 to 2013 (2013 prices, adjusted using CPI; %)



Source: Labour Force Survey.

These changes meant that inequalities in full-time weekly earnings also increased – for men in the first sub-period and for women in the second sub-period. Table 2.2 shows the levels of weekly earnings at the three dates for men and women. For men the 90:10 ratio rose to 4.0 in 2010 and 2013; for women it rose to 3.7 by 2013.

Table 2.2: Full-time weekly earnings levels, 2006-08 to 2013 (£, 2013 prices)

		P10	Median	P90	90:10 ratio
Men	2006-08	305	574	1,140	3.7
	2010	286	551	1,144	4.0
	2013	279	531	1,115	4.0
Women	2006-08	254	449	876	3.5
	2010	241	445	852	3.5
	2013	231	423	846	3.7

Source: Labour Force Survey.

Household incomes⁷

Over the period 2006-08 to 2013, therefore, full-time employment fell, unemployment grew, and pay inequalities widened both in terms of hourly wages and weekly earnings. One might therefore have expected inequalities in household incomes also to have increased. But that was not the case, up to the financial year 2012/13 at least, the latest for which data are available. The reasons for this are discussed in detail in a companion paper, looking at the effects of recent changes in policy towards benefits, tax credits and direct taxes (Hills, 2015). The key feature was that up until 2012/13, the way most benefits were generally linked to prices was preserved, so that their real value was protected, even as real wages were falling. This meant that, initially at least, those whose incomes came largely from benefits were protected against the worst effects of the recession (the flip side of not rising in real terms in the boom years when real earnings were growing). This tended to reduce inequality, as can be seen from Figure 2.6(a).

It should also be borne in mind that there are important timing issues here. Many of the most dramatic changes and cuts to social security benefits started taking effect from April 2013, after the year considered here, while the cumulative effects of below-inflation increases in many working-age benefits after 2012/13 will have grown since that year. Inequality is also affected by what was happening to incomes at the top of the distribution, and hence by factors such as the initial drop in investment incomes with the economic crisis, and by measurement issues, such as the way in which some of those with very high incomes (although above the ninetieth percentile considered here) moved parts of their income from year to year to avoid the years when the top rate of income tax was 50 per cent (from 2010/11 to 2012/13).

Looking first at incomes before housing costs⁸ (BHC) in Figure 2.6(a), between 2007/08 and 2010/11 incomes at the tenth percentile actually grew by 4 per cent, while they fell at the median by more than 1 per cent and at the ninetieth percentile by 3 per cent. In this period many benefits were still being increased in line with *past* changes in the Retail Prices Index, which were faster than the current changes in prices. In the two years from 2010/11 to 2012/13 incomes fell by around 3 per cent at all the points in the distribution shown – overall inequality was roughly constant over that period (Hills, 2015, figure 8). The end result – contrasting with the pattern for wages – was that incomes fell across most of the distribution over the five years taken together, but by most (6.2 per cent) at the top, while they actually grew (by 0.9 per cent) at the bottom.

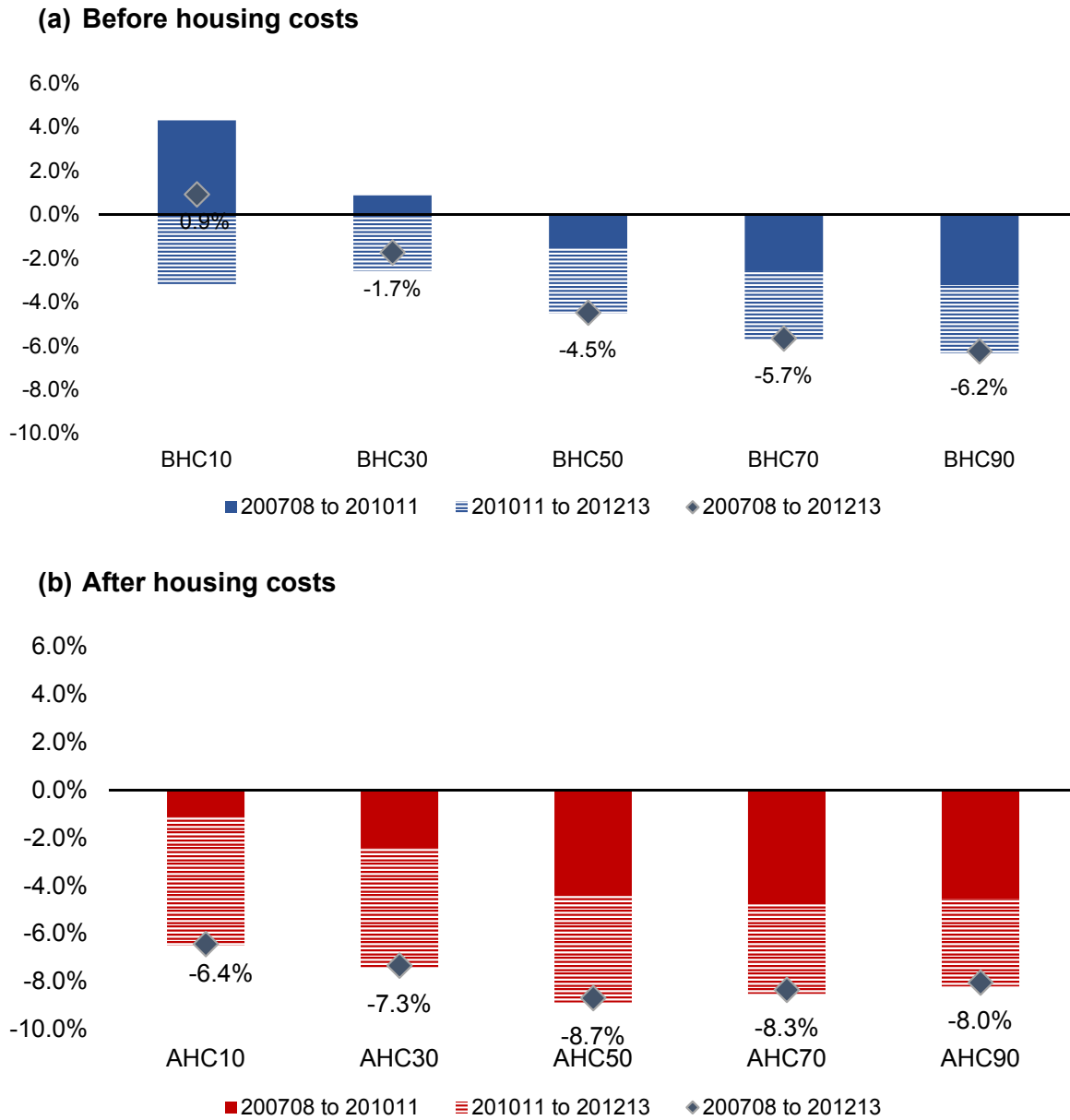
After allowing for housing costs (AHC), shown in Figure 2.6(b), the picture was rather different, however. Real incomes fell at all points of the distribution in both sub-periods. The falls were greatest at the top in the first sub-period, but greatest at the bottom in the second one (as real rents rose and restrictions on Housing Benefit took effect). The losses in real income available for non-housing spending ranged from 6.4 per cent at the tenth percentile to 8.7 per cent at the median. Although the

⁷ The analysis of data from the Households Below Average Income database based on the Family Resources Survey was very kindly carried out by the Department for Work and Pensions. In the HBAI dataset each individual is allocated an income based on the total net income (after direct taxes and including benefits) of the household to which they belong. This income is adjusted to be equivalent to that of a couple with no children by using adjustment factors depending on the size and composition of the household, allowing for the way in which larger households enjoy some economies of scale compared to smaller ones in relating living standards to their total income. The method assumes that income and living standards are equally shared within the household, which is clearly not the case in many cases.

⁸ BHC uprating uses a bespoke index derived by ONS: all items RPI excluding Council Tax (agg4111). AHC uprating uses one of ONS standard published series: RPI excluding Housing.

time periods are slightly different, this fall was slightly larger than the fall in full time earnings from 2006-08 to 2013 (7.6 per cent) or in hourly wages (5.9 per cent). What was happening to overall income inequality over the recession and partial recovery therefore depends both on which time periods are examined, and on whether housing costs are allowed for or not.

Figure 2.6: Changes in net incomes (adjusted for household size), 2007/08 to 2013, UK (%)



Source: DWP/CASE analysis of HBAI dataset.

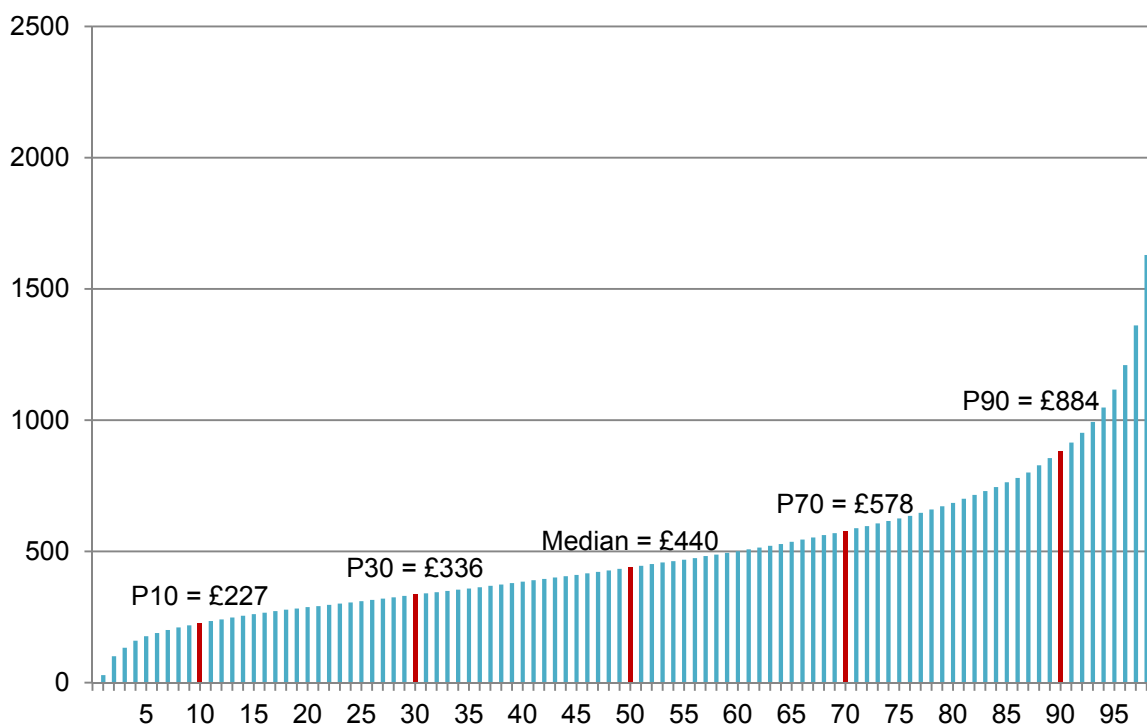
These changes left key points in the distribution of income in 2012/13 as shown in Table 2.3, with the overall distribution (before housing costs) in Pen's parade form as shown in Figure 2.7. While the overall inequality in net incomes before housing costs, with a 90:10 ratio of 3.9 in 2012/13, was very similar to that we saw in hourly earnings in Figure 2.3, incomes after housing costs were much more unequally distributed, with a 90:10 ratio of 5.1.

Table 2.3: Levels of income at different points in the distribution, 2012/13 (£/week, adjusted for household size)

	Mean	P10	P30	Median	P70	90	90:10 ratio
Before housing costs	535	227	336	440	578	884	3.9
After housing costs	462	156	267	374	512	803	5.1

Source: DWP/CASE analysis of HBAI dataset.

Figure 2.7: Pen's parade of incomes (before housing costs), 2012/13



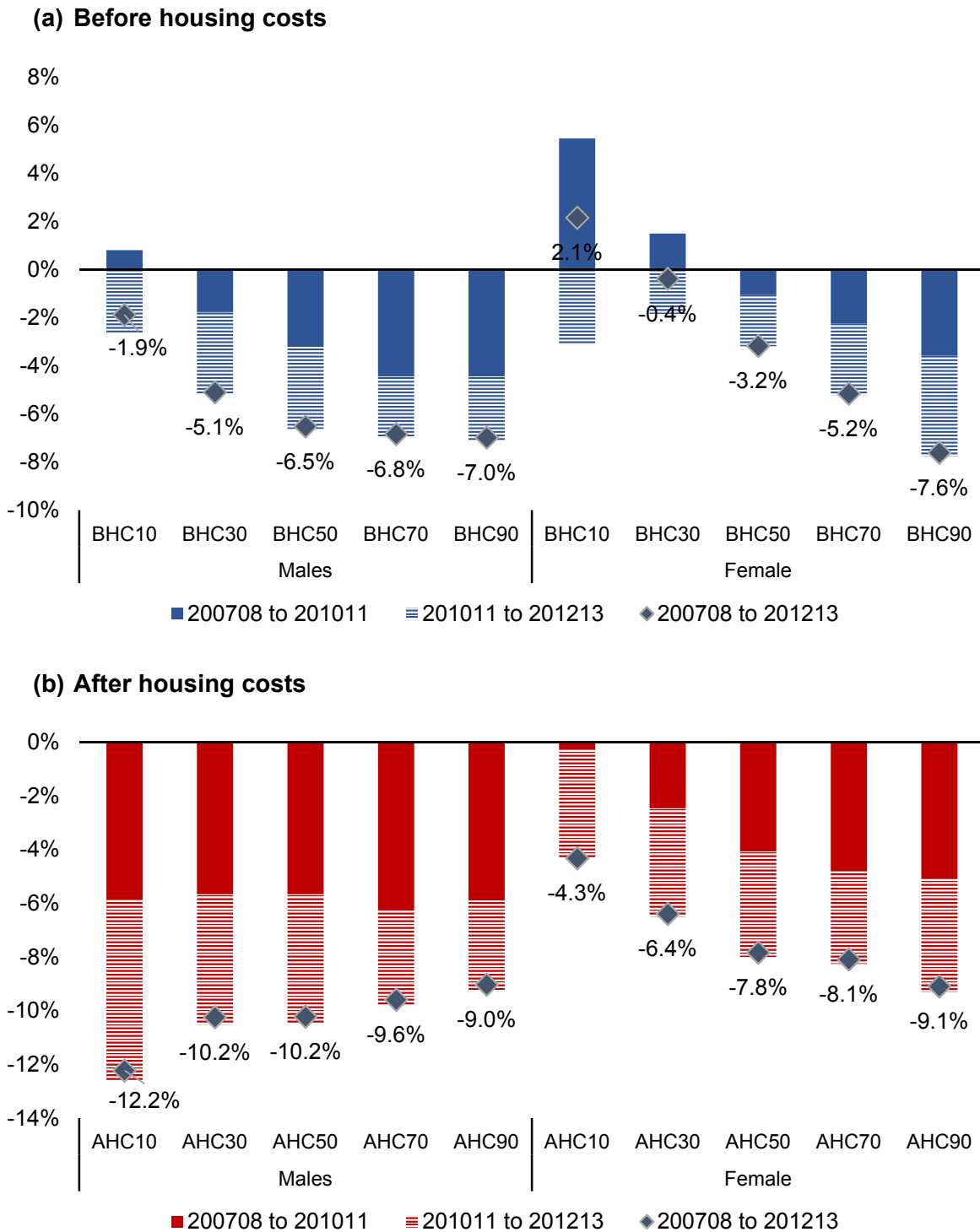
Source: DWP/CASE analysis of HBAI dataset.

Because the DWP's methodology assumes that households share their incomes equally, men and women within couples (and any children) are allocated the same income. The gender differences within the distribution that it shows therefore result from differences between household types – for instance reflecting the position of women who are single parents, or single elderly people living alone. None the less, there were pronounced differences over the period in what happened to men and women, as can be seen in Figure 2.8. Whereas the median (before housing costs) for men fell over the whole period by 6.5 per cent, for women the fall was only 3.2 per cent; after housing costs the respective falls were 10.2 and 7.8 per cent. After housing costs the differentials for the poorest men and women were even greater – a fall of 12.2 per cent at the tenth percentile for men, but only 4.3 per cent for women. By contrast the falls at the top of the distribution were similar for men and women. In these terms the gender income gap narrowed across most of the distribution, but not at the top.

Given the assumed equal changes for members of couples this was driven by two main factors: incomes of non-pensioner single men fell much more rapidly than single women, while incomes of

single women with children actually rose over this period, a factor also contributing to the rise in incomes for the tenth percentile of all women before housing costs shown in Figure 2.8 (a).

Figure 2.8: Changes in net income by gender, 2007/08 to 2012/13 (adults, %)



Source: DWP/CASE analysis of HBAI dataset.

Household wealth

Finally, we look at changes in the distribution of household wealth, as shown by the Office for National Statistics Wealth and Assets Survey. This covers Great Britain (rather than the UK), and is now available for three two-year periods starting in July 2006, July 2008 and July 2010. The latest period covered, 2010/12 therefore covers the period July 2010 to June 2012, so relating to an earlier date than the other figures discussed here.⁹ Household wealth is available on three bases:

- Financial and physical wealth (net financial assets plus other personal possessions, excluding housing)
- Non-pension wealth (which also includes the value of housing and other property, net of mortgages)
- Total wealth (which also includes an estimated value of non-state pension rights).

In this sub-section we present results on all three bases, but in later ones we concentrate on the second of these, changes in non-pension wealth (as there are considerable uncertainties in assessing the value of pension rights).

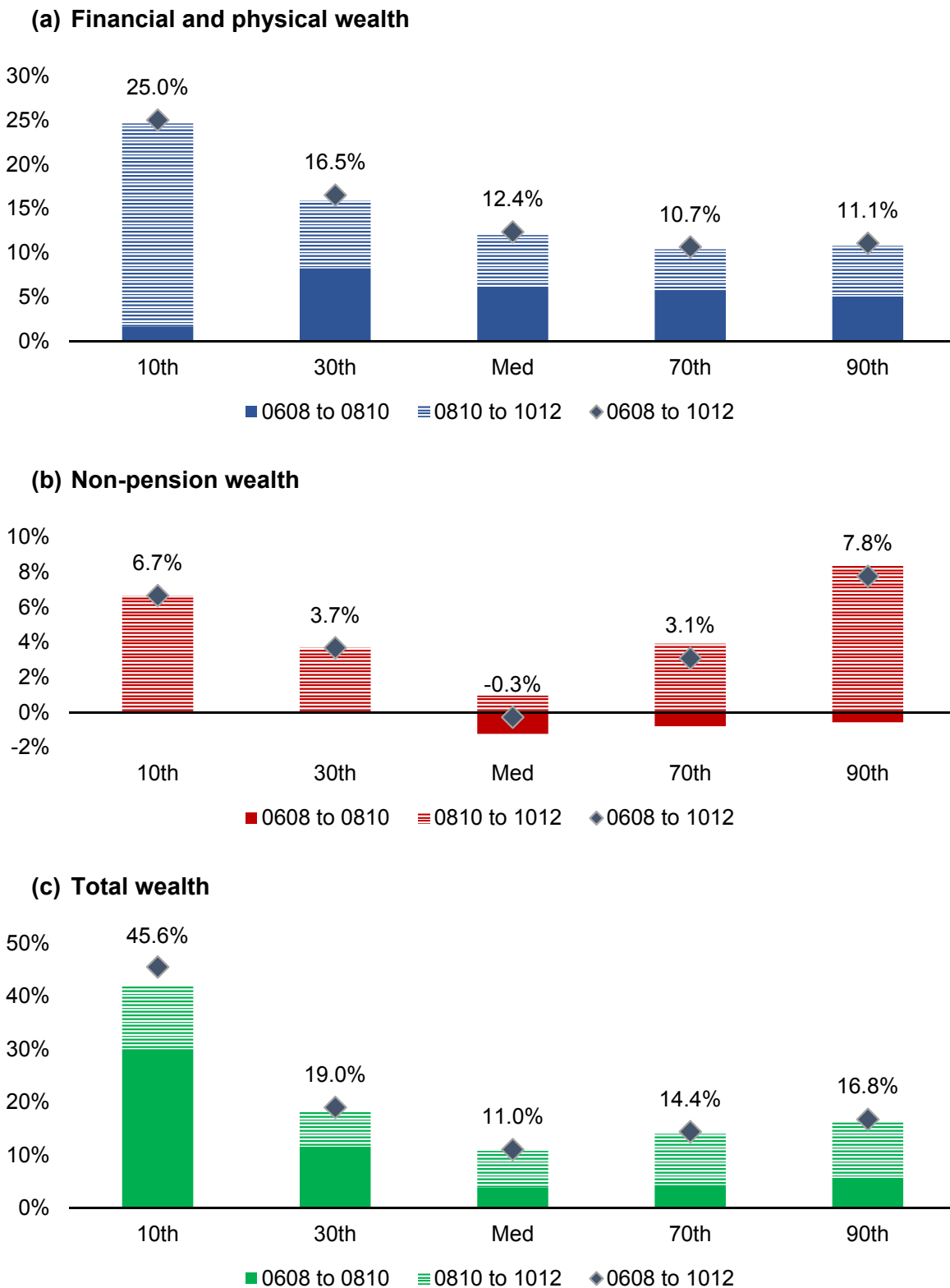
There is also an issue with the presentation of changes in wealth over time. As will be seen in Figure 2.10, wealth is much more unequally distributed than wages or incomes, and some households have very low levels of wealth by comparison with the average or median. This means that quite small changes in absolute terms can imply very large changes in percentage terms. Thus, for instance in Figure 2.9(c) we show the change in total wealth at the tenth percentile to have been 46 per cent between 2006/08 and 2010/12, and 17 per cent at the 90th percentile. But the former corresponds to a rise of £4,100 and the latter to a rise of £131,800. The percentage change shows that the inequality of wealth in relation to itself became smaller. But the latter implies that wealth differences became very much larger when compared with things such as income flows. For instance, mean household net income (adjusted to be equivalent to that for a couple with no children) in 2012/13 was £535 per week, or £28,000 per year. The gain in total wealth at the tenth percentile was equivalent to 15 per cent of a year's average income; the gain at the 90th percentile was equivalent to 4.7 years of average income.

To allow interpretation in both senses, in later sections we present changes over time in non-pension wealth in both percentage and absolute terms (and constrain vertical scales, where percentage changes for particular groups are very large). Table 2.4 shows changes in absolute terms in the overall distribution on all three bases.

With those caveats, Figure 2.9 shows that percentage changes in wealth were generally much larger between 2008/10 and 2010/12 than between 2006/08 and 2008/10 (although this was not true of below-median total wealth). Notably, median non-pension wealth fell in the first sub-period, and by the end had recovered only to where it started. However, it rose at both the top and bottom of the distribution: inequalities reduced amongst the bottom half of wealth-holders, but increased amongst the top half.

⁹ ONS has revised its methodology, particularly for assessing the value of pension rights, since earlier analysis of this kind presented in Hills, et al (2013), so some of the figures presented here for changes between 2006-08 and 2008-10 may differ from the earlier results.

Figure 2.9: Changes in household wealth, 2006/08 to 2010/12 (nominal terms; %)



Source: ONS analysis of Wealth and Assets Survey.

Concentrating on absolute changes in non-pension wealth Table 2.4 shows the way in which higher levels of wealth recovered sharply after 2008-10, with wealth at the ninetieth percentile jumping by £41,000 by 2010-12, taking it to the value of £530,000 shown in the Pen's parade in Figure 2.10 (b). While less dramatic than the rise in total wealth at the ninetieth percentile, which is very sensitive to the assumptions made about valuing pension rights, this still represents approaching two years of median net incomes.

Table 2.4: Absolute changes in wealth, 2006-08 to 2010-12 by percentile (£, nominal terms)

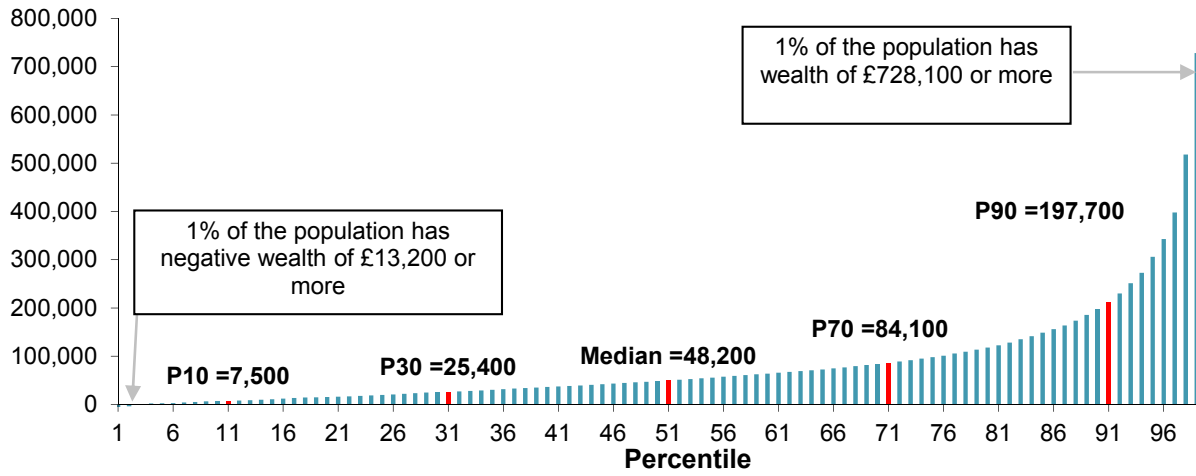
	10th	30th	Med	70th	90th
Financial and physical wealth					
2006-08 to 2008-10	100	1,800	2,600	4,400	9,000
2008-10 to 2010-12	1,400	1,800	2,700	3,700	10,700
2006-08 to 2010-12	1,500	3,600	5,300	8,100	19,700
Non-pension wealth					
2006-08 to 2008-10	0	0	-1,800	-2,000	-2,800
2008-10 to 2010-12	500	1,700	1,400	9,800	41,000
2006-08 to 2010-12	500	1,700	-400	7,800	38,200
Total wealth					
2006-08 to 2008-10	2,700	8,100	7,600	15,800	44,700
2008-10 to 2010-12	1,400	5,200	14,100	36,700	87,100
2006-08 to 2010-12	4,100	13,300	21,700	52,500	131,800

Source: ONS/CASE analysis of Wealth and Assets Survey.

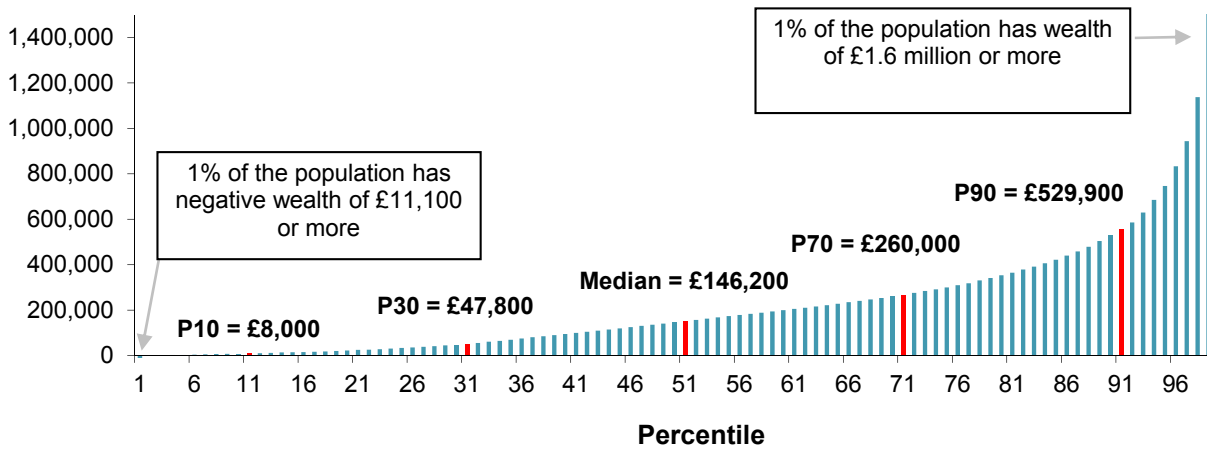
Figure 2.10 shows the overall distributions of wealth in Pen's parade format to compare with those for wages and incomes presented before. On all three definitions, wealth is much more unequally distributed than annual incomes. The 90:10 ratio for non-pension wealth was 66:1 for instance in both 2006-08 and 2010-12. While the survey used does not fully cover the very highest wealth-holders, the figure shows that 1 per cent of households had non-pension wealth of £1.6 million or more by 2010-12, or £2.5 million or more including the estimated value of pension rights. In both cases these were more than ten times the respective medians, compared to a comparable ratio of four or five to one for the top 1 per cent of wages or net incomes.

Figure 2.10: Pen's parades of household wealth, 2010/12

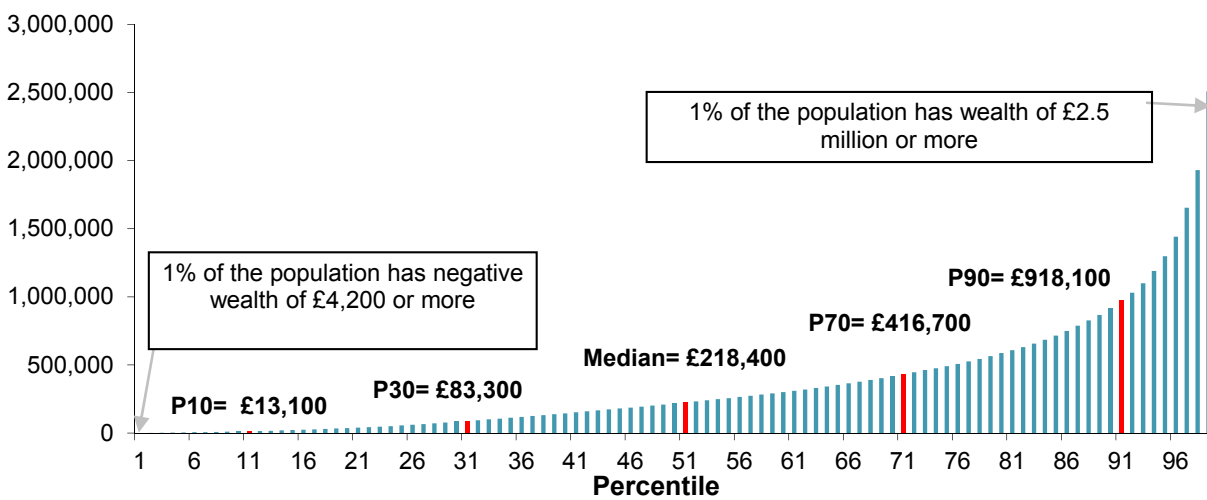
(a) Financial and physical wealth



(b) Non-pension wealth



(c) Total wealth



Source: ONS/CASE analysis of Wealth and Assets Survey.

Summary: A more unequal labour market, but incomes of the poorest initially protected

Changes in overall economic inequalities during and since the economic crisis have taken a complex form. As a backdrop to these changes, qualification levels of the working age population have continued to rise, particularly for women, who are now better qualified than men in terms of higher education and degrees. This makes the continuing – even accelerating after 2010 – falls in real wages all the more striking. While men were worst hit in terms of employment between 2006-08 and 2010, they gained more in the partial recovery between 2010 and 2013 than women, although still lost overall. Pay distribution became more unequal for both men and women, with real hourly wages down by 8.4 per cent for the worst-paid men and 7.1 per cent for the worst paid women, but by 4.2 per cent for the best-paid men and 5.0 per cent for the best-paid women. What happened to the gender pay gap in hourly pay depends on whether the mean or the median levels of hourly pay is used: using mean wages the gender gap narrowed, but the percentage gap in median pay widened slightly. With falling hours for those in full-time work, weekly earnings for full-timers fell even faster – by 7.6 per cent overall, and more for men than women. Inequalities in full-time weekly earnings fell even faster – by more than 8 per cent for the lowest paid men and women, but by only 2.2 per cent for the best-paid men and only 3.5 per cent for the best-paid women.¹⁰

This did not mean rising inequalities in household incomes, however, up to 2012/13, at least, as through most of the period benefit and pension levels were protected in real terms. Before allowing for housing costs, real incomes grew at the tenth percentile between 2007/08 and 2010/11, while they fell in the top half of the distribution. They then fell by similar proportions for all income groups between 2010/11 and 2012/13, so the overall effect was a reduction in inequality over the period as a whole.¹¹ Measured after allowing for housing costs, however, real incomes fell across the distribution, particularly at the top before 2010 and at the bottom after it. As a result the overall reduction in inequality was much smaller than before housing costs are allowed for. There was a clear reduction in gender inequalities at the bottom and middle of the income distribution over the period, reflecting in particular single men having a much larger fall in income than other household types, while single women with children benefited from price-protection of benefits.

Meanwhile inequalities in wealth, when considered in its own terms, generally fell between 2006-08 and 2010-12, but differences between different parts of the wealth distribution rose in absolute terms and in relation to incomes, so it would take more years of annual incomes to move across the wealth distribution.

Having set out these general trends, the following sections examine how people with different characteristics have been affected by them, starting with differences by age.

¹⁰ But see Appendix 1 for a discussion of the difference between the LFS results here and those from ASHE, which suggest that the LFS may understate the fall for the highest earners.

¹¹ Note, though that this uses the same price adjustment for all income groups, while over this period prices rose faster for those with low than with higher incomes (Hills, 2015, p.41). If this was allowed for, inequalities in living standards would have fallen much less.

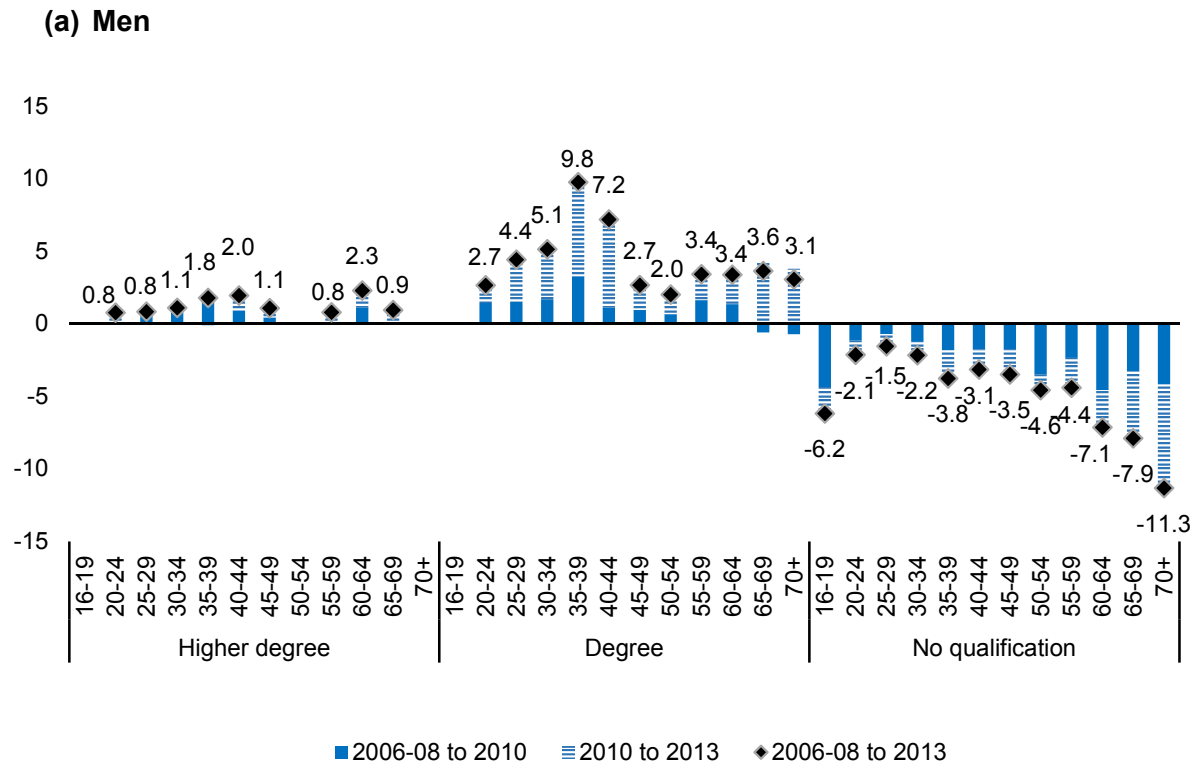
3. Changing inequalities by age

In earlier analysis of changes up to 2010, we found that the most striking development was the way in which the position of young people – particularly those born in the 1980s and in their twenties in 2010 – had deteriorated across the board.¹² Extending the analysis by three years to 2013 shows that this deterioration relative to other age groups has gathered pace.

Qualifications

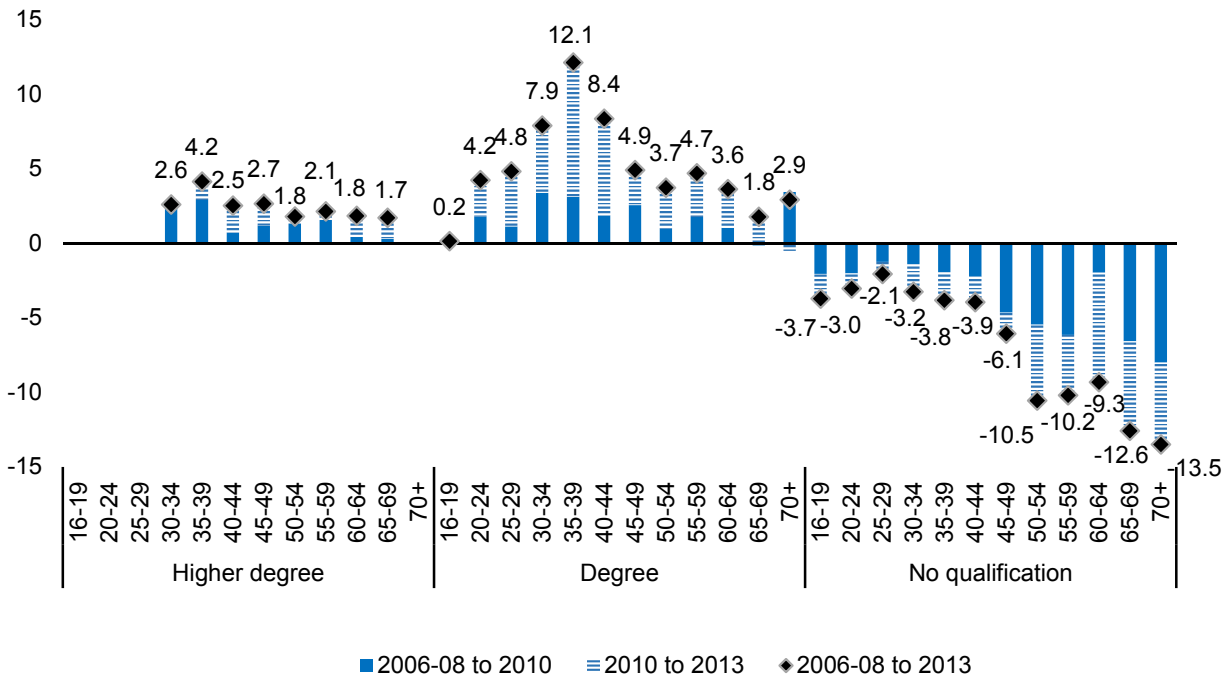
Much of the improvement in qualifications of the working-age population is the result of younger, better-qualified, cohorts replacing older cohorts with fewer qualifications as they reach pension age. This has been particularly fast since the expansion of universities in the early 1990s, but has continued with each successive group of new entrants more likely to have higher-level qualifications than their predecessors. The pace of this can be seen in Figure 3.1. For instance, by 2013 the proportion of men aged 35-39 with a degree or higher degree was 12 percentage points higher than their predecessors at the same age just six years before; for women of the same age, the rise was nearly 15 percentage points. In turn, each age group below is also more likely to have degrees. At the other end of the scale, women aged 50 or more were 10 percentage points less likely to have no qualifications than those of the same age six years earlier. For men, the fall was smaller, but still continuing from cohort to cohort.

Figure 3.1: Change in proportion of each age group with degrees or no qualifications, 2006-08 to 2013 (percentage points)



¹² Hills, et al. (2013), section 9. See also Cribb and Joyce (2015).

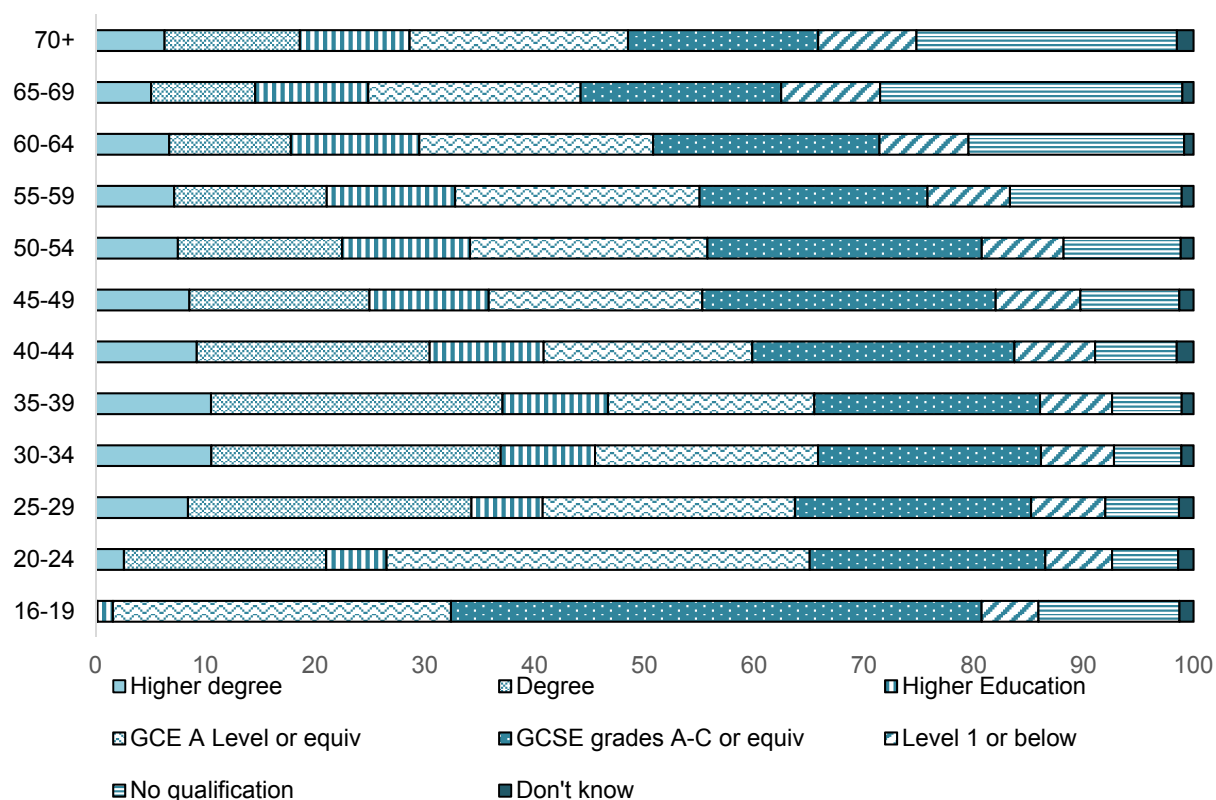
(b) Women



Source: Labour Force Survey. Only statistically significant changes (at the 10% level) between 2006-08 and 2013 are reported here and in equivalent figures for employment status below and in later sections.

The end result of this is shown in Figure 3.2 (for men and women together). By 2013, more than a third of people in their thirties had a degree or higher degree, compared to a fifth or less for the age groups aged over 50. Only 15 per cent of those in their thirties had no or only 'Level 1' qualifications, compared to a quarter or more of those aged 55 and over. In other words, people now in their thirties are better qualified than any other generation has been, but the changes shown in Figure 3.1 show that those in their twenties are even better qualified than that generation was at the same age. If the labour market reflected this, we would expect younger workers to be doing better than their predecessors; as we show below, the reverse has been the case.

Figure 3.2: Highest qualifications by age (all), 2013



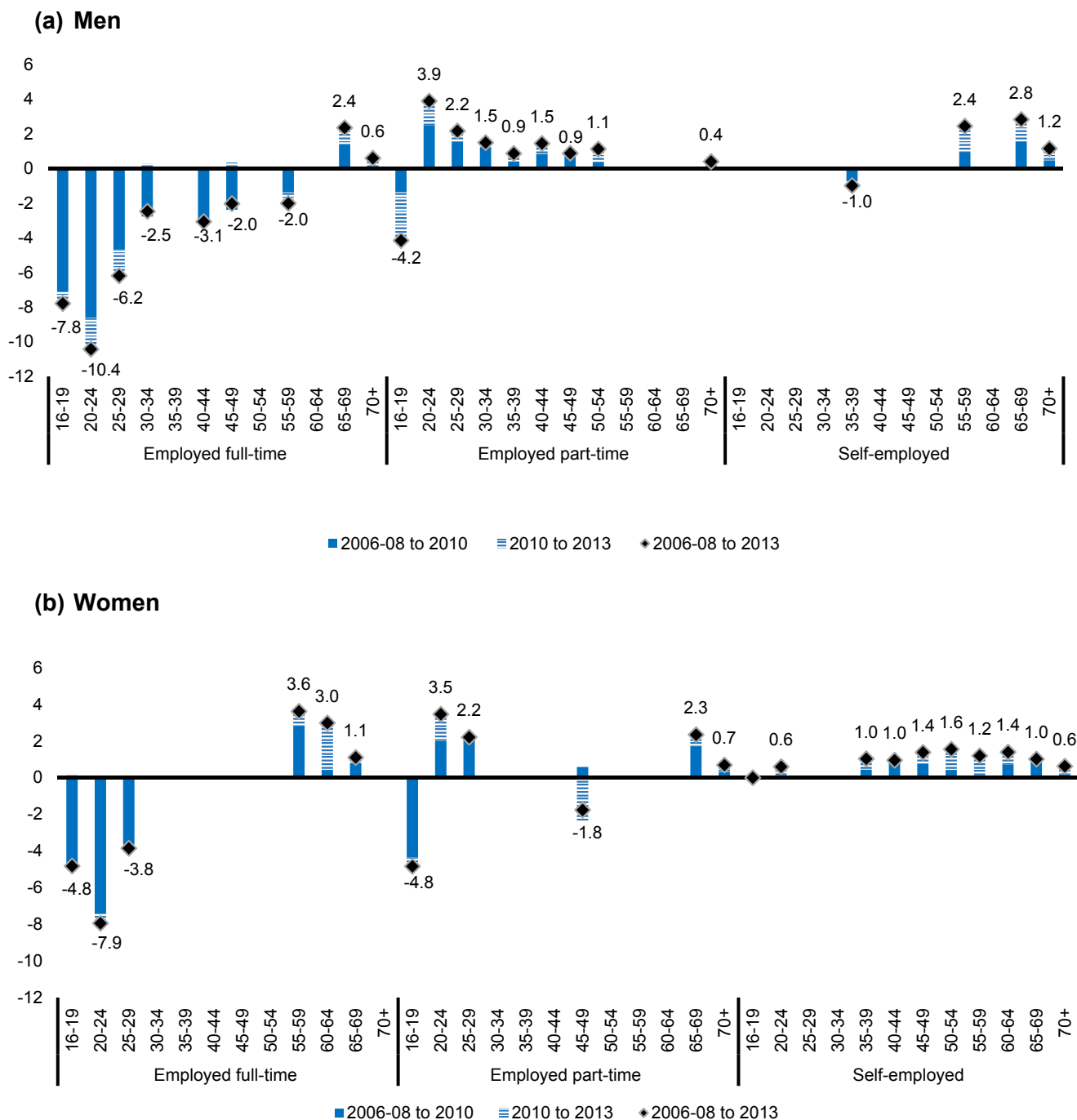
Source: Labour Force Survey (UK).

Employment

The deterioration in employment for younger workers as the recession hit was very rapid, and as Figure 3.3 shows, continued after 2010 for young men, and was not reversed for women. Full-time employment for those of working age fell by a total of more than 10 percentage points for men and nearly 8 points for women aged 20-24 between 2006-08 and 2013. There were also sharp falls for others aged under 30. But falls for those aged 30-54 were 3 percentage points or less (and were statistically insignificant in this sample for women), while full-time employment *grew* significantly for women aged 55-64 and men aged 60-64. As noted in the previous section, part-time employment rose for men; as Figure 3.1(a) shows this was particularly marked for men and women in their twenties (although it was not by enough to offset their falls in full-time employment). Self-employment also grew, particularly for older men and women aged over 35.¹³

¹³ The survey we are using does not contain information on self-employment incomes, but indications from other sources are that much of the growth in self-employment has been low-paid and marginal. While self-employment incomes reported to other surveys are often thought to be understated, changes over time may give an indication of movements relative to other incomes. D’Arcy and Gardiner (2014) suggest that while weekly earnings of employees in the UK fell by 6 per cent between 2006/07 and 2011/12, the reported fall for self-employed workers was 20 per cent in real terms. ONS (2014a) suggests that the median income from self-employment in the UK fell by 23 per cent after adjustment for inflation between 2007/08 and 2012/13, which is much faster than any of the falls in employee earnings, suggesting that the composition of self-employment has changed over this period.

Figure 3.3: Significant changes in employment by age and gender, 2006-08 to 2013 (%-point changes; working-age population)

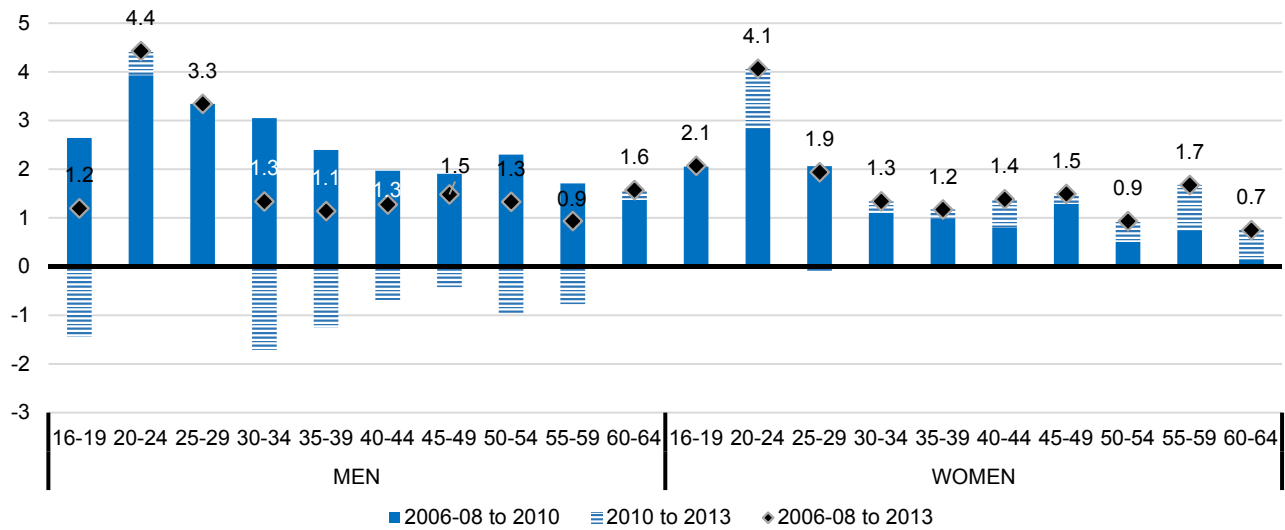


Source: Labour Force Survey (UK).

Note: Only significant changes over 2006-08 to 2013 reported here.

The effects of this on unemployment are shown in Figure 3.4. Not only was there a strong age gradient as overall unemployment grew fastest between 2006-08 and 2010, but this was not reversed for men or women in their twenties after 2010. Indeed, unemployment of women in their early twenties rose much further. The falls in unemployment during the partial recovery were for men aged 30-59 (and aged 16-19).

Figure 3.4: Changes in unemployment by age and gender, 2006-08 to 2013 (percentage points)

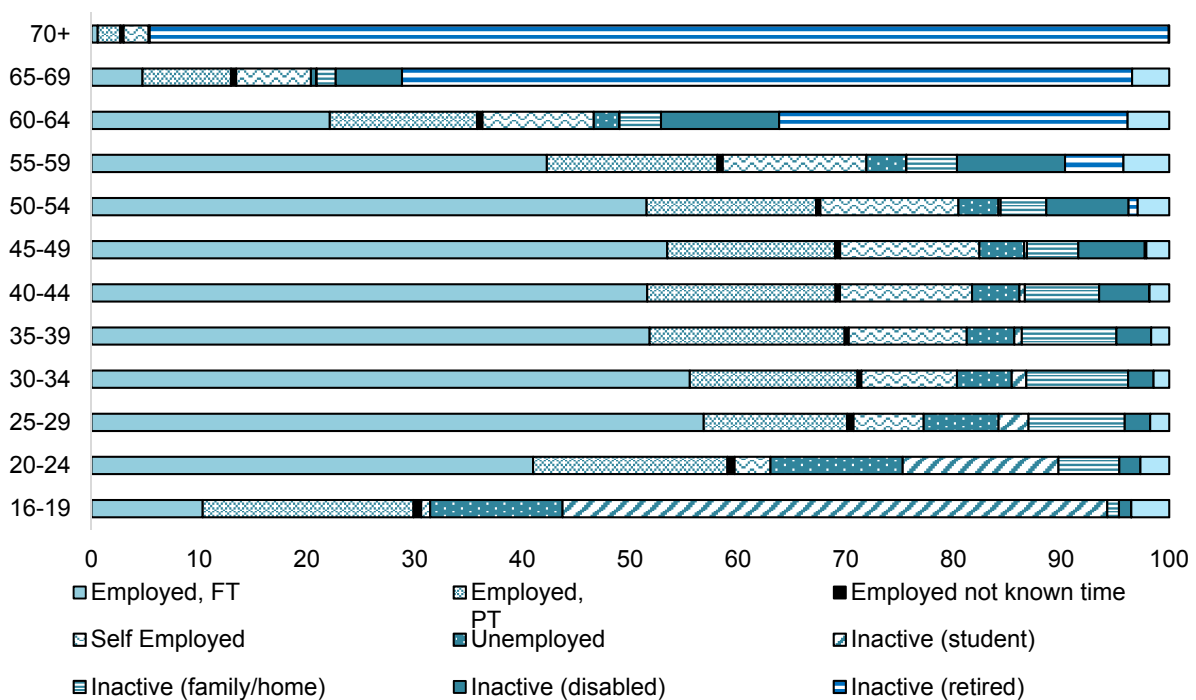


Source: Labour Force Survey (UK).

Note: All changes shown are significant over 2006-08 to 2013.

Figure 3.5 shows what this meant for employment status in 2013 for all adults. Taking employment and self-employment together, about 80 per cent of those in the age groups from 30 to 54 were employed. However, this fell to 77 per cent for those aged 25-29 and to 62 per cent for those aged 20-24. While the latter figure was partly accounted for by 15 per cent of that age group being economically inactive as students, their unemployment rate had reached 12 per cent, the joint highest for any age group together with those aged 16-19. At the older ages, a fifth of those aged 65-69 were employed or self-employed by 2013.

Figure 3.5: Employment status in 2013 by age, men and women (%)



Source: Labour Force Survey.

Hourly wages

Concentrating on full-time employees only, Figure 3.6 shows changes in real hourly wages for men and women separately by age, with changes in the median shown in the top panel, and at the tenth and 90th percentiles for men and women respectively in the other panels. In all cases the falls are much greater for younger workers, and with the exception of men at the 90th percentile (where those aged 25-34 have lost most), there is a strong gradient from the youngest age groups to the oldest. Real wages only grew for the oldest men (at the median and 90th percentile) and for the best paid women aged 60-64. In nearly all cases wages fell in both sub-periods, and in many cases the falls were greater after 2010 than before it.

The overall gradients are stark. At the median, men and women aged under 30 were paid more than 10 per cent less than their predecessor six years earlier; for 16-19 year-olds the drop was around 20 per cent, and was approaching 30 per cent for the worst paid of these. But the best-paid men in their early sixties gained 10 per cent, and the best-paid women 4 per cent. The lower two panels make clear that this was not just a matter of young people at the bottom of the labour market: the *best*-paid men and women in their late twenties were paid 13 and 16 per cent less than their predecessors, respectively. A notable feature is that after 2010, those aged 30-34 did badly, as well as those in their twenties: as the cohort born in the 1980s began to reach their thirties, they still seem to be losing ground.

Table 3.1 shows the resultant levels of pay in 2013 for each age group, and inequalities within them. Men in their early twenties are now paid 53 per cent of the median hourly rate of men in their early forties; women in their early twenties are paid 58 per cent of the rate for women in their late thirties. Gender differentials in hourly wages for those under 35 are below 5 per cent; indeed, remembering the small size of the sample, women in their early thirties are paid slightly more than men of the same age. For older groups the differentials widen out. At the same time, the table confirms that inequalities as measured by the 90:10 ratio *within* all of the age groups aged over 34 grew, although they fell for some of the younger groups. While the 90:10 ratio was below 4.0 for all age groups of men in 2006-08, by 2013 it was at or above this for all the age groups of men in their forties and fifties.

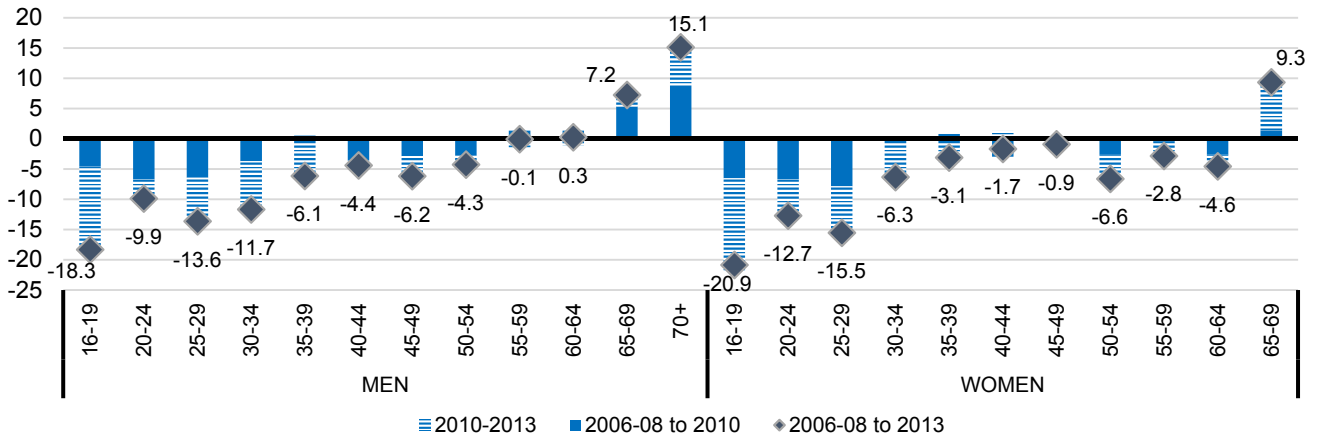
Table 3.1: Full-time median hourly wages by age, 2013, and wage dispersion by age, 2006-08 and 2013

	16-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70+
Full-time wages, 2013 (£/hour)												
All	5.20	7.89	10.27	12.70	13.89	13.95	13.47	13.00	12.40	11.54	11.18	9.30
Men	5.20	8.03	10.29	12.63	14.43	15.14	14.57	14.43	13.60	11.95	11.33	9.49
Women	5.20	7.67	10.23	12.82	13.17	12.54	12.00	11.54	11.20	10.63	10.28	
90: 10 ratios, men												
2006-08	2.66	2.33	2.88	3.45	3.72	3.88	3.88	3.93	3.72	3.38	3.65	
2013	3.35	2.44	2.83	3.29	3.85	4.13	4.00	4.03	4.08	3.89	4.24	
90:10 ratios, women												
2006-08	2.65	2.31	2.78	3.30	3.49	3.50	3.37	3.43	3.37	3.21		
2013	3.12	2.30	2.69	3.26	3.67	3.77	3.66	3.44	3.35	3.58		

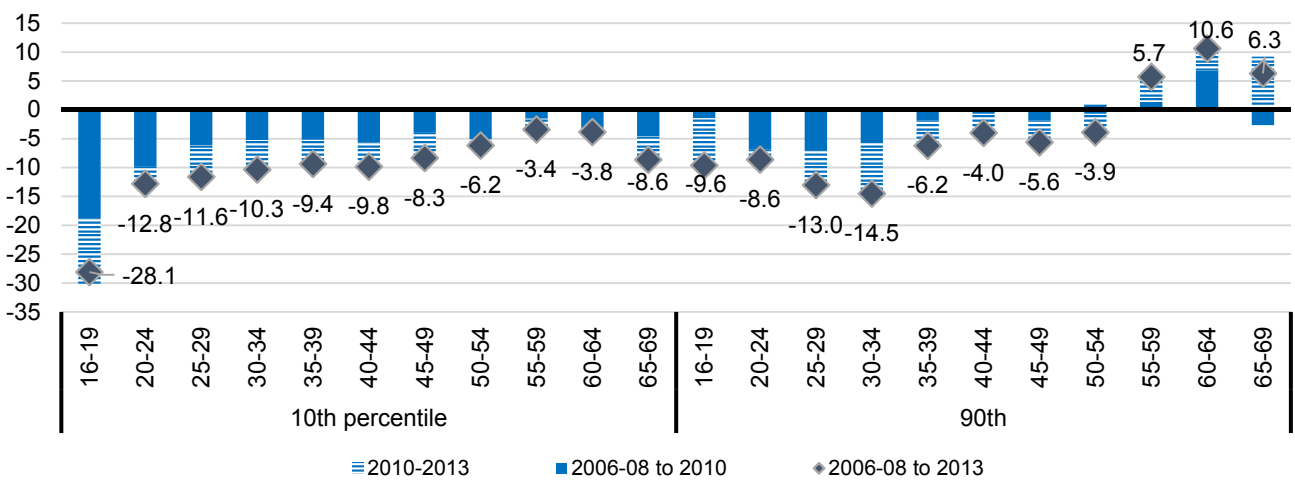
Source: Labour Force Survey (UK).

Figure 3.6: Percentage change in hourly pay by age, full-time employees, men and women, 2006-08 to 2013

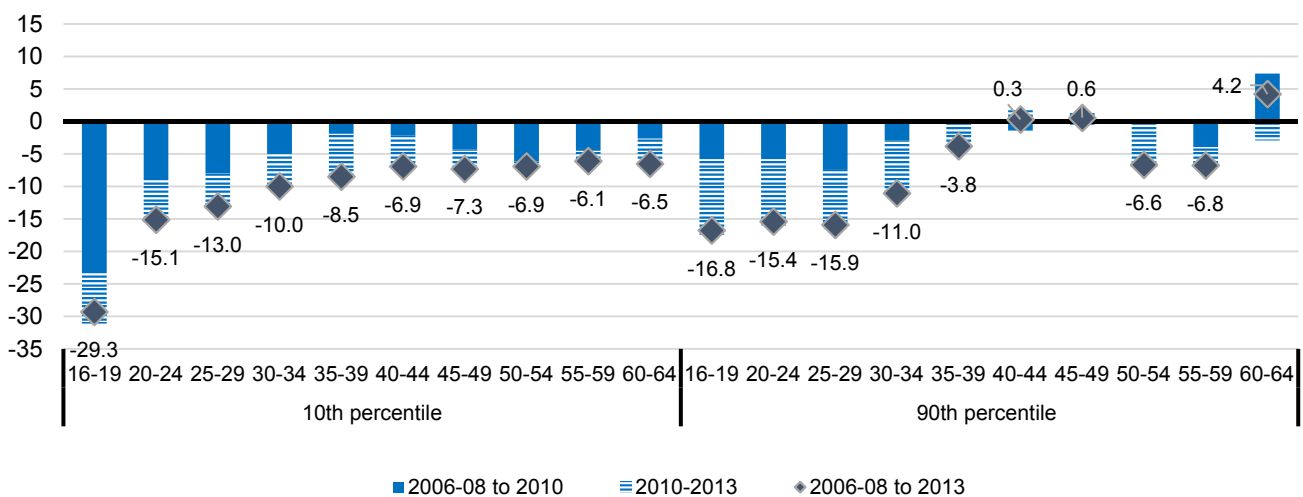
(a) Median



(b) Men: 10th and 90th percentiles



(c) Women: 10th and 90th percentiles

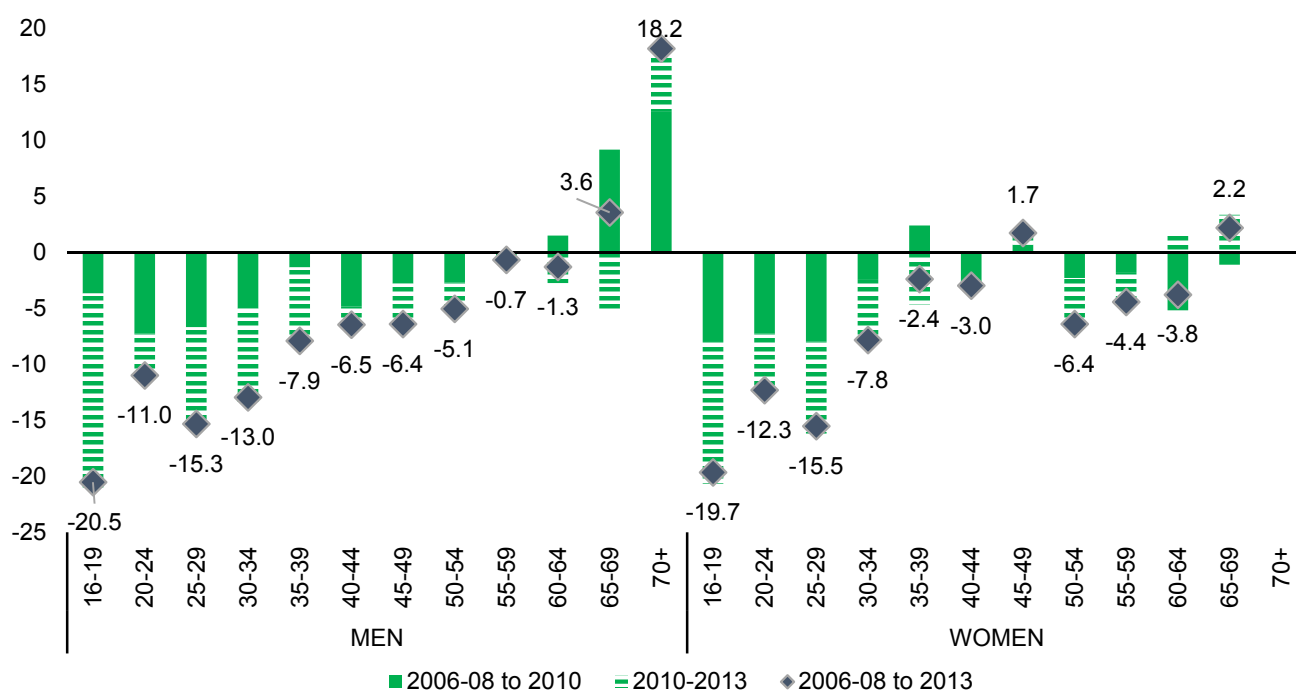


Source: Labour Force Survey (UK).

Weekly earnings

Still concentrating on full-time earnings, Figure 3.7 shows (for the median only) an even stronger gradient by age, with cumulative falls of more than 15 per cent for men and women in their late 20s (and even larger ones for those aged 16-19), but only small losses or even gains for men and women in their sixties. Similar patterns apply at the top and bottom of each age range, and again, as Table 3.2 shows, wage inequalities grew within every age group, with higher 90:10 ratios in 2013 than in 2006-08 in all cases. Earnings inequalities therefore grew sharply both within and between age groups.

Figure 3.7: Change (%) in median weekly full-time earnings by age (men and women), 2006-08 to 2013



Source: Labour Force Survey (UK).

Table 3.2: Full-time median earnings by age (men and women), 2013 and earnings dispersion by age, 2006-08 and 2013

	16-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70+
Full-time earnings, 2013 (£/week)												
All	200	308	412	508	558	567	538	519	500	462	442	385
Men	200	323	423	519	594	625	612	600	572	495	462	427
Women	200	300	394	490	500	469	462	438	413	398	358	
90: 10 ratios, men												
2006-08	2.7	2.4	2.8	3.2	3.5	3.7	3.6	3.7	3.5	3.4	3.7	
2013	3.3	2.5	2.8	3.3	3.8	4.1	4.0	3.9	4.2	3.8	4.1	
90:10 ratios, women												
2006-08	2.8	2.3	2.7	3.3	3.7	3.7	3.5	3.5	3.5	3.4		
2013	3.1	2.4	2.8	3.4	3.8	4.1	3.9	3.6	3.6	3.7		

Source: Labour Force Survey (UK).

Individual and household incomes

As discussed in the report of the National Equality Panel, it can be enlightening, particularly from a gender perspective, to examine the incomes that individuals receive in their own right not just from earnings, but also from investment incomes, and from benefits and tax credits that are assigned to particular household members. We are exploring this in detail in parallel work, but before we turn to incomes based on household resources, Table 3.3 gives an indication of the changes in individual incomes¹⁴ of men and women in different age groups between the pair of three years periods from 2005-08 and 2009-12. Note that the second period is centred around the financial year 2010/11, and so represents an earlier point than in the other analyses discussed in this report.

This comparison suggests that the incomes received by men in their own right generally fell for men aged below 64 across the income distribution, while the individual incomes of women aged 35 or more generally rose. The falls were particularly marked for men aged under 35, and the gains were particularly large for women aged 55-64. While these changes refer to a slightly earlier period, these differences are consistent with the patterns of employment and earnings changes by age presented above, with younger men in particular losing and older women of working age increasing their employment incomes.

Table 3.3: Percentage change in net real individual incomes by gender and age, 2005-08 to 2009-12

	Men				Women			
	Mean	P10	Median	P90	Mean	P10	Median	P90
16 to 19	-15.3	-	-28	-9	-11.0	-	-26	-6
20 to 24	-16.3	-85	-22	-11	-4.2	-1	-7	-4
25 to 29	-9.7	-10	-9	-9	-1.2	5	-	-4
30 to 34	-9.7	-33	-10	-10	-0.2	-1	1	-3
35 to 39	-9.4	-36	-7	-	2.6	-7	4	5
40 to 44	-7.9	-29	-6	-3	2.7	3	5	2
45 to 49	-4.7	-18	-7	-4	2.5	2	3	4
50 to 54	-2.7	-17	-3	1	4.1	23	4	-1
55 to 59	-6.2	-22	-6	-2	12.9	98	11	8
60 to 64	-4.6	-7	-3	-3	13.3	11	14	9
65 to 69	5.1	5	6	6	6.8	5	7	6
70 to 74	1.0	2	2	1	5.2	3	7	6
75 to 79	8.8	6	12	8	-0.1	2	3	2
80 plus	8.3	6	8	7	7.7	-1	9	8

Source: Karagiannaki (forthcoming), based on Family Resources Survey. Results compare pooled results from 2005/06 to 2007/08 and from 2009/10 to 2011/12, adjusted by CPI. Changes at mean are significant at 1 per cent level for men aged 16-44, 65-69 and 75+. Those for women significant at 1 per cent level aged 35-39, 50-64, 70-74 and 80+. Changes at mean for men aged 50-54 and 70-74, and for women aged 20-34 and 75-79 insignificant at 10 per cent level.

¹⁴ We use a measure of individual net incomes that matches the previously officially-produced 'Individual Incomes Series', as used in Hills et al. (2010), except that we cannot adjust for under-reporting of the highest incomes (through the 'SPI adjustment'). This excludes certain income items that are included in an alternative measure deposited with the Family Resources Survey.

In the previous section we saw that in the period up to 2012/13, price protection of benefits meant that low household incomes did not fall in the same way as low wages and earnings. Figure 3.8 shows that this was true for some age groups, but that there were substantial losses for some age groups (aged 17-25 and 46-55), even at the tenth percentile of incomes before housing costs. It also shows that while some age groups had real income increases between 2007/08 and 2010/11, particularly poorer and middle income people in their sixties and early seventies, net incomes fell for nearly all age groups across the income distribution between 2010/11 and 2012/13. The main exceptions to this were some of the highest income people aged over 65. Looking at broad age groups in turn:

- The lowest income children had an initial increase in income, but this was mainly reversed in the second sub-period. Middle and higher income children lost more, especially the youngest.
- There were very large losses for middle and higher income people in their twenties, totalling more than 12 per cent over the whole period.
- Those in their forties and early fifties also had real income falls across the distribution in both sub-periods, generally of 8 per cent or more.
- By contrast, real incomes of those aged over 60 generally rose – by as much as 13 per cent for the richest 66-70 year-olds.

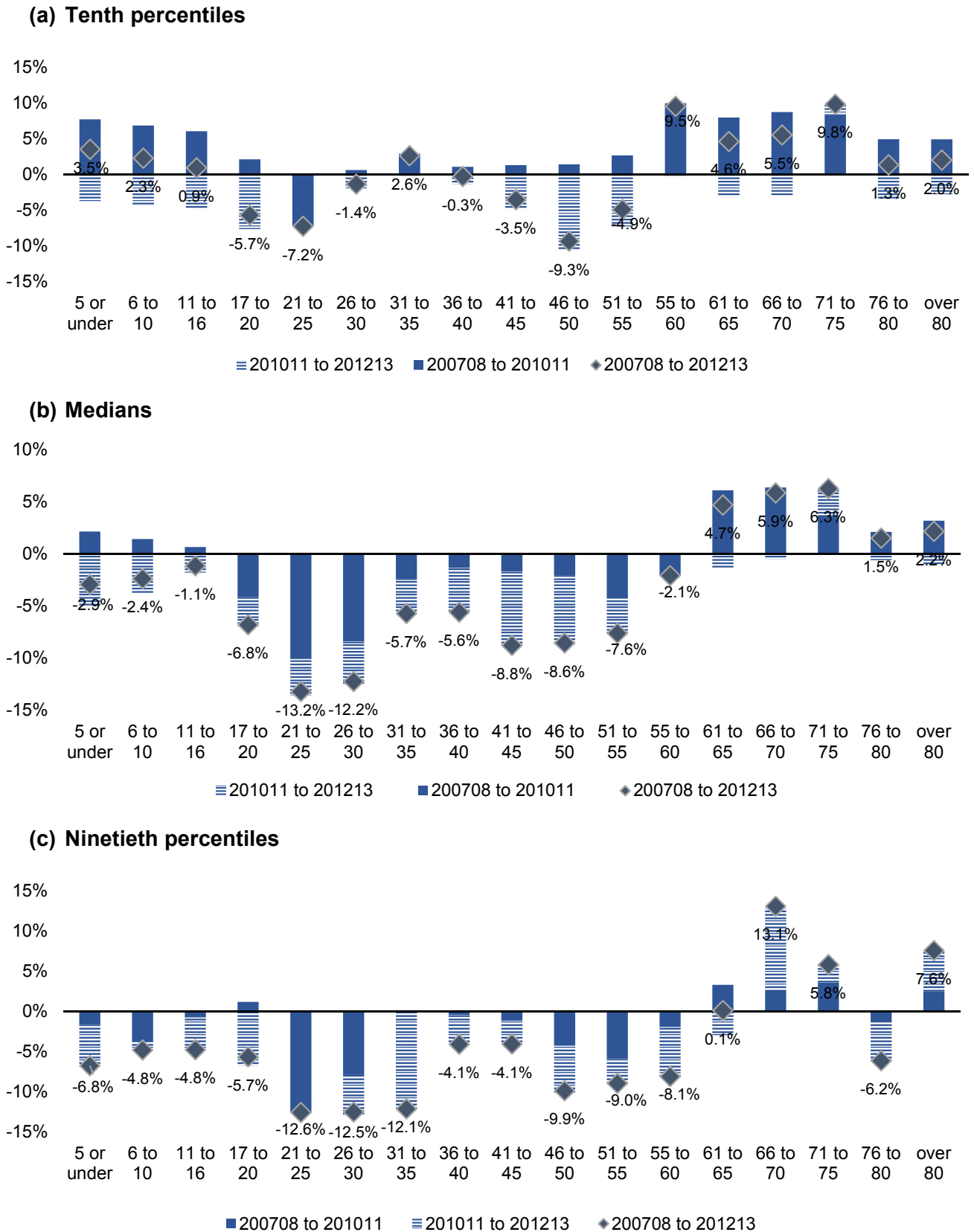
Overall, while there was some protection for the lowest-income people in their twenties, at the median and higher up their income falls – by about an eighth over the five years – were similar to those in gross weekly earnings shown in Figure 3.7.

Figure 3.9 present parallel analysis of income changes after allowing for housing costs. Here the falls for the least favoured age groups are even larger – by 15 per cent or more for the poorest of those aged 17-25 and 41-50 as well as at the median for those aged 17-30. Even at the 90th percentile, those aged 21-35 were 12 per cent or more poorer in 2012/13 than those of the same age in 2007/08. After allowing for housing costs, those aged over 60 generally have falling real incomes as well, although not by as much as for the younger groups.

Table 3.4 gives the levels of income for those of each age in 2012/13 (based on that of the household in which they live). In related analysis, we have shown the way in which overall income differences by age narrowed during the period of the Labour government (1997/98 to 2010/11), reflecting in particular that government's focus on improving cash transfers related to children and for pensioners. In the early years of the Coalition government, as Figures 3.8 and 3.9 show, this was continued for pensioners, but families with children were no longer favoured.¹⁵ Looking at median incomes for each age group before housing costs, they are highest for those in their early thirties and early fifties. While incomes are still lowest for those aged over 75, these have now risen to a level close to those for children. After allowing for housing costs, the lowest median incomes are now for children, with pensioner incomes now close to the overall median (£374 per week). The best-off tenth of those in their early 50s had incomes before housing costs of above £1,000 per week, or £940 after housing costs, but the worst-off tenth of the same age had incomes below £155 after housing costs. This meant that income inequality was greatest within the age groups from 36 to 60, but was least within the age groups above 70.

¹⁵ Hills (2015), pp.34-35.

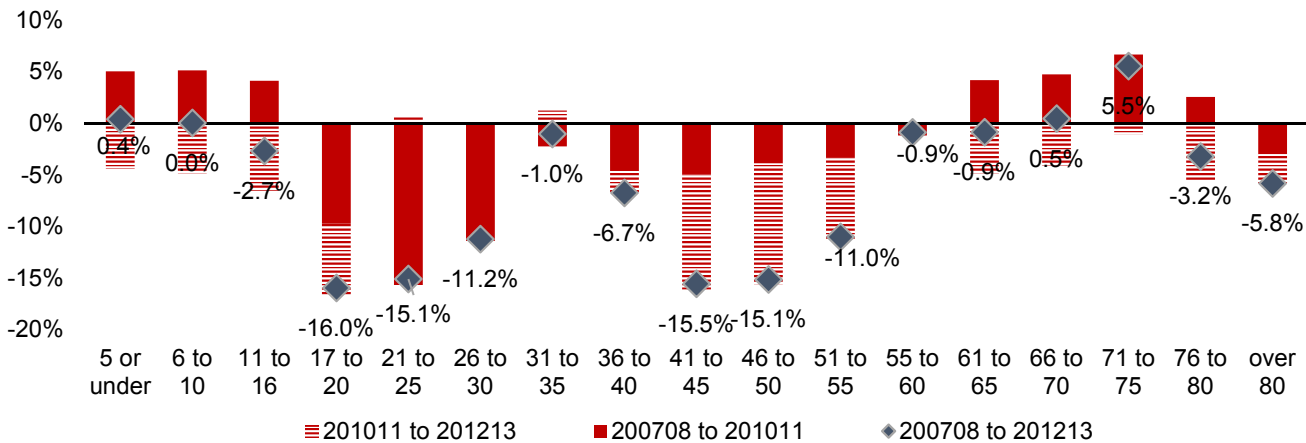
Figure 3.8: Changes in net incomes (adjusted for household size) by age, 2007/08 to 2012/13, before housing costs (%)



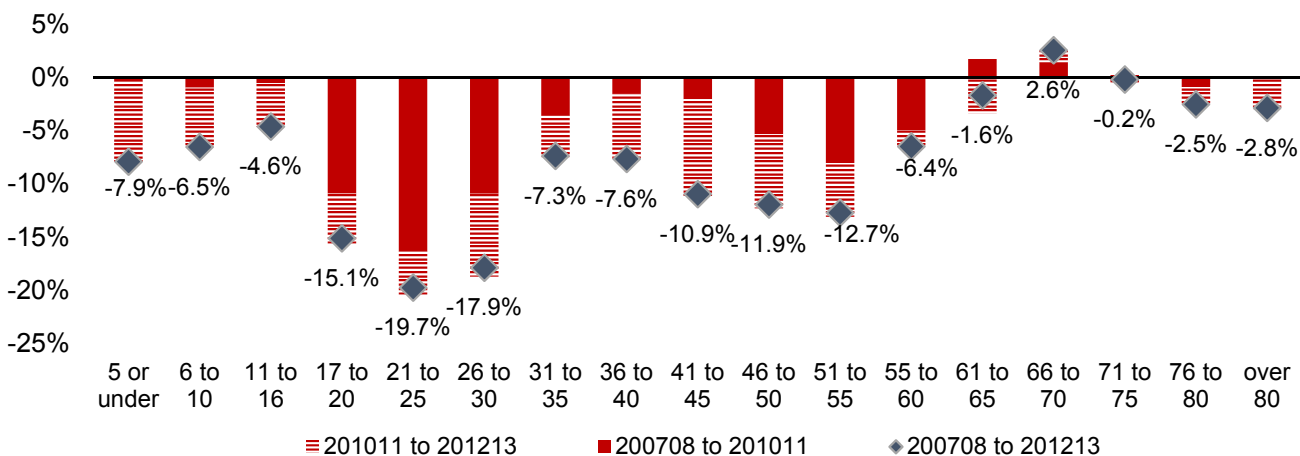
Source: DWP/CASE analysis of HBAI dataset (UK).

Figure 3.9: Changes in net incomes (adjusted for household size) by age, 2007/08 to 2012/13, after housing costs (%)

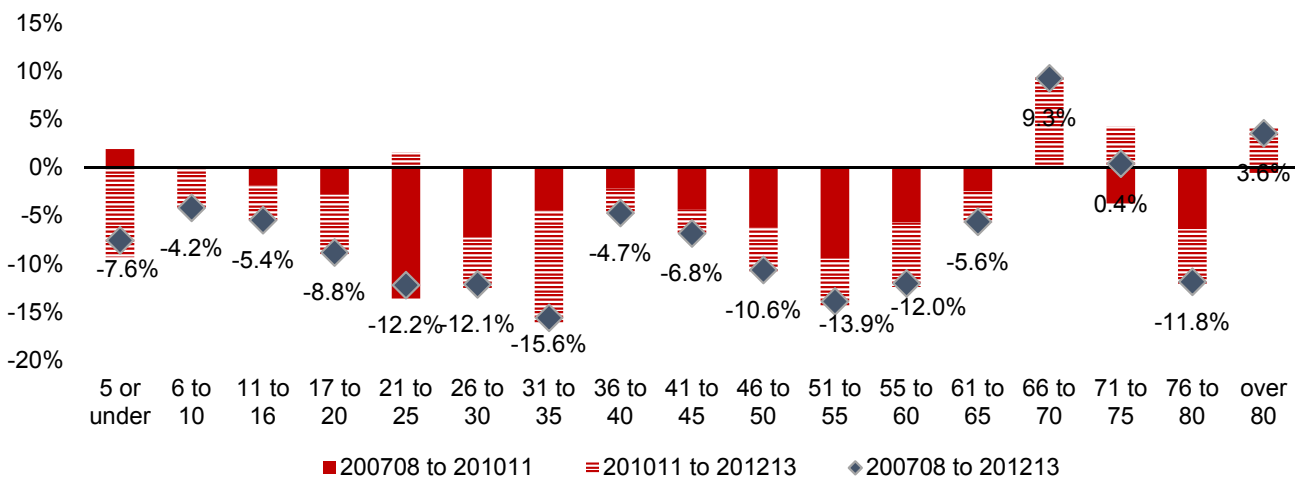
(a) Tenth percentiles



(b) Medians



(c) Ninetieth percentiles



Source: DWP/CASE analysis of HBAI dataset (UK).

Table 3.4: Weekly net incomes by age in 2012/13 (£/week, adjusted for household size) and income inequalities by age (90:10 ratios)

	Mean	P10	Median	P90	90: 10 ratio
(a) Before housing costs					
0 to 5	492	224	384	784	3.5
6 to 10	505	232	394	814	3.5
11 to 16	490	220	393	768	3.5
17 to 20	464	198	402	741	3.7
21 to 25	504	219	448	803	3.7
26 to 30	536	242	487	892	3.7
31 to 35	589	252	503	985	3.9
36 to 40	600	239	474	997	4.2
41 to 45	602	234	462	973	4.2
46 to 50	570	220	486	937	4.3
51 to 55	615	224	513	1016	4.5
55 to 60	566	215	487	943	4.4
61 to 65	555	219	459	918	4.2
66 to 70	528	242	424	883	3.6
71 to 75	478	243	403	730	3.0
76 to 80	434	222	380	652	2.9
over 80	433	214	376	681	3.2
(b) After housing costs					
0 to 5	405	144	301	679	4.7
6 to 10	431	163	325	732	4.5
11 to 16	408	148	319	670	4.5
17 to 20	364	112	302	644	5.8
21 to 25	397	128	348	706	5.5
26 to 30	430	153	386	772	5.0
31 to 35	489	169	419	845	5.0
36 to 40	513	158	400	900	5.7
41 to 45	517	145	388	888	6.1
46 to 50	494	148	422	876	5.9
51 to 55	543	155	447	942	6.1
55 to 60	516	159	441	899	5.7
61 to 65	520	185	424	895	4.8
66 to 70	504	212	404	873	4.1
71 to 75	456	217	372	728	3.4
76 to 80	416	197	357	649	3.3
over 80	412	189	354	678	3.6

Source: CASE/DWP analysis of HBAI dataset.

Wealth

There has also been a strong age-related pattern of wealth changes over the period between the first wave of the ONS Wealth and Assets Survey (from July 2006 to June 2008), and the most recent round (from July 2010 to June 2012). The percentage changes in non-pension wealth at the tenth percentile, median and ninetieth percentile are shown in Figure 3.10. The resultant levels of wealth reached in the most recent year, and the associated 90:10 ratios are shown in Table 3.4. As with most of the other outcomes examined in this section, there has been a strong tilt against younger households, in this case taking place over what is just a four-year period.

Looking at both proportionate and absolute changes in nominal wealth the biggest gains were for the older age groups, while wealth fell for those aged below 55 across the distribution (with the exception of the tenth percentile for those aged 25-34, which grew by 23 per cent, although that was only a rise of £600). For the households aged 65 and over median non-pension wealth grew by around £20,000, but for those aged 35-44, it fell by £20,000. By 2010-12, median non-pension wealth for those aged 55-64 had reached £232,800 (or £424,500 including ONS's assessment of pension rights), while that for those aged 25-34 was only £42,800 (£59,700 including pension rights).

The 90:10 ratios in Table 3.5 show that wealth inequality is not simply a matter of age-related differences of the kind that might be explained simply by life cycle savings patterns. For all the age groups from 25 to 74, the ratio exceeds 40; in working-life the ratios are not that much lower than the overall 90:10 ratio of 66 across households of all ages. Wealth inequalities remain profound both between and within different age groups, and indeed those between age groups intensified over the crisis and its aftermath.

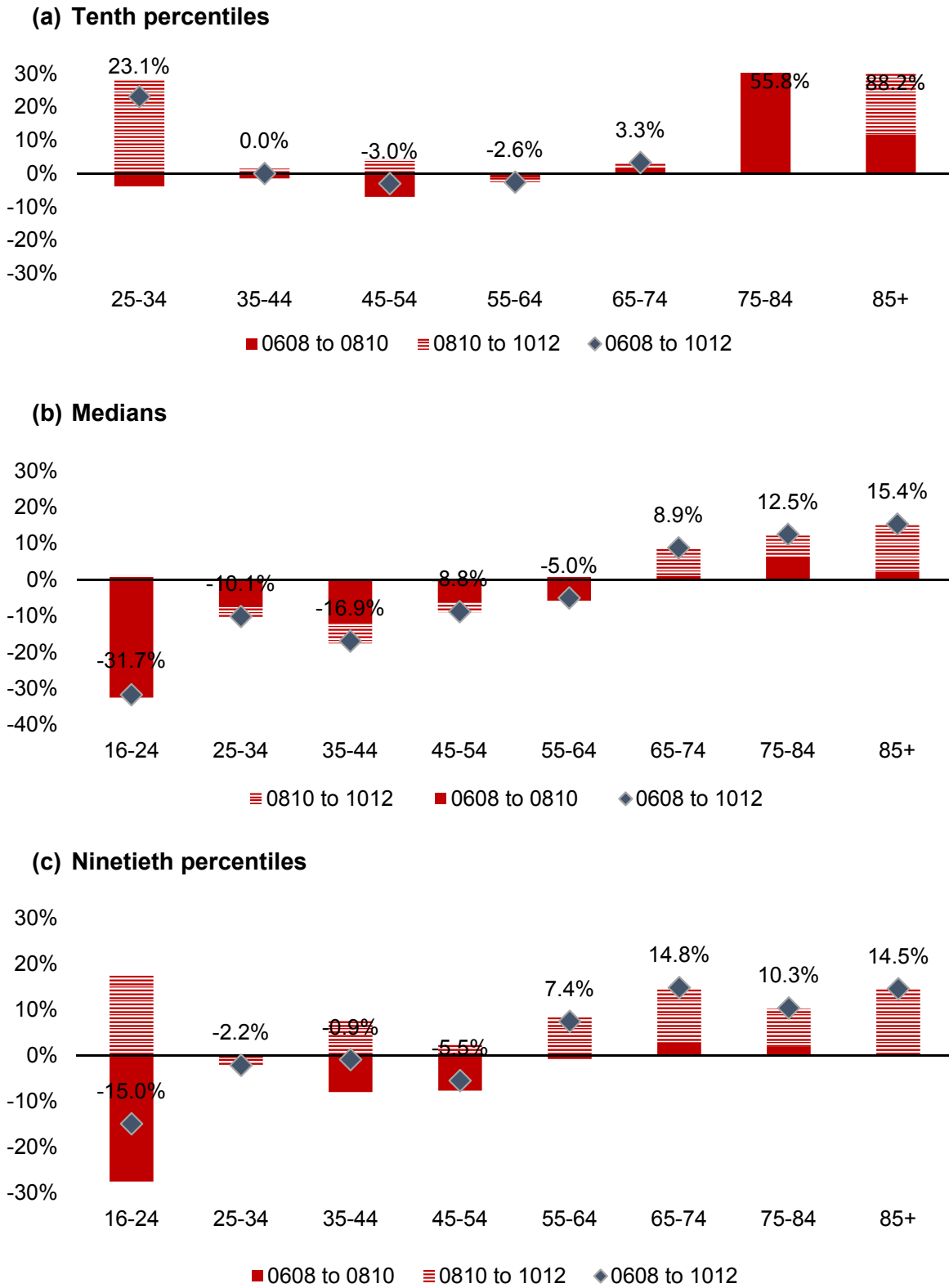
Table 3.5: Absolute changes in median non-pension wealth, 2006-08 to 2010-12, and wealth levels in 2010-12 by age group (£000s, nominal terms)

	16-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Absolute changes								
2006-08 to 2008-10	-3.9	-3.6	-14.5	-11.8	-14.1	2.2	11.8	3.5
2008-10 to 2010-12	0.1	-1.2	-6.1	-4.5	1.9	16.8	11.3	20.5
2006-08 to 2010-12	-3.8	-4.8	-20.6	-16.3	-12.2	19.0	23.1	24.0
Level of non-pension wealth in 2010-12								
Median	8.2	42.8	101.5	169.3	232.8	233.5	207.2	180.0
90:10 ratio	Na ¹	61	57	55	48	43	34	32

Source: ONS/CASE analysis of Wealth and Assets Survey.

Note: 1. Tenth percentile wealth is *minus* £6,200 and ninetieth percentile is £61,400.

Figure 3.10: Percentage change in household non-pension wealth by age group, 2006-08 to 2010-12



Source: ONS/CASE analysis of Wealth and Assets Survey (GB). Age is that of household reference person.
 Note: scales are truncated and therefore large variations may not appear on the charts. Where this is the case, the 0608 to 1012 change is included as a label.

Summary: Rapidly falling real wages, incomes and wealth for those in their twenties

Of all the breakdowns we examine in this report, the differences between age groups are the clearest and the most consistent. Amongst the findings reported in this Section, the following stand out:

- The qualifications of those in their twenties and thirties improved rapidly by comparison with their predecessors six years earlier. By 2013 more than a third of those in their thirties had a degree or higher degree, while those then in their twenties were more likely to have them than that cohort had been at the same age, and so were heading towards an even higher level.
- Full-time employment fell fastest for men and women aged 16-29, including by 10 percentage points for men and 8 points for women aged 20-24 between 2006-08 and 2013. By 2013 unemployment for those aged 20-24 had reached 12 per cent, the joint highest (with 16-19 year-olds for any age group). By contrast, employment rose for those in their sixties and a fifth of those aged 65-69 were employed or self-employed by 2013.
- For those employed full-time, hourly wages fell fastest the younger workers were. At the median men and women aged under 30 were paid more than 10 per cent less than their predecessors six years before. For the worst paid 16-19 year-olds the drop was approaching 30 per cent. This affected the highest paid aged under 35, as well as the low-paid. By contrast, the best-paid men in their early sixties gained 10 per cent. Inequalities in wages within age groups grew, however, for those aged over 35, rather than for younger workers.
- The age gradient was even stronger for median weekly full-time earnings, with falls of more than 15 per cent for men and women in their late twenties over the period.
- Looking at the net incomes for all age groups including children, the biggest falls between 2007/08 and 2012/13 before allowing for housing costs were for middle- and higher-income people in their twenties, totalling more than 12 per cent in real terms. After allowing for housing costs median incomes for those in their twenties were 18 per cent or more lower than five years before, and fell by almost as much for those with the lowest incomes, as well as those with the highest incomes in their twenties and early thirties.
- Changes in wealth were also sharply tilted against younger households, rising for age groups aged over 55, but falling for younger ones. By 2010-12 median non-pension wealth for those aged 55-64 had grown to £233,000, but it had fallen to £43,000 for those aged 25-34. Including pension rights the figures were £425,000 and £60,000 respectively – a £365,000 gap between generations 30 years apart.

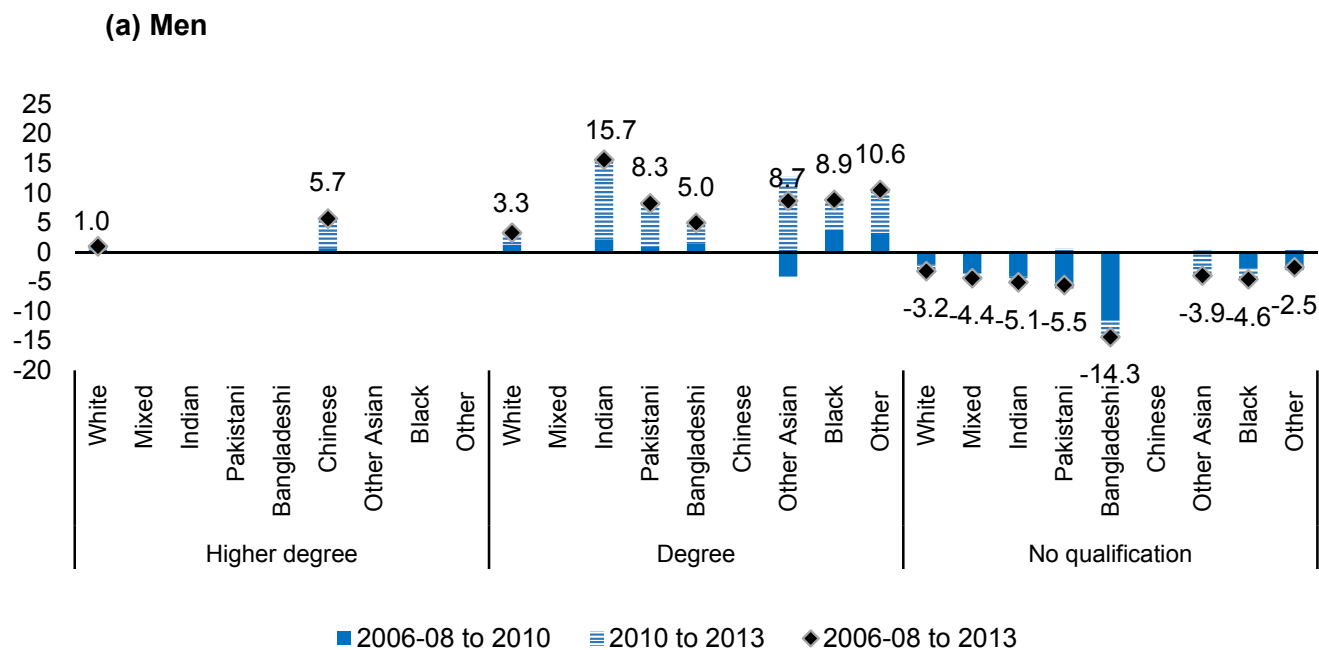
4. Changing inequalities by ethnicity¹⁶

The data sources we are using vary in the ways in which ethnic groups are defined and, in particular, grouped together. Small sample sizes for particular groups make it difficult to identify statistically significant changes (unless they are very large). The tables and figures that follow therefore vary in the breakdowns by ethnicity that we can show. Additionally, in 2011 there was a break in the way ethnicity question was asked in the Labour Force Survey, which means comparing the results for pre- and post-2011 by ethnicity should be treated with caution.¹⁷ Unlike the clear gradients by age we showed in the previous section, patterns of change by ethnicity have been more complex. In some cases they have led to differences between ethnic groups narrowing, but in others they have widened, not always to the advantage of the majority, White, population.

Qualifications

Figure 4.1 shows that in general the level of qualifications of the non-white groups of working age has improved even faster than that of those identifying themselves as White. For instance, the proportion of Indian women with degrees or higher degrees rose by 22 percentage points over the six years and of Indian men with first degrees by 16 points. At the same time, the proportion of Bangladeshi women with no qualifications fell by 17 percentage points and of Bangladeshi men by 14 points.

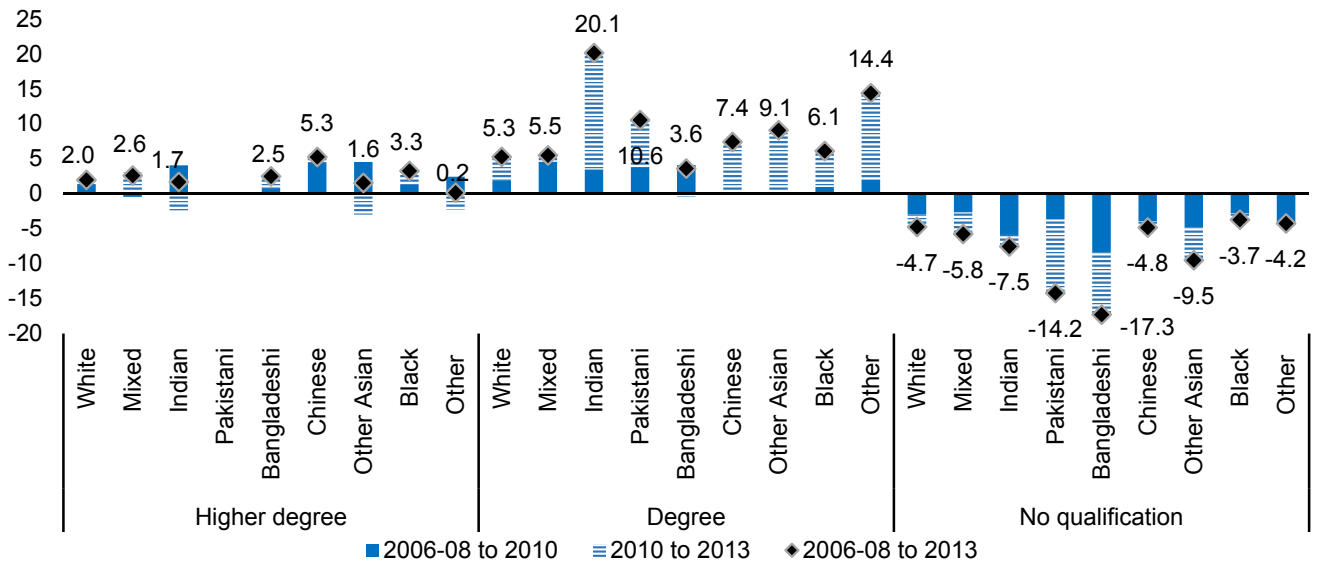
Figure 4.1: Change in proportion of each ethnic group with degrees or no qualifications, 2006-08 to 2013 (percentage points)



¹⁶ Obolenskaya (2015) presents related results by religious affiliation.

¹⁷ To bring the LFS into line with 2011 Census, harmonised changes to the ethnicity question format were made in 2011. The main element of change to the questions was a move from asking 'To which of these ethnic groups do you *belong*?' to 'What is your ethnic group? ...choose one option that best describes your *ethnic group or background*'. These produced some reduction in reporting of 'White' ethnic group and an increase in 'Mixed/multiple ethnic groups', 'Indian' and 'Pakistani'. ONS (2013) reports that the impact on dynamics of response is unclear and therefore trend analysis is advised to be treated with caution.

(b) Women

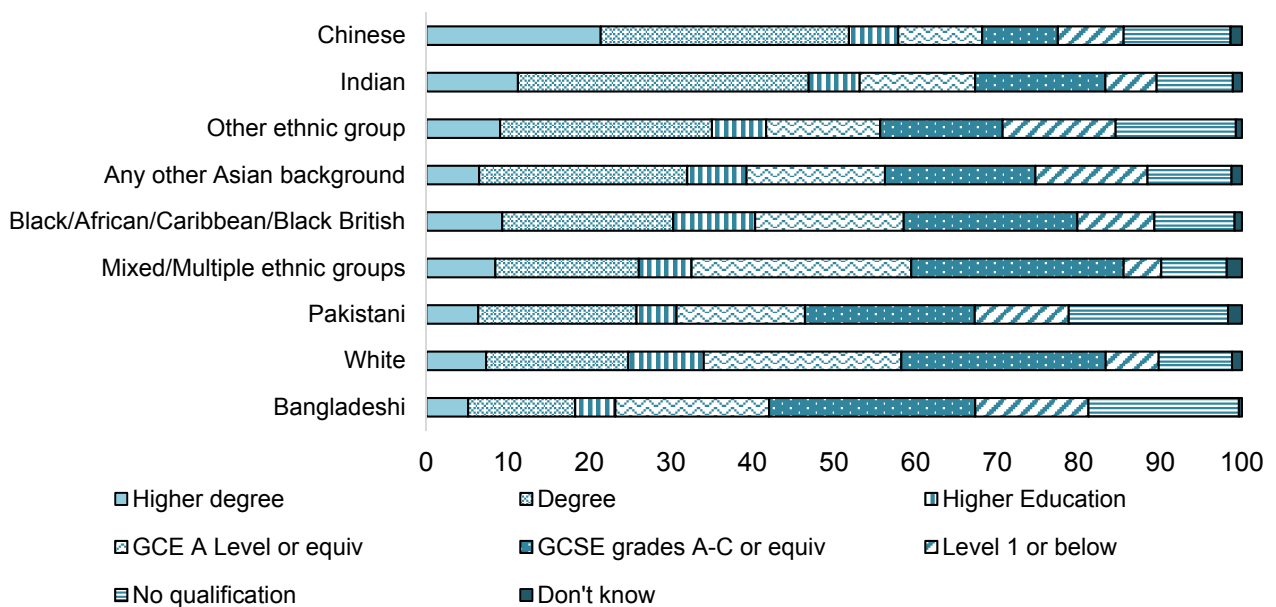


Source: Labour Force Survey (UK).

Note: Only significant changes over 2006-08 to 2013 are reported here.

Remembering that some of the variations reflect age differences in age profiles of the groups, Figure 4.2 shows the position reached in 2013, looking at men and women together. Nearly half of Indian men and women of working age now have degrees or higher degrees, and more than half of Chinese men and women, compared to only a quarter of White men and women. Indeed, by 2013 for these relatively broad ethnic categories, only Bangladeshis were *less* likely than the White population to have degrees or higher degrees. Despite the rapid falls in the six years, Bangladeshi and Pakistani working age adults remain the most likely to have no formal qualifications.

Figure 4.2: Highest qualifications by ethnicity (all), 2013

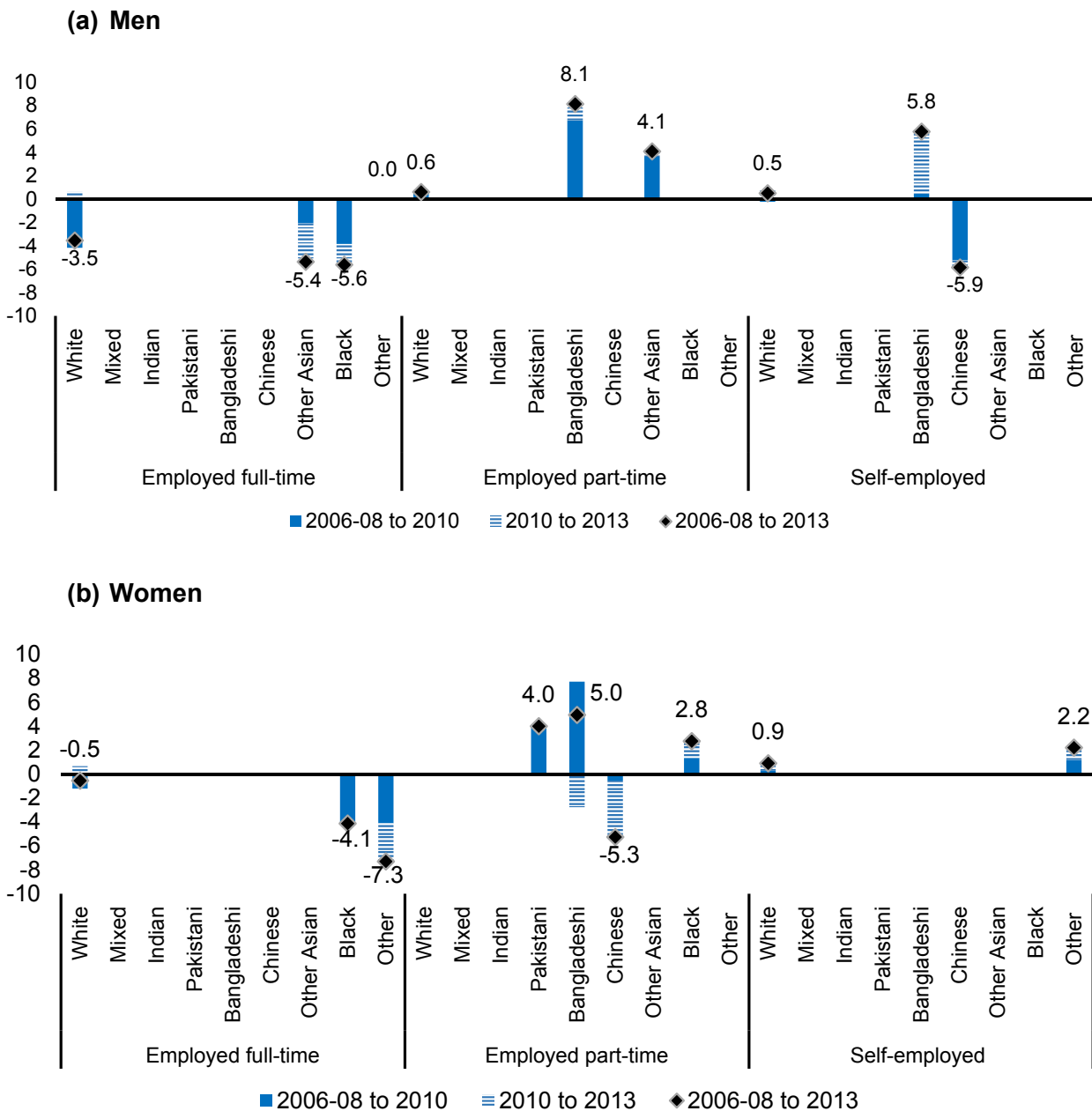


Source: Labour Force Survey (UK).

Employment

Statistically significant changes in forms of employment are shown in Figure 4.3 for men and women separately. The biggest falls in full-time employment were for Black men and women, 'other Asian' men and the rather varied 'other' group of women. Notably, these falls continued after 2010, when employment in general had begun to rise. On the other hand there were notable increases in part-time employment for Bangladeshi men and women and in self-employment for Bangladeshi men. Self-employment fell by 6 percentage points for Chinese men, however, and part-time employment by 5 points for Chinese women.

Figure 4.3: Significant changes in employment by ethnicity and gender, 2006-08 to 2013 (%-point changes; working-age population)

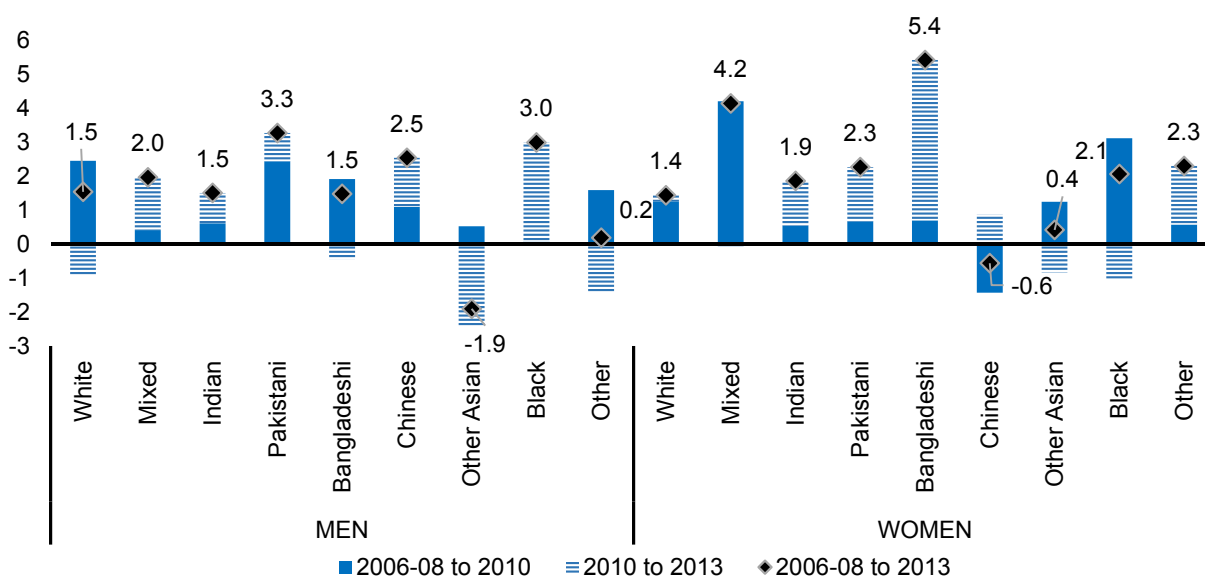


Source: Labour Force Survey (UK).

Note: Only significant changes over 2006-08 to 2013 reported here.

The effects of this on unemployment shown in Figure 4.4 are also not straightforward. For most non-white men the rise in unemployment over the whole period was greater than that for Whites; only for 'other Asian' men was there a fall. Similarly, the rise in unemployment was more for most groups of non-white than for White women, with the exception of Chinese and 'other Asian' women. The 5 percentage point rise in unemployment for Bangladeshi women was particularly notable – especially given the rise in their qualifications over the same period. What is also very striking is that the rise in unemployment for White men was reversed after 2010, and that for White women halted, but for many of the other ethnic groups the position continued to deteriorate after 2010.

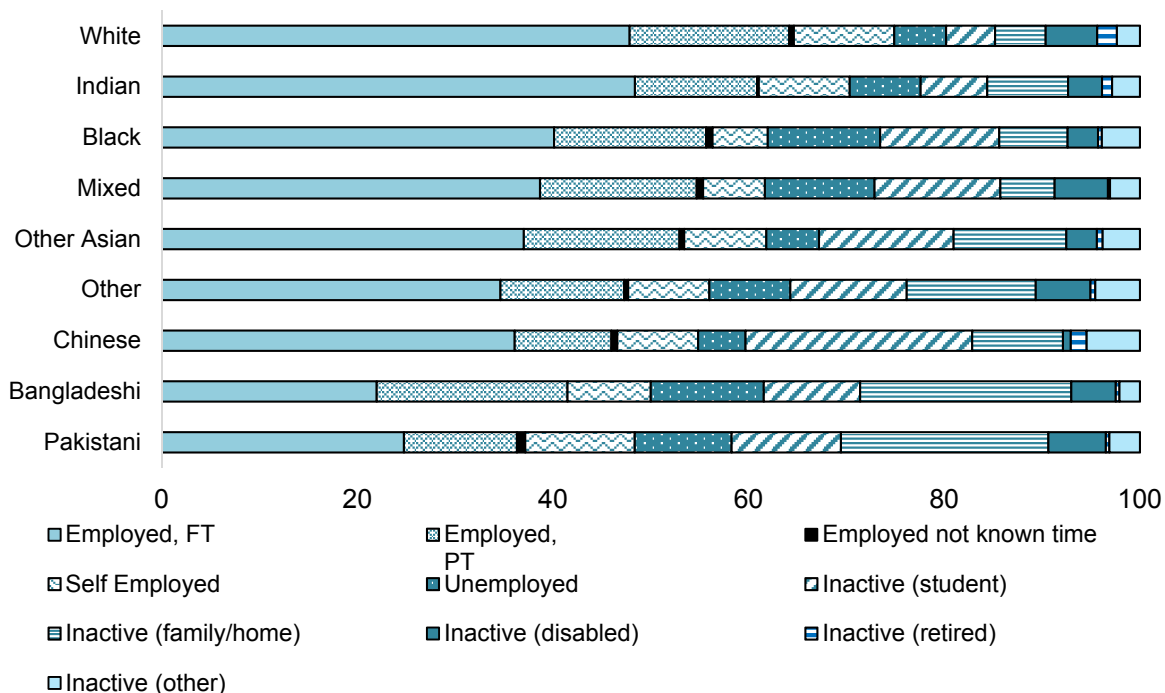
Figure 4.4: Changes in unemployment by ethnicity and gender, 2006-08 to 2013 (percentage points)



Source: Labour Force Survey (UK).
 Note: All changes shown are significant over 2006-08 to 2013.

Figure 4.5 shows the resultant overall employment patterns (for men and women combined) in 2013. In contrast to the ordering of groups by qualifications in Figure 4.2, a much greater proportion of White men and women were in full and part-time employment than in the other groups, although Indians were as likely to be full-time employed. By contrast, a quarter or fewer of Bangladeshi adults of working age were employed full-time, with notably high proportions (predominantly women) economically inactive, 'looking after family/home'.

Figure 4.5: Employment status in 2013 by ethnicity, men and women (%)



Source: Labour Force Survey (UK).

Hourly wages

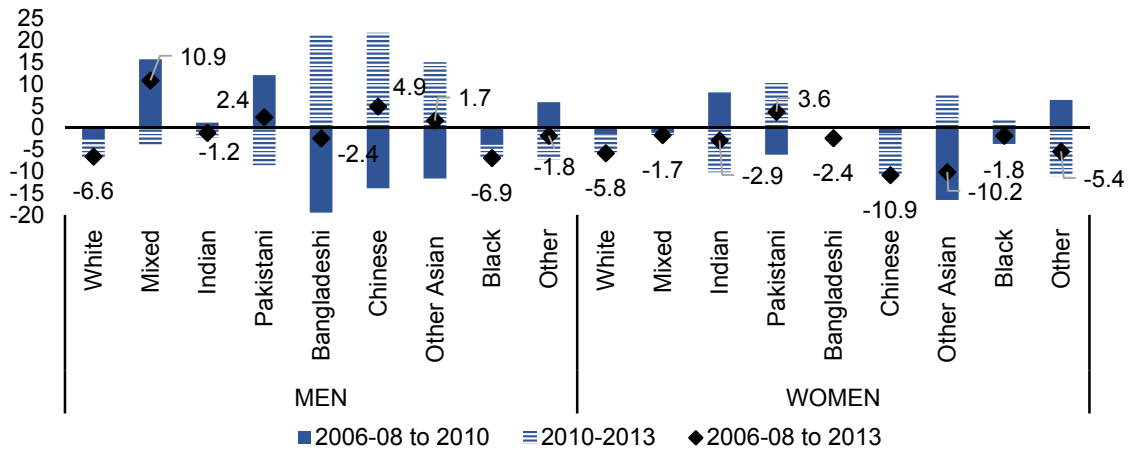
Concentrating on full-time employees only, Figure 4.6 shows changes in real hourly wages by ethnicity and gender, at the median in the top panel and at the tenth and ninetieth percentiles for each group in the other two panels. Over the whole period real wages have fallen most at the median for Black and White men and for Chinese and 'other Asian' women. Notably, wages appear to have recovered in the second period for several of the non-white groups after initial larger falls. For the lowest paid, however, Indian and Black men and women saw continuing falls (more rapid than for White men after 2010), leaving them with real reductions in pay of between 9 and 12 per cent. In contrast, the greatest overall increases were for the best-paid Indian women (by 8 per cent) and 'other' men (by 10 per cent).

Table 4.1 shows the resultant levels of hourly pay in 2013 for each ethnic group, and inequalities within them. Several features stand out:

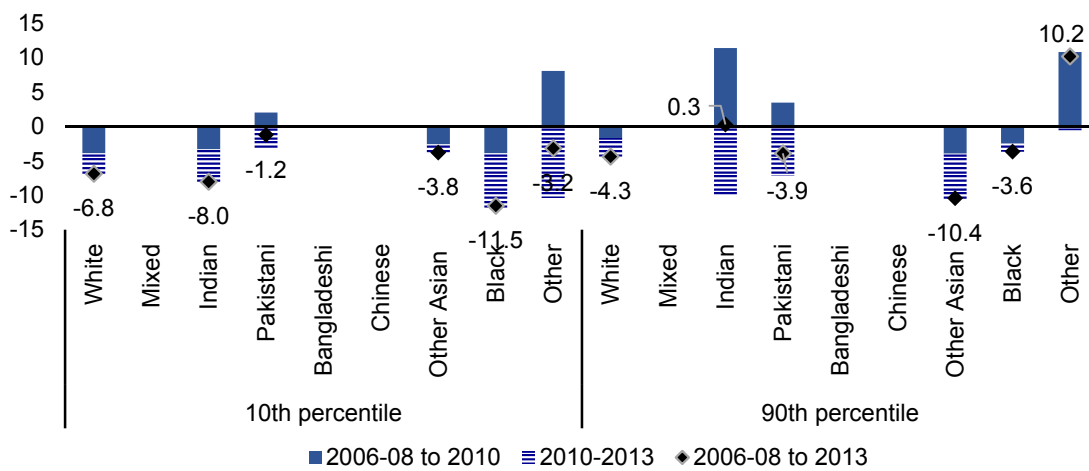
- Chinese men and women have the highest hourly wages for their genders – median pay of £16.75 for men. Bangladeshi and Pakistani men are paid the least at the median - £10.00 and £10.04 per hour.
- White women are one of the lower paid groups of women. Pakistani, Bangladeshi, and Black women (grouped together) have higher median pay than men from the same group.
- Pay inequalities, as measured by the 90:10 ratio are greatest for Indian men, with a rise in the ratio from 4.5 to 4.9 between 2006-08 and 2013, compared with the rise from 3.9 to 4.0 for White men. Pay inequalities also rose rapidly for Indian women, with the ratio rising from 3.2 to 4.1

Figure 4.6: Percentage change in hourly pay by ethnicity, full-time employees, men and women, 2006-08 to 2013

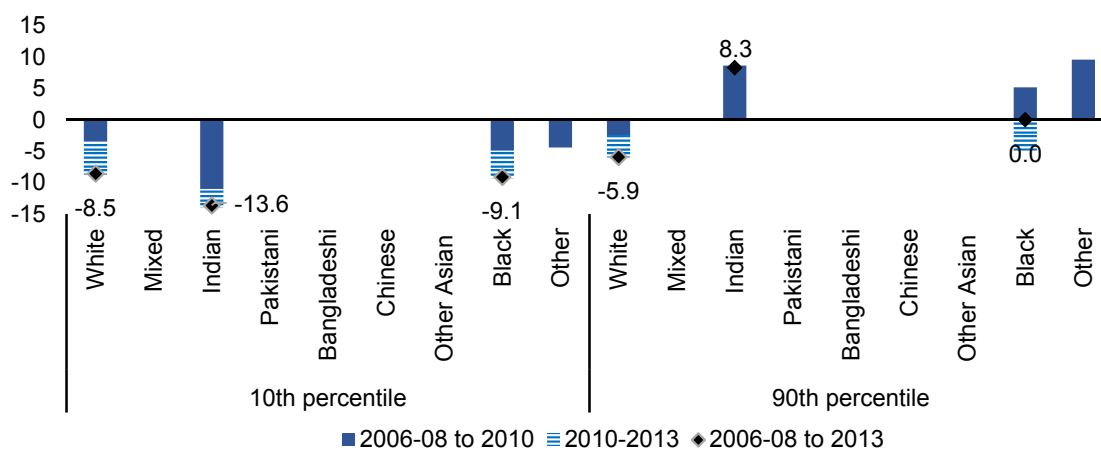
(a) Median



(b) Men: 10th and 90th percentiles



(c) Women: 10th and 90th percentiles



Source: Labour Force Survey (UK). Changes are only reported here and in subsequent figures for hourly wages and weekly earnings where sample sizes allow reliable comparisons.

Table 4.1: Median full-time hourly wages by ethnicity, 2013, and wage dispersion by ethnicity, 2006-08 and 2013

	White	Mixed	Indian	Pakistani	Bangladeshi	Chinese	Other Asian	Black African/ Caribbean/ British	Other
Median full-time wages, 2013 (£/hour)									
All	12.09	13.37	12.70	10.33	10.05	14.43	11.53	11.85	11.15
Men	12.82	14.42	13.81	10.04	10.00	16.75	12.27	11.54	11.19
Women	11.13	12.30	12.03	11.53	10.63	12.60	10.56	12.50	11.15
90: 10 ratios, men									
2006-08	3.9	4.0	4.5	3.9			4.1	3.5	4.1
2013	4.0		4.9	3.8			3.8	3.8	4.7
90:10 ratios, women									
2006-08	3.4	3.5	3.2				3.4	3.1	3.5
2013	3.5		4.1					3.4	

Source: Labour Force Survey (UK).

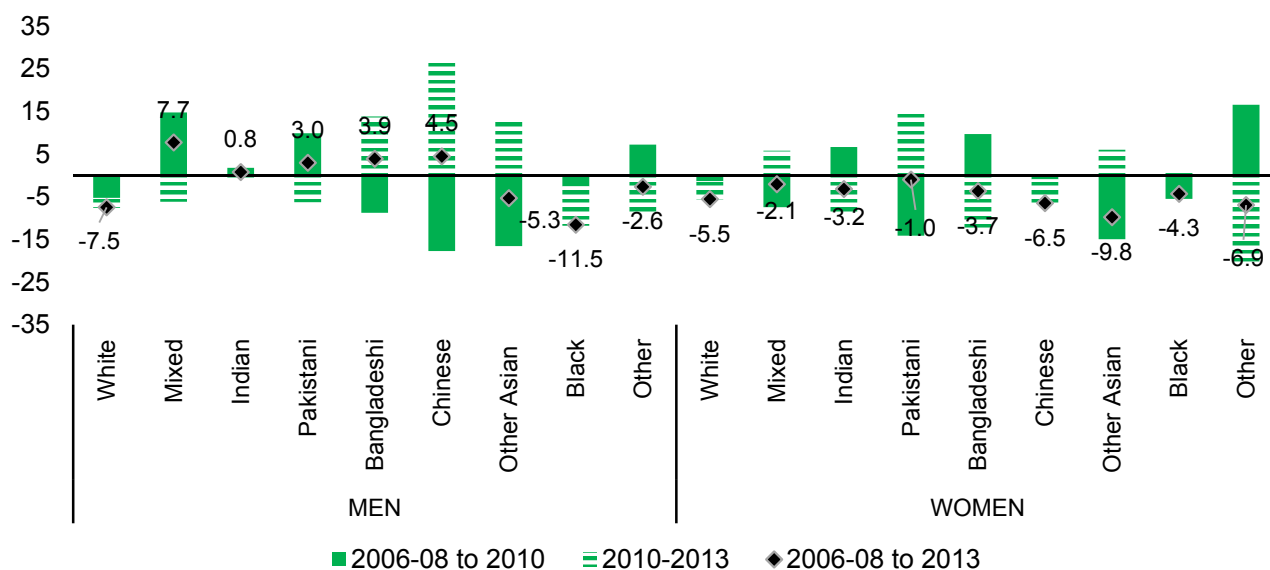
Weekly earnings

In terms of weekly pay, and still concentrating on full-time earnings, Figure 4.7 shows (for the median only) changes over the period by ethnicity. Again, as for hourly pay, over the whole period real weekly earnings fell most for White men (7.5 per cent) and Black men (11.5 per cent). For women, only 'other Asian' had a greater fall (9.8 per cent) than White women (5.5 per cent). The patterns between periods also varied, with only White and Black men, and White and Chinese women losing ground in both periods.

Table 4.2 shows levels and dispersion of full-time weekly earnings (before tax) in 2013. Chinese men and women had the highest weekly earnings, at £673 and £500 respectively, compared to £404 for Bangladeshi men and £385 for Bangladeshi women. Women from the combined Black ethnic groups had the second highest weekly earnings, £472 exceeding that of Black men (with Pakistani men and women having the same median weekly earnings). The proportionate gender gap in weekly earnings was greater between White men and women than for any of the other groups apart from the Chinese group.¹⁸ Again, Indian men had the most unequal earnings, with a 90:10 ratio that rose from 4.6 to 5.1 by 2013, compared to a rise from 3.7 to 3.9 for White men.

¹⁸ The Indian gender gap was the same absolute size as for White men and women, £115.

Figure 4.7: Change (%) in median weekly full-time earnings by ethnicity (men and women), 2006-08 to 2013



Source: Labour Force Survey (UK).

Table 4.2: Full-time median earnings by ethnicity (men and women), 2013 and earnings dispersion by ethnicity, 2006-08 and 2013

	White	Mixed	Indian	Pakistani	Bangladeshi	Chinese	Other Asian	Black African/ Caribbean/ British	Other
Full-time earnings, 2013 (£/week)									
All	481	519	509	413	404	577	462	463	442
Men	538	577	577	413	404	673	500	462	462
Women	423	471	462	413	385	500	423	472	423
90:10 ratios, men									
2006-08	3.7	4.0	4.6	4.1			4.1	3.2	4.1
2013	3.9		5.1	4.0			3.7	3.9	4.7
90:10 ratios, women									
2006-08	3.5	3.4	3.3				3.6	3.1	3.2
2013	3.6		4.0					3.5	

Source: Labour Force Survey (UK).

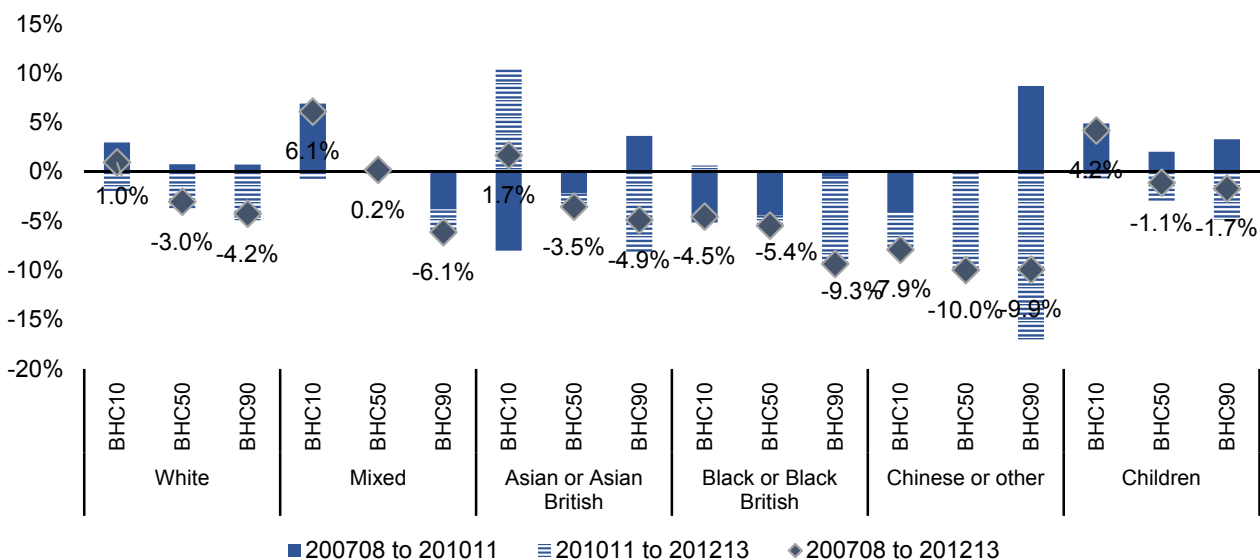
Household incomes

While the previous two sections showed that in several respects White and Black men and women had done worst in terms of wages, for household incomes, after allowing for benefits, tax credits and direct taxes, the picture was rather different. Figure 4.8 shows changes for the adult ethnic groups identified by DWP (with children identified separately), in each case showing the gradients between tenth percentile, median and ninetieth percentile. It is striking that for every group, the losses were greatest – remembering that this is up to the financial year 2012/13 only – for those with the *highest* household earnings. Chinese adults lost most across the distribution and Black adults (and to a lesser extent Asian adults) also lost more than White adults. Apart from the poorest Asian adults, real incomes fell at all points in the distribution for all groups between 2010/11 and 2012/13.

After allowing for housing costs, the distributional picture was reversed for many groups. For White adults, the falls in real incomes were fairly similar – between 5 and 6 per cent across the distribution. But the poorest Asian, Black and Chinese adults had much greater falls in income than better-off members of the same group – by more than a fifth for the poorest Black and Chinese adults.

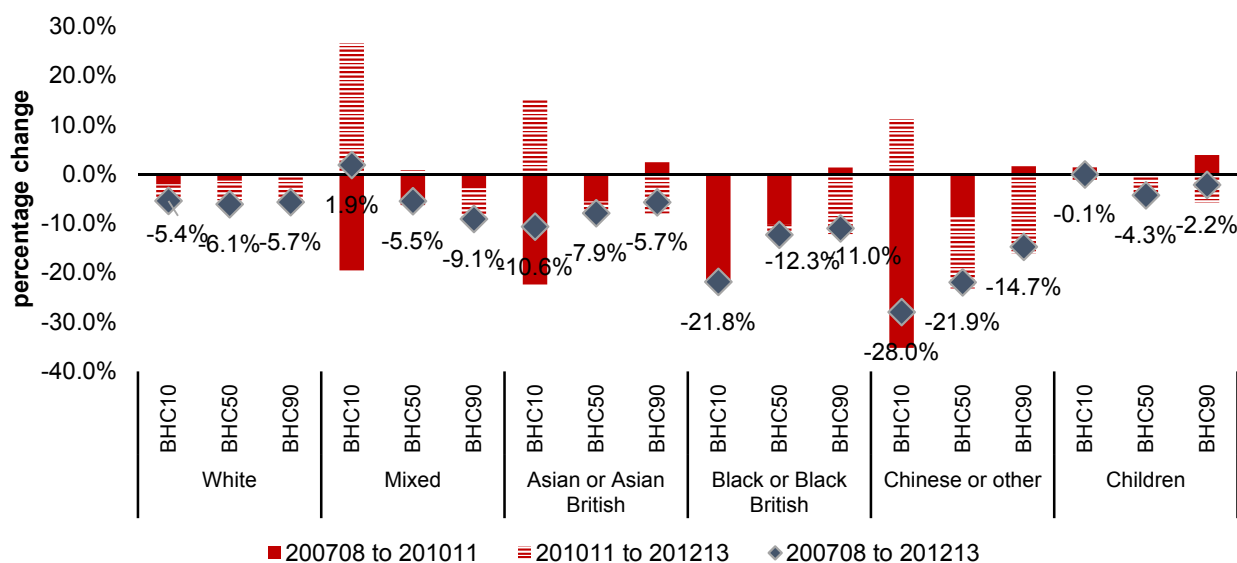
Table 4.3 shows the levels of income reached by broad ethnic group of adults (and for all children) in 2012/13 both before and after housing costs. Between these groups, and at all income groups, White adults remain better off than any of the other groups (with the exception of the best-off ‘Chinese or other’ adults). After allowing for housing costs, the difference between ethnic groups with low incomes is stark, with the poorest Black or Black British adults having equivalent net incomes of only £90 per week, and the poorest ‘Chinese or other’ adults having only £57 per week. Income inequality within the other income groups is also greater than for White adults, especially after housing costs, with a very high 90:10 ratio indeed for the perhaps heterogeneous group counted as ‘Chinese or other’.

Figure 4.8: Changes in net incomes (adjusted for household size) by ethnicity, 2007/08 to 2012/13, before housing costs (%)



Source: DWP/CASE analysis of HBAI dataset (UK).

Figure 4.9: Changes in net incomes (adjusted for household size) by ethnicity, 2007/08 to 2012/13, after housing costs (%)



Source: DWP/CASE analysis of HBAI dataset (UK).

Table 4.3: Weekly net incomes by ethnicity in 2012/13 (£/week, adjusted for household size) and income inequalities by ethnicity (90:10 ratios)

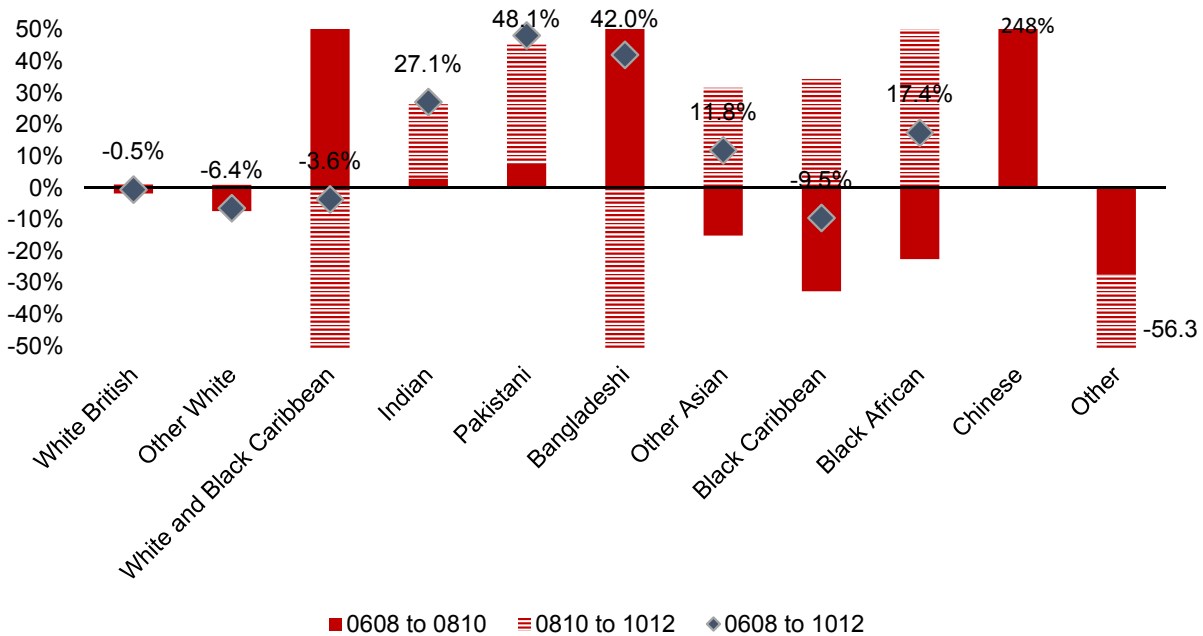
	Mean	P10	Median	P90	90: 10 ratio
(a) Before housing costs					
White	565	239	468	925	3.9
Mixed	526	208	440	924	4.4
Asian or Asian British	466	180	371	830	4.6
Black or Black British	449	193	392	745	3.9
Chinese or other	511	151	401	951	6.3
Children	499	228	396	798	3.5
(b) After housing costs					
White	500	174	411	849	4.9
Mixed	418	122	341	802	6.6
Asian or Asian British	379	109	290	723	6.6
Black or Black British	353	90	294	652	7.2
Chinese or other	400	57	288	813	14.3
Children	418	154	322	706	4.6

Source: CASE/DWP analysis of HBAI dataset.

Wealth

As with the changes in wealth by age, those by ethnicity over the period from 2006/08 to 2010/12, as shown in Figure 4.10, can be very large in percentage terms, so the absolute changes in Table 4.4 may be more significant. ONS defines ethnic groups in narrower terms than DWP, but the sample sizes for most of them are too small for reliable assessment of changes at the bottom and top of the distribution, so we omit those changes in this section. Looking at the medians, while non-pension wealth fell slightly in nominal terms for White households (by £800) over the whole period, it rose for several of the other groups, most notably by more than £40,000 for Indian and for Pakistani households and by more than £140,000 for Chinese households.¹⁹ These changes meant that by 2010-12, median non-pension wealth for Indian and Chinese households had reached around £200,000, compared to £155,000 for White households, £129,000 for Pakistani households, and far less for all the other groups.

Figure 4.10: Percentage change in median household non-pension wealth by ethnicity, 2006-08 to 2010-12 (nominal changes)



Source: ONS/CASE analysis of Wealth and Assets Survey (GB). Age is that of household reference person.
Note: Scales are truncated and therefore large variations may not appear on the charts. Where this is the case, the 2006-08 to 2010-12 change is included as a label.

¹⁹ This increase is mainly attributable to housing wealth – the rise in median financial and physical wealth for Chinese households was £36,000. The result is, however, based on a rather small sample size, only 48 households in the final year. While this is above our threshold for analysis, it should be treated with caution.

Table 4.4: Absolute changes in median non-pension wealth, 2006-08 to 2010-12, and wealth levels in 2010-12 by ethnic group (£, nominal terms)

	White British	Other White	White and Black Caribbean	Indian	Pakistani	Bangladeshi	Other Asian	Black Caribbean	Black African	Chinese
Absolute changes (£000s)										
2006-08 to 2008-10	-2.8	-5.4	36.2	4.5	6.7	34.5	-7	-12.4	-4	80
2008-10 to 2010-12	2	0.7	-36.8	37	35.2	-28.2	12.5	8.8	7.1	63.7
2006-08 to 2010-12	-0.8	-4.7	-0.6	41.5	41.9	6.3	5.5	-3.6	3.1	143.7
Level of non-pension wealth in 2010-12 (£000s)										
Median	155.2	68.8	15.9	194.7	129	21.3	52	34.4	20.9	201.5
90:10 ratio	57	170		73						

Source: ONS/CASE analysis of Wealth and Assets Survey. 90:10 ratio cannot be calculated for many ethnic groups because of small sample sizes.

Summary: Contrasting trends in qualifications and income by ethnicity

Bearing in mind that the ethnic groupings used in the sections above vary because of data differences, some broad patterns emerge that show that the experiences of different ethnic groups have varied considerably since the start of the economic crisis. These do not, however, reduce to a simple message that some groups have done uniformly better than others.

- More than half of *Chinese* adults of working age now have degrees. Chinese men in full-time employment in 2013 had the highest hourly wages (£16.75) and weekly earnings (£673). However, a combined group of ‘Chinese and other’ adults had the largest falls in net household incomes – particularly for the poorest after allowing for housing costs, where incomes fell by 28 per cent between 2007/08 and 2012/13. At the top, the highest income adults have greater income than any other group (before housing costs), with the result that income inequality was largest for this (possibly heterogeneous) than for the others shown in the data. Median household non-pension wealth rose most rapidly for Chinese households, reaching £200,000 by 2010-12.
- Partly as a result of age differences, *White* adults had the slowest increase in qualifications of any ethnic group, and a smaller proportion of White working age adults have degrees than of any other group, apart from Bangladeshis. White men had one of the smallest increases in unemployment over the whole period, with a fall after 2010, unlike several other groups. A much greater proportion of White adults are employed than of other groups. Apart from Chinese adults working full time, the weekly earnings gender gap is greatest for White adults, but household income inequality is least. Net incomes remain higher for white adults than for other groups before and after housing costs and in nearly all cases across the income

distribution). Household non-pension wealth, at £155,000 is now lower than for Indian and Chinese households.

- *Indian* men and women had the largest increase in the proportion with degrees, reaching nearly half. The least well-paid Indian men and women had the largest falls in hourly wages (by 8 and 14 per cent), leaving both hourly wages and weekly earnings more unequal in 2013 than for other groups where this can be calculated. Household non-pension wealth reached £195,000 for Indian households in 2010-12.
- *Black* men had the largest (5.4 percentage points) fall in full-time employment from 2006-08 to 2013, and Black women one of the largest falls (4.1 points). Black men had the second largest increases in unemployment (3.0 percentage points), all coming after 2010. Real median hourly wages fell by 6.9 per cent – more than for any other group of men. Apart from the mixed ‘Chinese and other group’, median net households incomes of Black adults fell by more than any other – by 5.4 per cent than before housing costs and 12.3 per cent after housing costs, and by 22 per cent for the poorest Black adults after housing costs. Non-pension wealth was only £34,000 for Black Caribbean and £21,000 for Black African households in 2010-12.
- *Pakistani* men had the largest increase in unemployment over the period, and by 2013 the lowest proportion (36 per cent) of Pakistani adults were full- or part-time employees. Median male hourly wages - £10.04 – were the second lowest, and median household incomes before housing costs were also the lowest for the combined ‘Asian and Asian British group’. Non-pension wealth, however, increased by £42,000 to £129,000 for Pakistani households by 2010-12.
- *Bangladeshi* men and women had the greatest fall in the proportions with no qualifications, but remained the most likely to have no qualifications in 2013. Bangladeshi men had the greatest increase in unemployment (5.4 percentage points) and Bangladeshi adults had the lowest full-time employment rate, just 20 per cent in 2013, and with Pakistani adults the greatest proportion who were economically inactive, ‘looking after family/home’. Bangladeshi men had the lowest full-time median hourly wages (£10.00) and lowest median weekly earnings (£404). Non-pension wealth was only £21,000 for Bangladeshi households in 2010-12.

5. Changing inequalities by housing tenure

Over the last thirty-five years, the UK has become sharply polarised by tenure, with large differences between social tenants and others. The period since 2007 has seen that intensify within the labour market, although the initial protection of the real value of social security benefits meant that up to 2012-13 the incomes of some social tenants did not fall as much as within other tenures, especially within private renting.

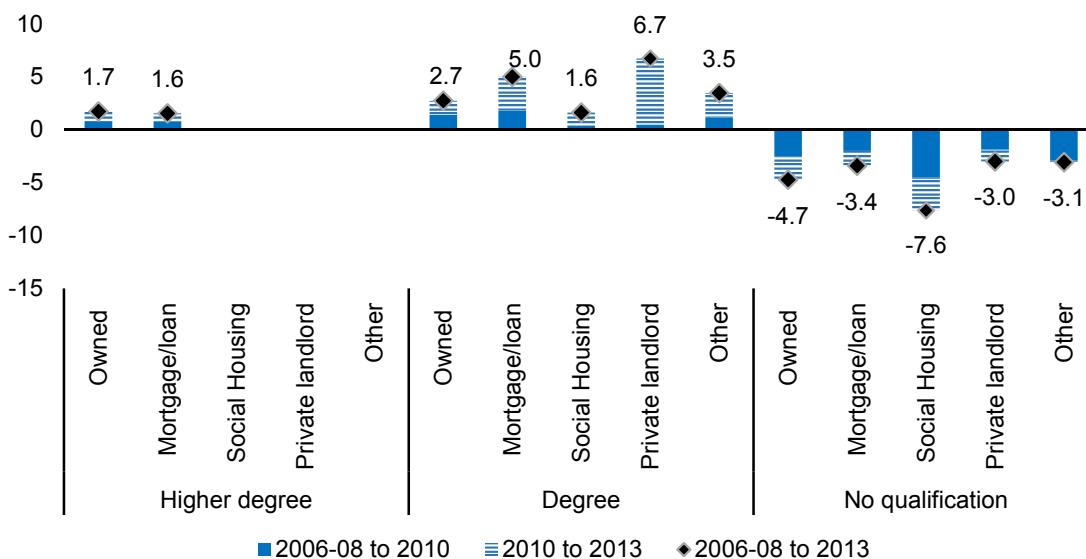
Qualifications

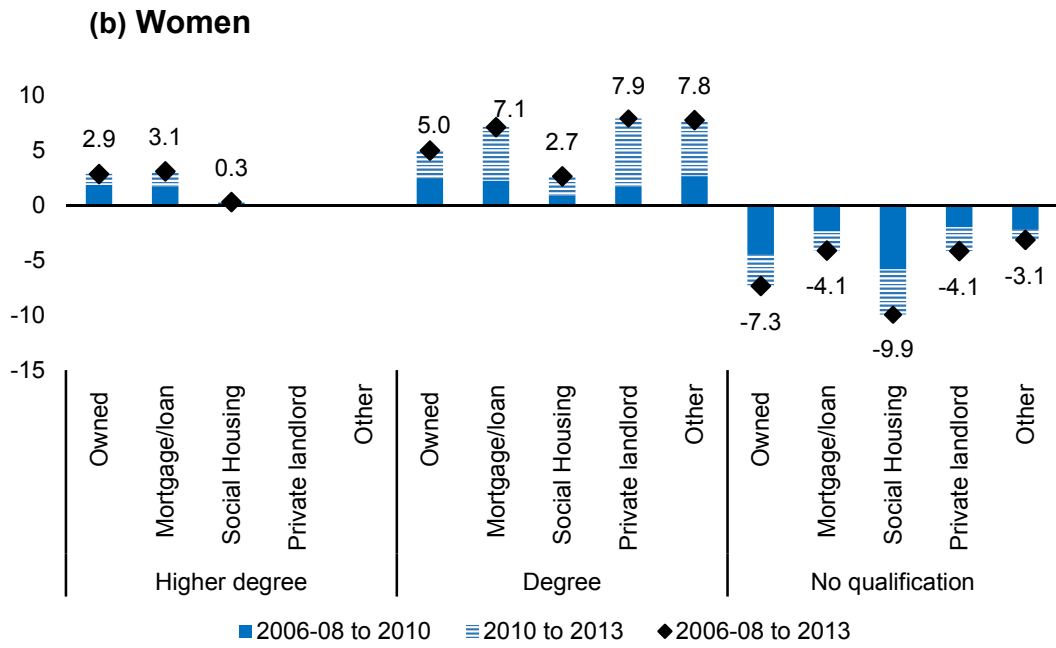
At the higher end of qualifications, mortgagors and private tenants had the most rapid rise in degrees and higher degrees as their highest qualifications, with increases of 6.6 and 6.9 percentage point respectively for men, and 10.3 and 8.4 points for women between 2006-08 and 2013 (Figure 5.1). For social tenants the rise in degree-level qualifications was slowest, although men and women in social housing did have the fastest fall in the proportion with no qualifications at all (although this was already much lower in the other tenures, leaving less room for a fall).

The result of this is shown in Figure 5.2. Working age adults in social housing have far lower qualification levels than people in the other tenures – only 11 per cent have any kind of degree or higher education qualification, compared to more than 40 per cent of those living in a property with a mortgage. Indeed, 9 per cent of mortgagors now have a *higher* degree. More than a third of social tenants still have no qualification beyond Level 1, compared to only a tenth of mortgagors. Private tenants are more varied than the other tenures, with 37 per cent now having some form of higher education qualification, but 18 per cent having no or only Level 1 qualifications.

Figure 5.1: Change in proportion of each tenure group with degrees or no qualifications, 2006-08 to 2013 (percentage points)

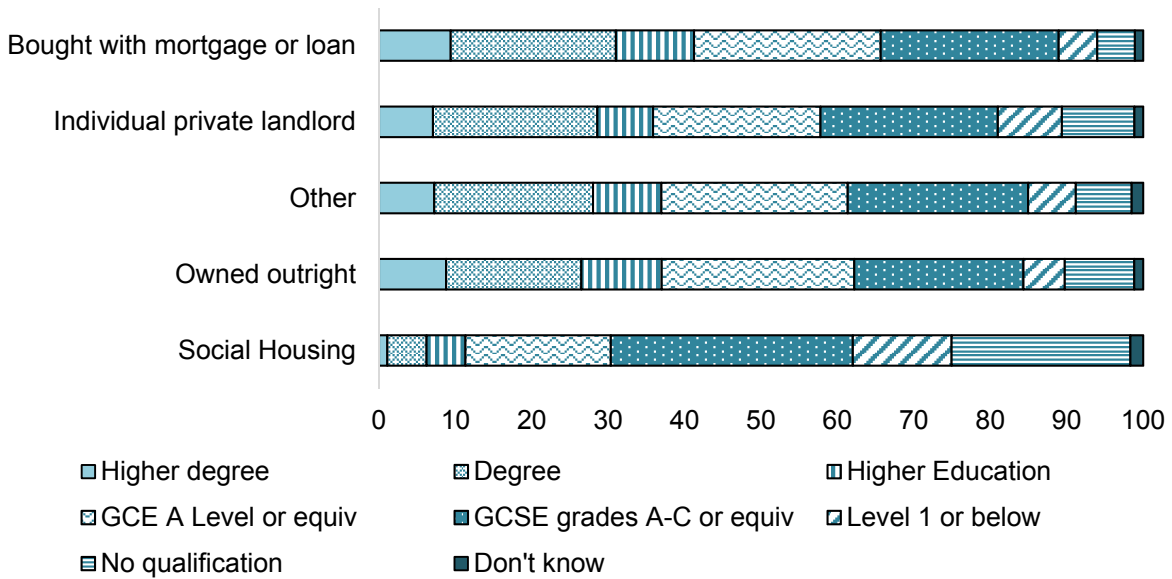
(a) Men





Source: Labour Force Survey (UK).

Figure 5.2: Highest qualifications by tenure (all), 2013

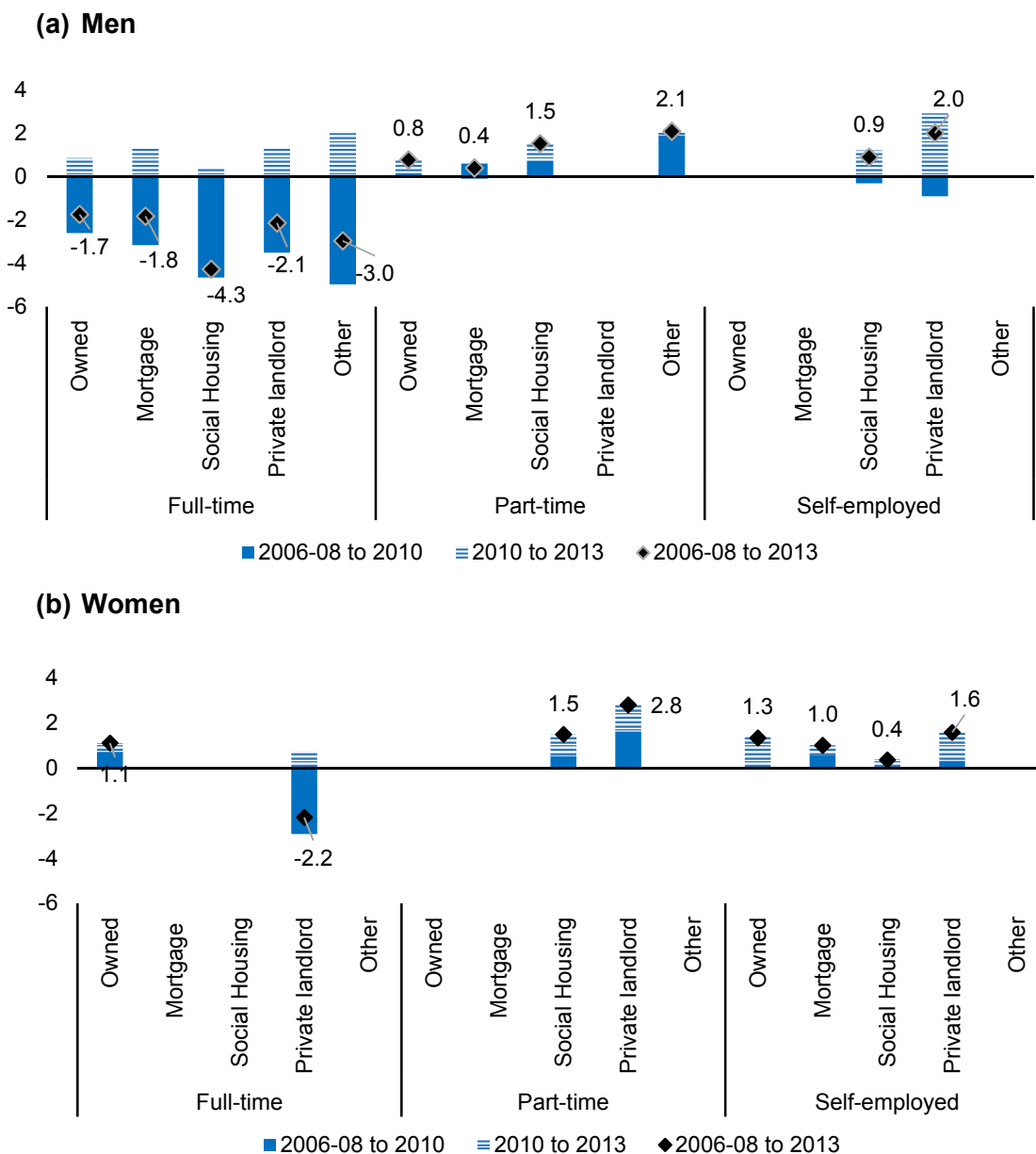


Source: Labour Force Survey (UK).

Employment

Full-time employment fell significantly for men in all tenures from 2006-08 to 2010; all had some recovery after 2010, but much less for social tenants (Figure 5.3). Over the whole period to 2013, already low male full-time employment for social tenants fell by 4.3 percentage points, more than twice as much as for outright owners, mortgagors and private tenants. Full-time employment actually rose for women who were outright owners. For private tenants there was a significant fall in full-time employment, but there was a rise in the number both male and female private tenants in self-employment. Matching these changes, unemployment rose most for social tenants, with least recovery after 2010 – indeed, it rose sharply for women in social housing between 2010 and 2013 (Figure 5.4).

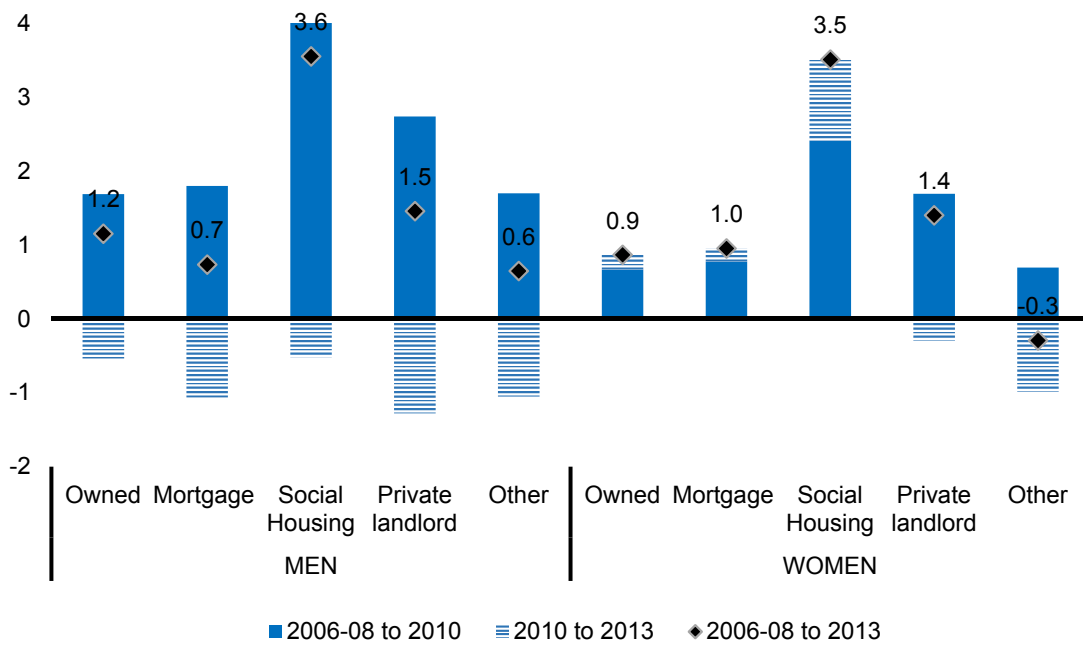
Figure 5.3: Significant changes in employment by tenure and gender, 2006-08 to 2013 (%-point changes; working-age population)



Source: Labour Force Survey (UK).

Note: Only significant changes over 2006-08 to 2013 reported here.

Figure 5.4: Changes in unemployment by tenure and gender, 2006-08 to 2013 (percentage points)

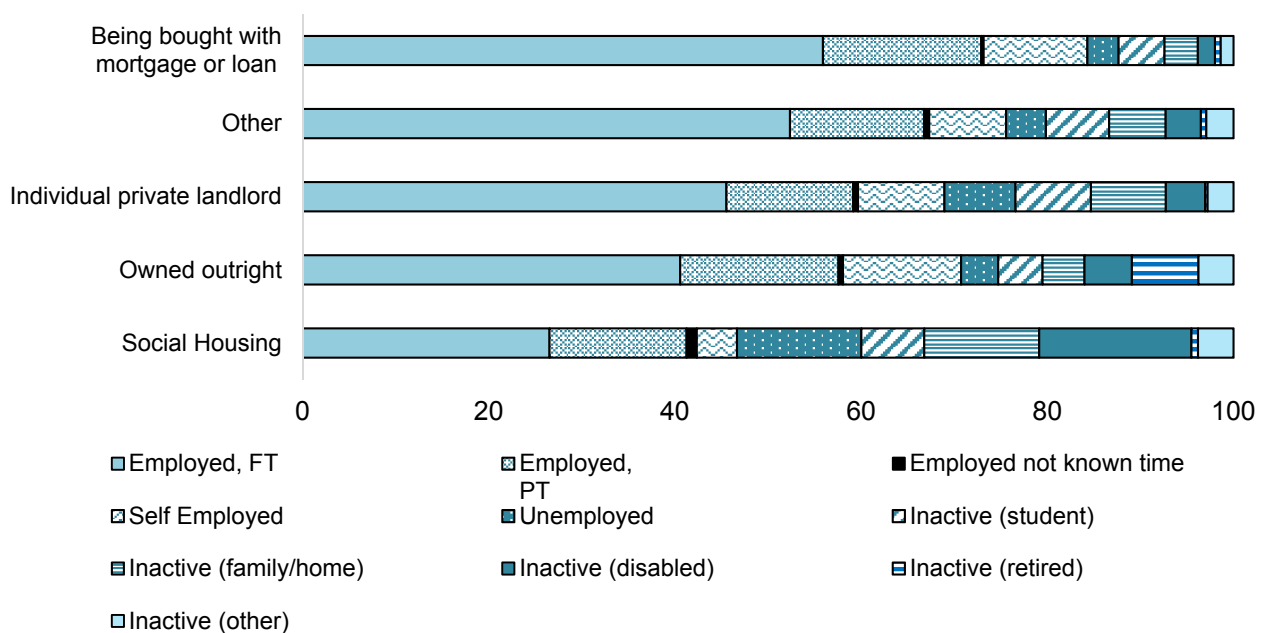


Source: Labour Force Survey (UK).

Note: All changes shown are significant over 2006-08 to 2013.

The result of this was that employment patterns became even more starkly polarised by housing tenure than they had been before, as Figure 5.5 shows. Fewer than half – 47 per cent – of all working-age adults in social housing were in any kind of employment or self-employment in 2013, including only 27 per cent in full-time employment. This was less than half the full-time employment rate of mortgagors, of whom 84 per cent were in some form of employment or self-employment.

Figure 5.5: Employment status in 2013 by housing tenure, men and women (%)



Source: Labour Force Survey (UK).

Hourly wages

Even for the quarter of social tenants who were in full-time employment, Figure 5.6 shows that median hourly wages fell much faster in real terms than for other tenures – by 8 per cent for men and 9 per cent for women (the small group of men in ‘other tenures’ also had a 10 per cent fall). For the lowest paid men in each main tenure the falls were more similar – between 6 and 8 per cent – but the lowest paid women in social housing had a fall of 12 per cent. Even the best-paid social tenants had a fall in real hourly pay of 9 per cent for men and 8 per cent for women. By contrast the fall for the best-paid men and women with a mortgage was only 2 per cent. In most of these cases private tenants had a change between social tenants and owner-occupiers, although the best-paid private tenant women had a fall over the period as a whole of only 1 per cent, the least of any of these groups.

Table 5.1 shows the resultant levels of pay in 2013 for each tenure group, and inequalities within them. By 2013 men in social housing working full-time had median hourly wages of only £8.48, and women only £7.77 – 60 per cent or less of the equivalent figures for mortgagors, £14.65 and £12.54 respectively. With the best-paid social tenants paid much less than those in other tenures, pay dispersion was lowest within social housing, and changed least over the period. By 2013 the 90:10 ratio for men in social housing was 2.4 compared to 4.1 for male outright owners, and 2.6 for women, compared to 3.6.

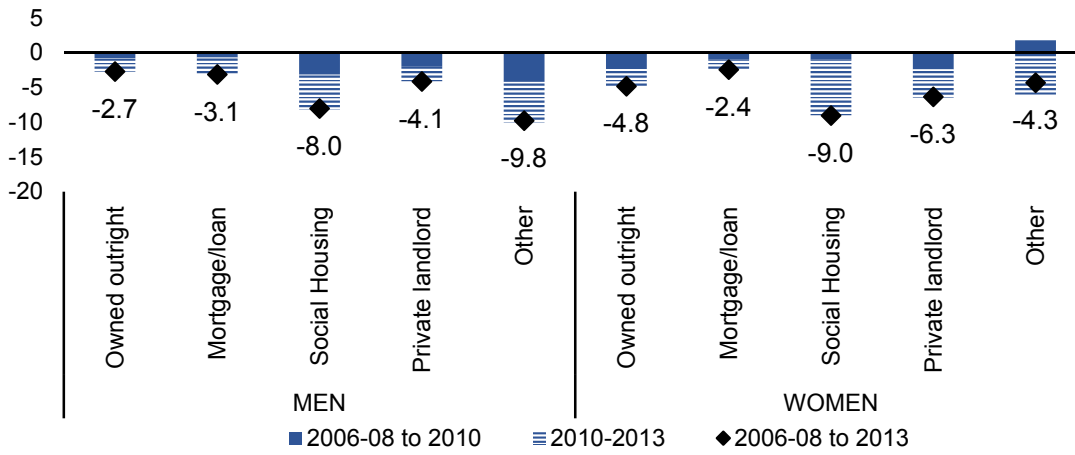
Table 5.2: Median full-time hourly wages by housing tenure, 2013 and wage dispersion by housing tenure, 2006-08 and 2013

	Owned outright	Bought with mortgage or loan	Social Housing	Individual private landlord	Other
Full-time wages, 2013 (£/hour)					
All	12.03	13.74	8.18	10.23	10.10
Men	12.63	14.65	8.48	10.70	10.22
Women	11.13	12.54	7.77	9.63	9.95
90: 10 ratios, men					
2006-08	4.0	3.7	2.4	3.6	3.4
2013	4.1	3.9	2.4	3.7	3.0
90:10 ratios, women					
2006-08	3.4	3.3	2.5	3.1	3.1
2013	3.6	3.5	2.6	3.2	3.1

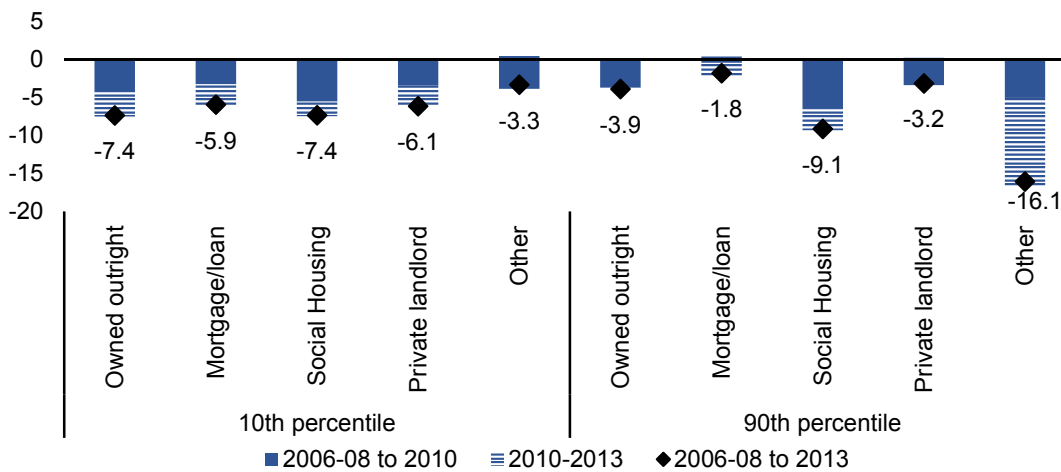
Source: Labour Force Survey (UK).

Figure 5.6: Percentage change in hourly pay by tenure, full-time employees, men and women, 2006-08 to 2013

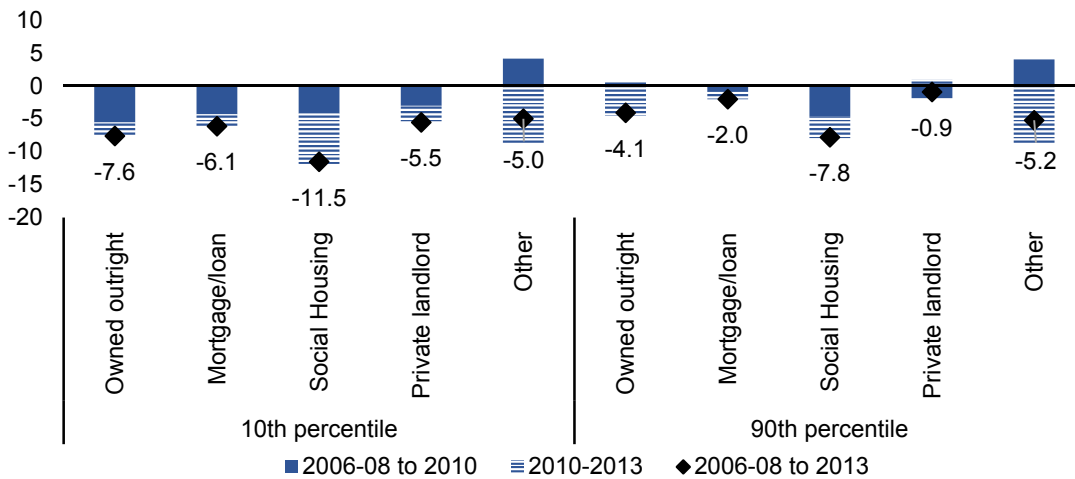
(a) Median



(b) Men: 10th and 90th percentiles



(c) Women: 10th and 90th percentiles

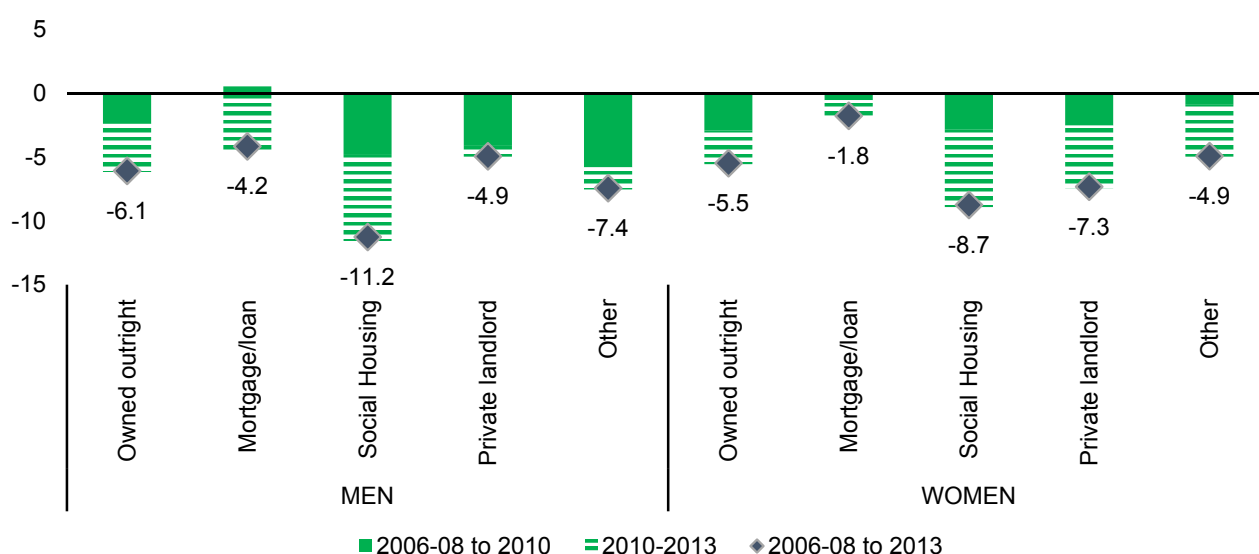


Source: Labour Force Survey (UK).

Weekly earnings

The fall in median real weekly full-time earnings of social tenants in full-time employment was even faster – by 11 per cent for men and 9 per cent for women, compared to 4 per cent for men and just 2 per cent for women with mortgages (Figure 5.7). Table 5.2 shows that by 2013 weekly full-time earnings for men in social housing were only £346, compared to more than £600 for those with mortgages; for women the difference was between £298 and £481. Table 5.2 shows that as with hourly wages, the dispersion of weekly earnings was least for social tenants and most for male outright owners (where the 90:10 ratio jumped from 3.9 to 4.3 between 2006-08 and 2013).

Figure 5.7: Change (%) in median weekly full-time earnings by tenure (men and women), 2006-08 to 2013



Source: Labour Force Survey (UK).

Table 5.2: Full-time median earnings by housing tenure (men and women), 2013 and wage dispersion by housing tenure, 2006-08 and 2013

	Owned outright	Mortgage/loan	Social Housing	Private landlord	Other
Full-time earnings, 2013 (£/week)					
All	474	550	323	415	427
Men	510	606	346	452	458
Women	413	481	298	373	389
90: 10 ratios, men					
2006-08	3.9	3.5	2.6	3.5	3.4
2013	4.3	3.8	2.6	3.7	2.9
90:10 ratios, women					
2006-08	3.5	3.4	2.6	3.0	3.1
2013	3.7	3.6	2.8	3.4	3.1

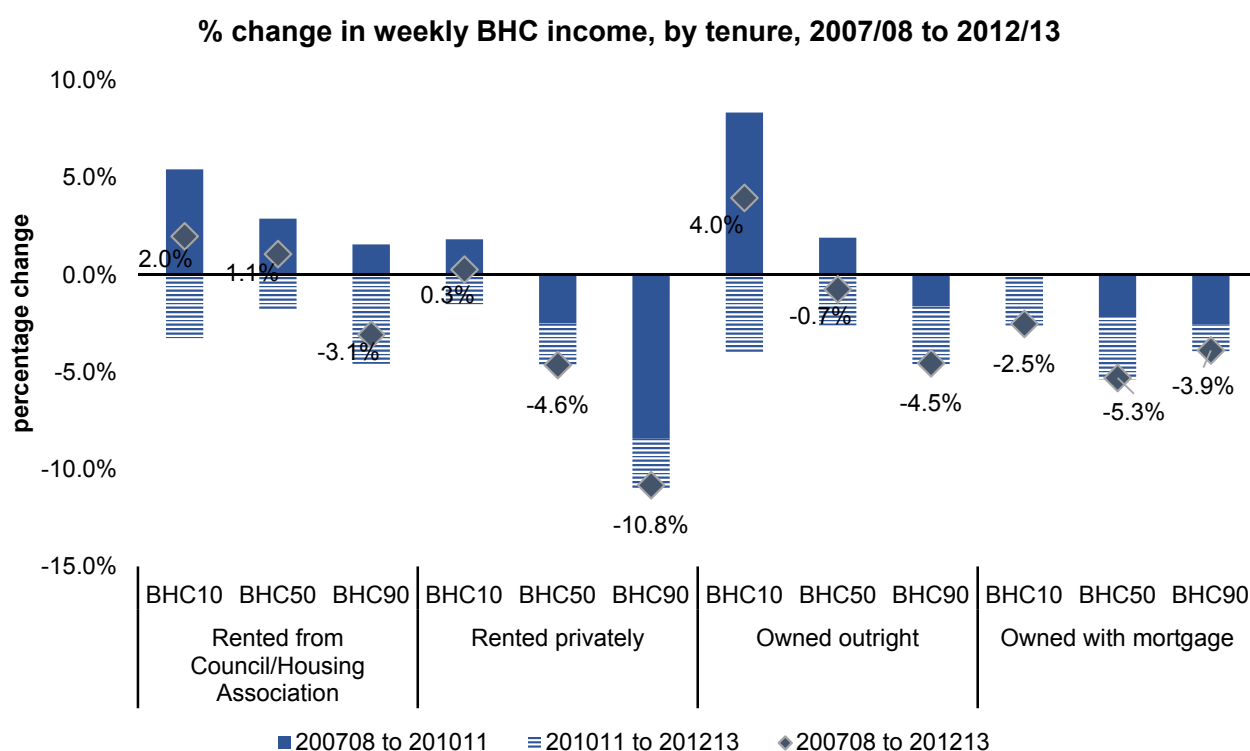
Source: Labour Force Survey (UK).

Household incomes

While the already weak labour market position of social tenants deteriorated much faster than for those in other tenures, the effects on household incomes were moderated by the way in which the real value of many social security benefits were protected in the period up to 2012/13 (the latest for which we have income data). Figure 5.8 shows that before allowing for housing costs, median net incomes of social tenants *rose* by 1 per cent in real terms between 2007/08 and 2012/13, while they fell by 5 per cent for private tenants and those with mortgages, roughly matching the falls in real weekly earnings shown in Figure 5.7. What was happening to earnings dominated what happened to the incomes in other tenures, but it was what happened to benefits that had the biggest effect on social tenants (as will the effects of the cuts in benefits that came in after April 2013, when figures after that become available).

As with the population as a whole (see Figure 2.8), Figure 5.8 shows that the incomes before housing costs of the poorest within each tenure group were protected most, while the best-off tended to lose most – nearly 11 per cent in the case of the best-off private tenants (although the best-off mortgagors lost less than those at the median. The poorest outright owners actually had an increase of 4 per cent.

Figure 5.8: Changes in net incomes (adjusted for household size) by tenure , 2007/08 to 2012/13, before housing costs (%)

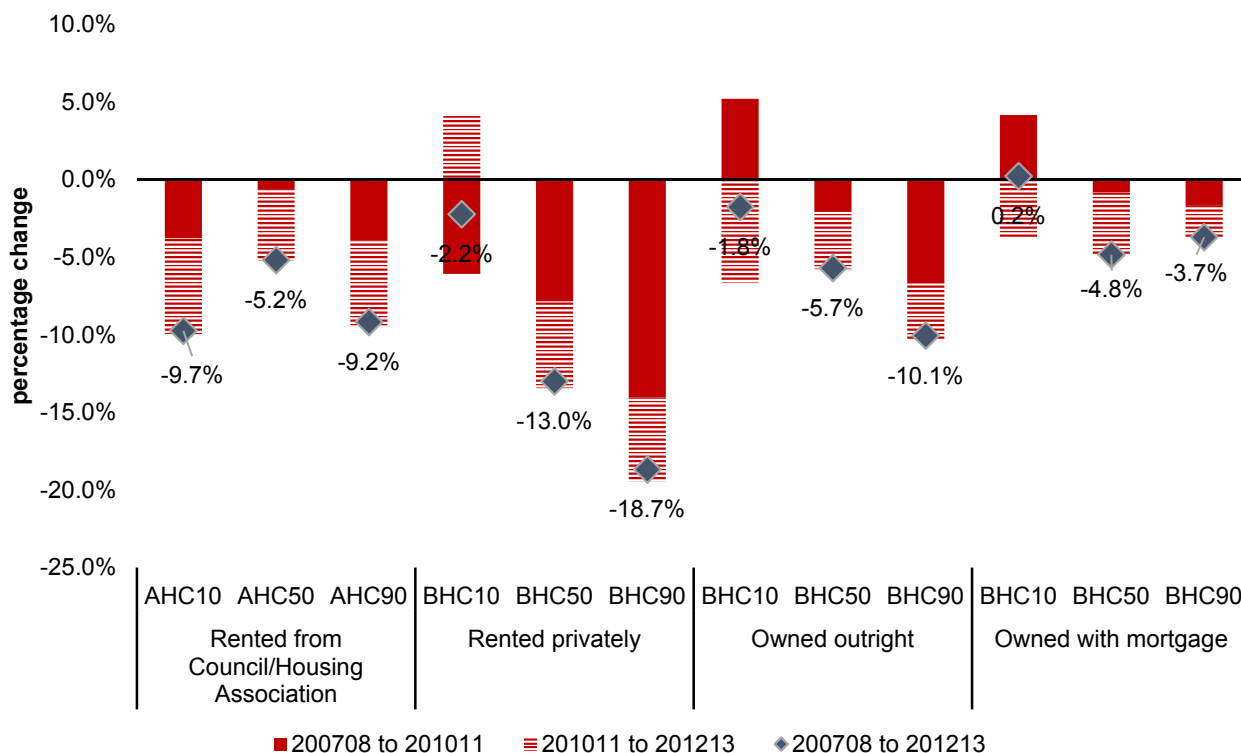


Source: DWP/CASE analysis of HBAI dataset (UK).

However, after allowing for housing costs the position shown in Figure 5.9 was much less favourable across all tenures, particularly as a result of rising rents, but also as some of Housing Benefit restrictions took effect in the private rented sector. After housing costs incomes fell by 13 per cent at the median for private tenants, and by 19 per cent for the best-off private tenants. At the median incomes after housing costs by 5 to 6 per cent for social tenants, outright owners and mortgagors. The

fall was greatest for the *poorest* social tenants²⁰ – a loss of 10 per cent – but for the *best-off* private tenants, who lost 19 per cent.

Figure 5.9: Changes in net incomes (adjusted for household size) by tenure, 2007/08 to 2012/13, after housing costs (%)



Source: DWP/CASE analysis of HBAI dataset (UK).

Table 5.3 compares the levels of income in 2012/13 across tenures. Before allowing for housing costs, social tenants had the lowest median incomes – £321 – while mortgagors had the highest, £531. The poorest social tenants had incomes at the tenth percentile of just over £200, a fifth of those of the best-off mortgagors, a tenth of whom had incomes above £1,000 per week. But after allowing for housing costs, it was the poorest private tenants who had the lowest incomes – just £100 per week (adjusted to be the equivalent amount for a couple with no children) at the tenth percentile. The poorest tenth of social tenants had incomes of £120 per week or less – but the best-off tenth of mortgagors had incomes above £919, and the best-off outright owners above £880. Rent variations increase the inequality of after housing costs incomes for tenants, with the 90:10 ratio reaching 5.9 for private tenants.

²⁰ This appears to reflect the lack of take-up of – or possibly entitlement to benefits, such as Housing Benefit; at the 30th percentile the fall for social tenants was only 2.3 per cent.

Table 5.3: Weekly net incomes by housing tenure in 2012/13 (£/week, adjusted for household size) and income inequalities by housing tenure (90:10 ratios)

	Mean	P10	Median	P90	90: 10 ratio
(a) Before housing costs					
Rented from Council/ Housing Association	346	203	321	514	2.5
Rented privately	475	218	400	771	3.5
Owned outright	536	215	446	904	4.2
Owned with mortgage	645	274	531	1027	3.7
(b) After housing costs					
Rented from Council/ Housing Association	264	120	242	434	3.6
Rented privately	336	101	273	591	5.9
Owned outright	522	206	434	880	4.3
Owned with mortgage	565	213	459	919	4.3

Source: CASE/DWP analysis of HBAI dataset.

Wealth

Given how dominant housing wealth is within non-pension wealth (see Figure 2.10), it is unsurprising that the wealth differences between tenures are so large. These differences widened considerably in absolute terms between 2006-08 and 2010-12 (Table 5.4). By 2010-12 median non-pension wealth of outright owners had increased by £21,000 to £307,000, twenty times that of social tenants (£16,000).²¹ However, non-pension wealth fell for mortgagors, with the greatest percentage fall being for the least wealthy mortgagors. A very large percentage fall meant that the poorest tenth of private tenants had virtually no net assets at all by 2010-12 (just £300 or less), despite the inclusion of personal possessions, after allowing for debts.

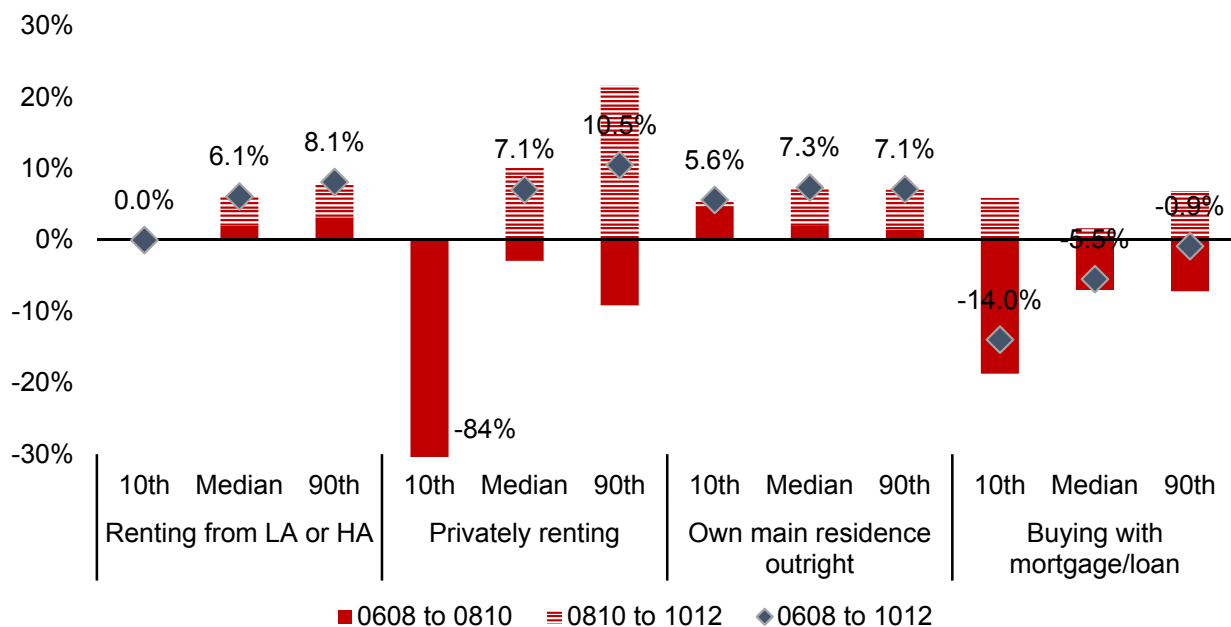
²¹ Median total wealth, including ONS's estimated pension rights, was £472,000 for outright owners in 2010-12, but again little more than a twentieth as much, £24,500 for social tenants.

Table 5.4: Absolute changes in median non-pension wealth, 2006-08 to 2010-12, and wealth levels in 2010-12 by tenure (£, nominal terms)

	Renting from LA or HA	Privately renting	Own main residence outright	Buying with mortgage/loan
Absolute changes (£000s)				
2006-08 to 2008-10	0.3	-0.5	5.9	-12.4
2008-10 to 2010-12	0.6	1.7	15.1	2.7
2006-08 to 2010-12	0.9	1.2	21.0	-9.7
Level of non-pension wealth in 2010-12 (£000s)				
Median	15.7	18.2	306.8	167.3
90:10 ratio	22	358	5	10

Source: ONS/CASE analysis of Wealth and Assets Survey.

Figure 5.10: Percentage change in household non-pension wealth by tenure, 2006-08 to 2010-12



Source: ONS/CASE analysis of Wealth and Assets Survey (GB).

Note: scales are truncated and therefore large variations may not appear on the charts. Where this is the case, the 0608 to 1012 change is included as a label.

Summary: Social tenants fare worst in labour market, but private tenants' incomes fall fastest after allowing for rents

The economic divides between housing tenures were already wide before the economic crisis and have widened further since. Social tenants have much lower levels of qualifications than those in other tenures, and much lower levels of employment. Full-time employment fell and unemployment rose by twice as much for male social tenants as for owner-occupiers and private tenants. By 2013 fewer than half of all working-age adults in social housing were in any kind of employment or self-employment. For social tenants that were in full-time employment, real hourly wages had fallen by 8 per cent for men and 9 per cent for women since 2006-08, to only £8.48 for men and £7.77 for women, 60 per cent or less of those of mortgagors. The falls in weekly full-time earnings were even faster – by 11 per cent for men and 9 per cent for women in social housing.

However, a much larger proportion of social tenants' incomes comes from social security benefits than in other tenures, and the real values of many of those benefits were protected until the end of 2012-13 (the latest year with available data). This meant that median net incomes before allowing for housing costs rose slightly for social tenants while those in the other tenures fell roughly in proportion to falling weekly earnings. But after deducting housing costs median incomes fell as much for social tenants as for owner-occupiers, while those of private tenants fell by 13 per cent. The best-off private tenants lost 19 per cent between 2007/08 and 2012/13 after housing costs, but the poorest social tenants also lost nearly 10 per cent.

Wealth differences between tenures widened in absolute terms between 2006-08 and 2010-12, with median non-pension wealth for outright owners reaching £307,000, compared to less than £20,000 for social and private tenant households.

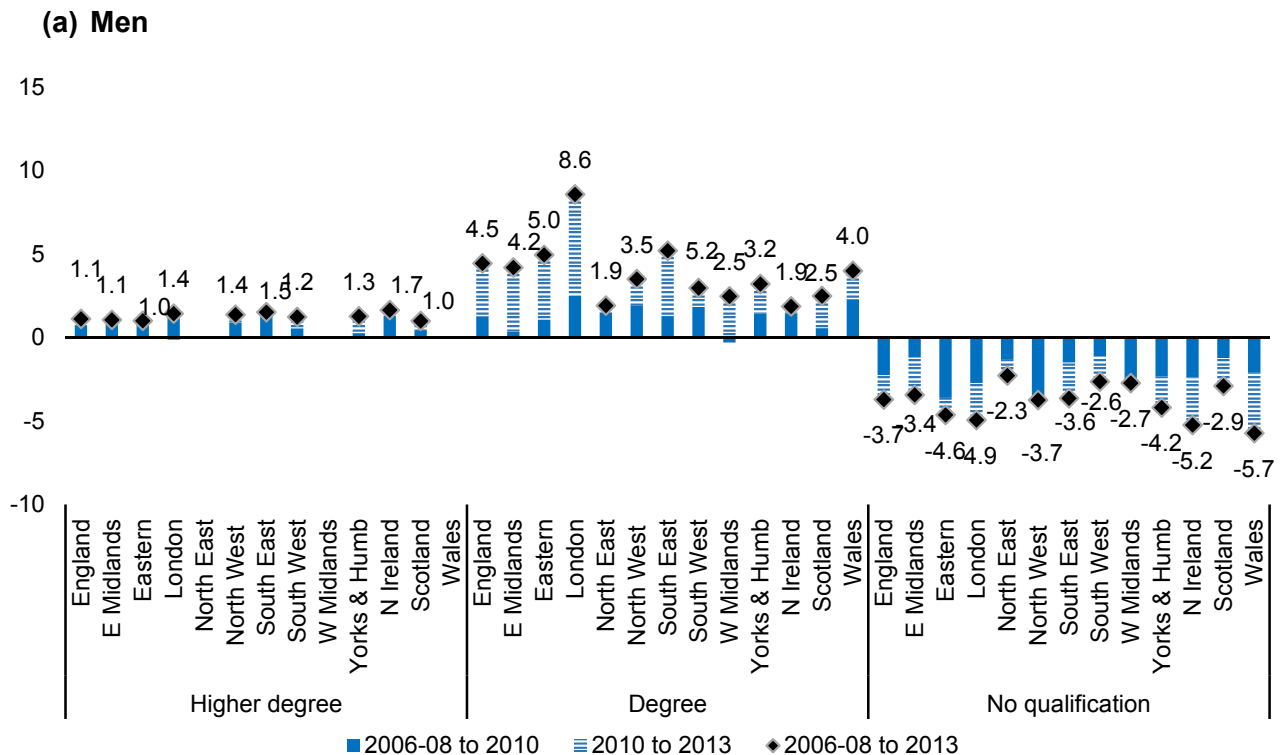
6. Changing inequalities by region

Before the crisis London was in most respects the most affluent part of the UK, but was also the most unequal, and there were substantial differences between other regions. In the period since 2007 many of these differences have widened.²²

Qualifications

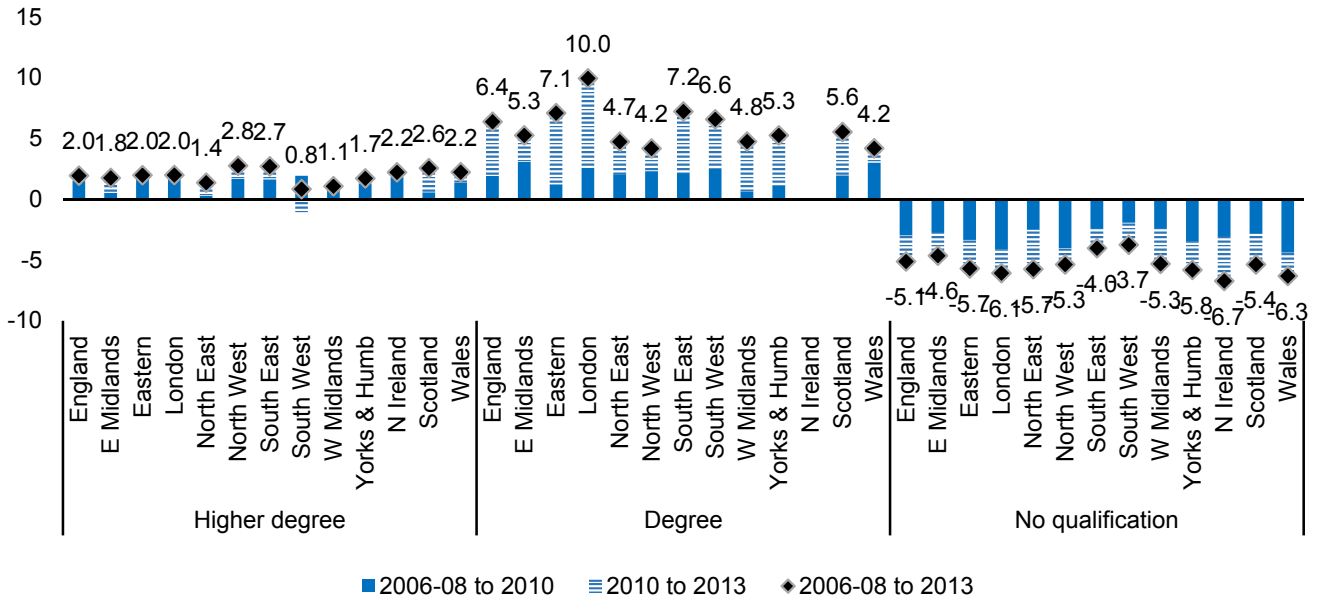
All regions have seen an increasing proportion of the population with higher-level qualifications and falling proportions with no qualifications, but these changes were most marked in London. The proportion of the London working-age population with degrees or higher degrees rose by 10 percentage points for men and 12 points for women between 2007 and 2013, with particularly large increases after 2010, much more than in any other region (Figure 6.1). The proportion of Londoners with no qualifications fell by 5 percentage points for men and 6 points for women – faster than in any of the other English regions, although more slowly than in Northern Ireland and Wales.

Figure 6.1: Change in proportion in each region with degrees or no qualifications, 2006-08 to 2013 (percentage points)



²² See Vizard et al. (2015) for a much more detailed examination of changing inequalities within London over this period.

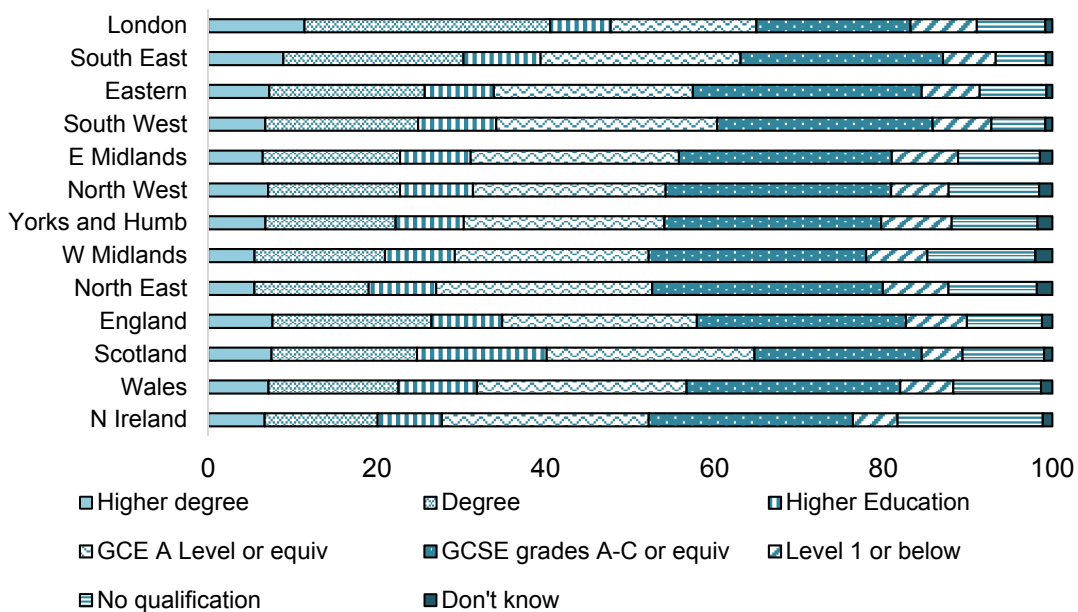
(b) Women



Source: Labour Force Survey

The end result by 2013 is shown in Figure 6.2 (for men and women together). Forty per cent of Londoners now have a degree, and nearly half some form of higher education qualification (compared to just over a third in England as a whole). The next most qualified at higher education level are those in the South East and Scotland, with 40 per cent. By contrast, 20 per cent or fewer of those in the North East or Northern Ireland have degrees or higher degrees, and fewer than 30 per cent have any higher education qualifications. At the other end, the lowest proportion with no or only Level 1 qualifications – 12 per cent – was in the South East, but the highest, 23 per cent, in Northern Ireland.

Figure 6.2: Highest qualifications by region (all), 2013

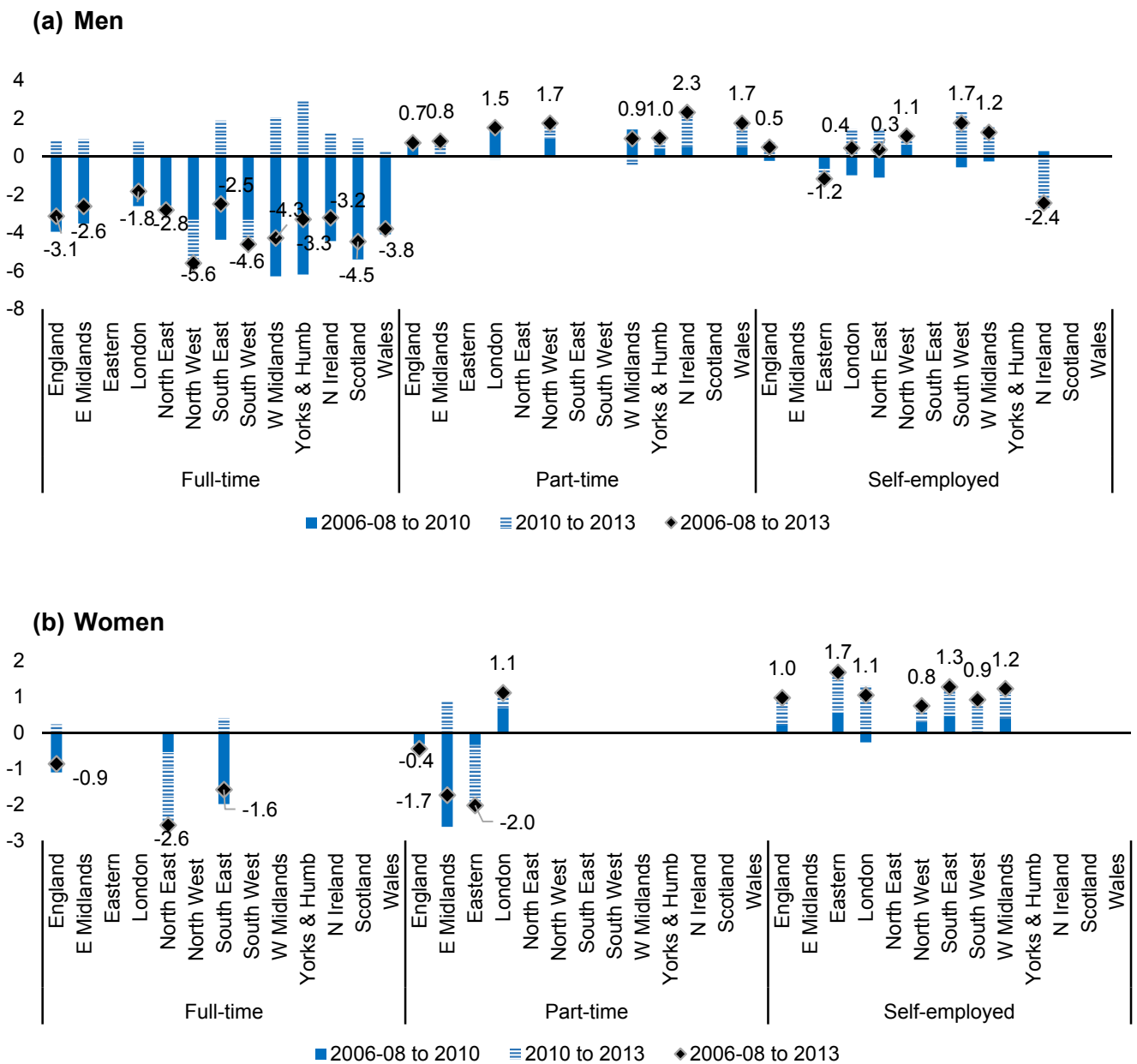


Source: Labour Force Survey (UK).

Employment

As Figure 6.3 shows, the recession hit male full-time employment across all regions between 2006-08 and 2010, with the West Midlands, Yorkshire and Humberside, and Scotland having the largest increases. But some of those regions also saw the strongest recovery after 2010, so it was the North West (with a 5.6 percentage point fall) and the South West (4.6 points) that had the biggest drop over the whole period. London had the smallest fall in the first sub-period and overall (1.8 percentage points). The other changes were less uniform. Women's full-time employment fell most in the North East. Part-time employment grew significantly for men in more than half of the regions – most in Northern Ireland. Women's self-employment grew significantly in several regions, most in the Eastern region (but male self-employment fell there).

Figure 6.3: Significant changes in employment by region and gender, 2006-08 to 2013 (%-point changes; working-age population)

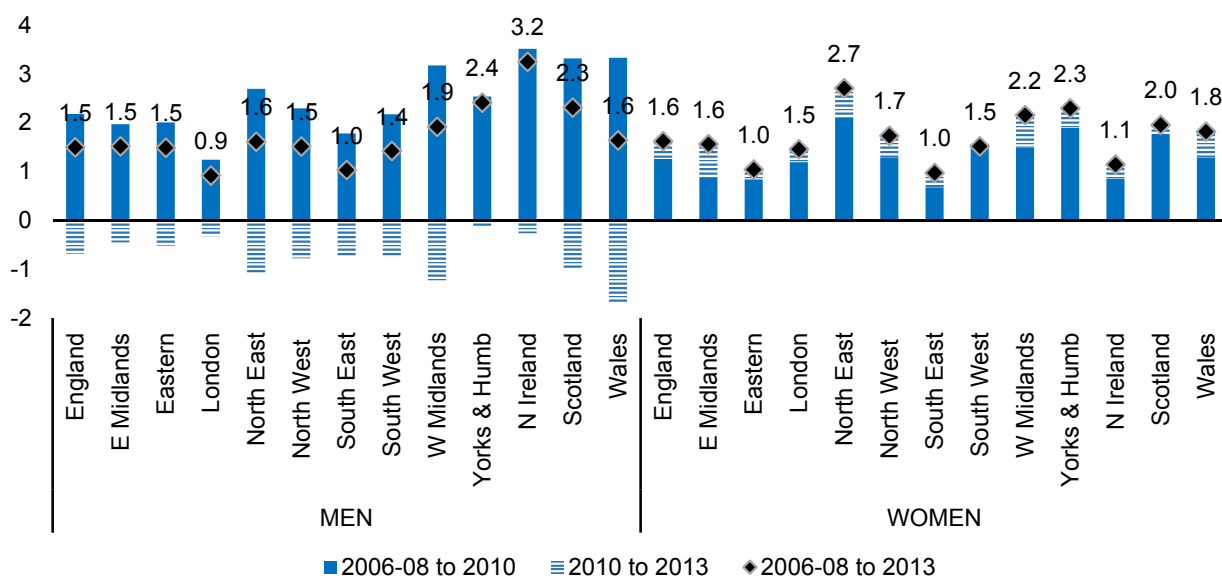


Source: Labour Force Survey (UK).

Note: Only significant changes over 2006-08 to 2013 reported here.

Accompanying this were quite large differences between increases in unemployment (Figure 6.4). For men, London was again least badly hit, with an overall increase of less than 1 percentage point, compared to more than 3 points in Northern Ireland. However, Northern Ireland had one of the smallest increases in female unemployment (with the South East and Eastern region), while the North East had the greatest.

Figure 6.4: Changes in unemployment by region and gender, 2006-08 to 2013 (percentage points)

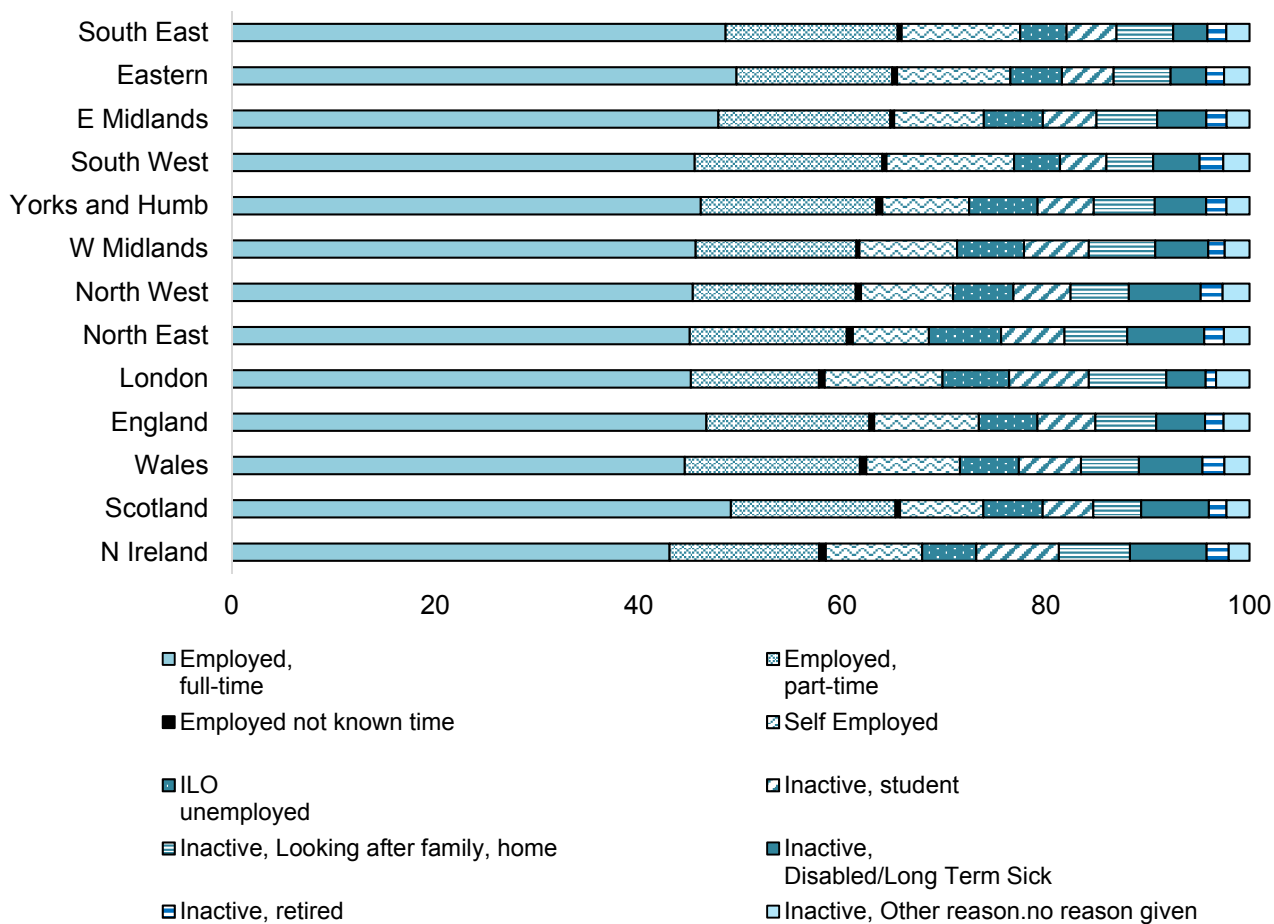


Source: Labour Force Survey (UK).

Note: All changes shown are significant over 2006-08 to 2013.

These changes did not widen the gaps between regions in employment levels, however – particularly because London had the lowest employment levels to start with. By 2013, London still had (with Northern Ireland) the lowest combined full- and part-time employment rate, just under 58 per cent. The employment rate was highest, 65 per cent, in the South East, East Midlands and Eastern regions. With a smaller rise in unemployment than elsewhere, London no longer had the highest unemployment rate in 2013 (as it had in 2006-08), with that position now held by the North East. Combined economic inactivity and unemployment was around a third of working age adults in Northern Ireland and the North East of England.

Figure 6.5: Employment status in 2013 by region, men and women (%)



Source: Labour Force Survey (UK).

Hourly wages

Continuing with labour market outcomes and concentrating on full-time employees only, Figure 6.6 shows that median male hourly wages fell most – by nearly 9 per cent – in the South West and Eastern region. They also fell most for women in those regions, but by 10 per cent for women in Northern Ireland. London, the East Midlands and Northern Ireland had the smallest falls for men according to the Labour Force Survey,²³ but for women real median wages fell least in Scotland and the South East. In most regions, wages for the lowest-paid fell faster than at the median. Low wages fell most for men in London – by more than 9 per cent – but for the highest paid men the recovery after 2010 was the fastest, so their overall fall was only just under 3 per cent, driving the rapid increase in pay inequality in London shown in Table 6.1.

Table 6.1 shows the resultant levels of pay in 2013 for each region, and inequalities within them. Median pay, at £14.92 for women and £16.35 for men was highest in London, 50 per cent more than the £9.97 for women and £10.88 for men in Northern Ireland. Pay inequality was also greatest for men in London, with a 90:10 ratio rising to 4.7, compared to 4.4 in 2006-08 and for women, reaching 3.9 in 2013. But pay dispersion fell for men in the North East, to 3.2, the lowest nationally. It also fell for women in Scotland and Northern Ireland, to 3.2 or under.

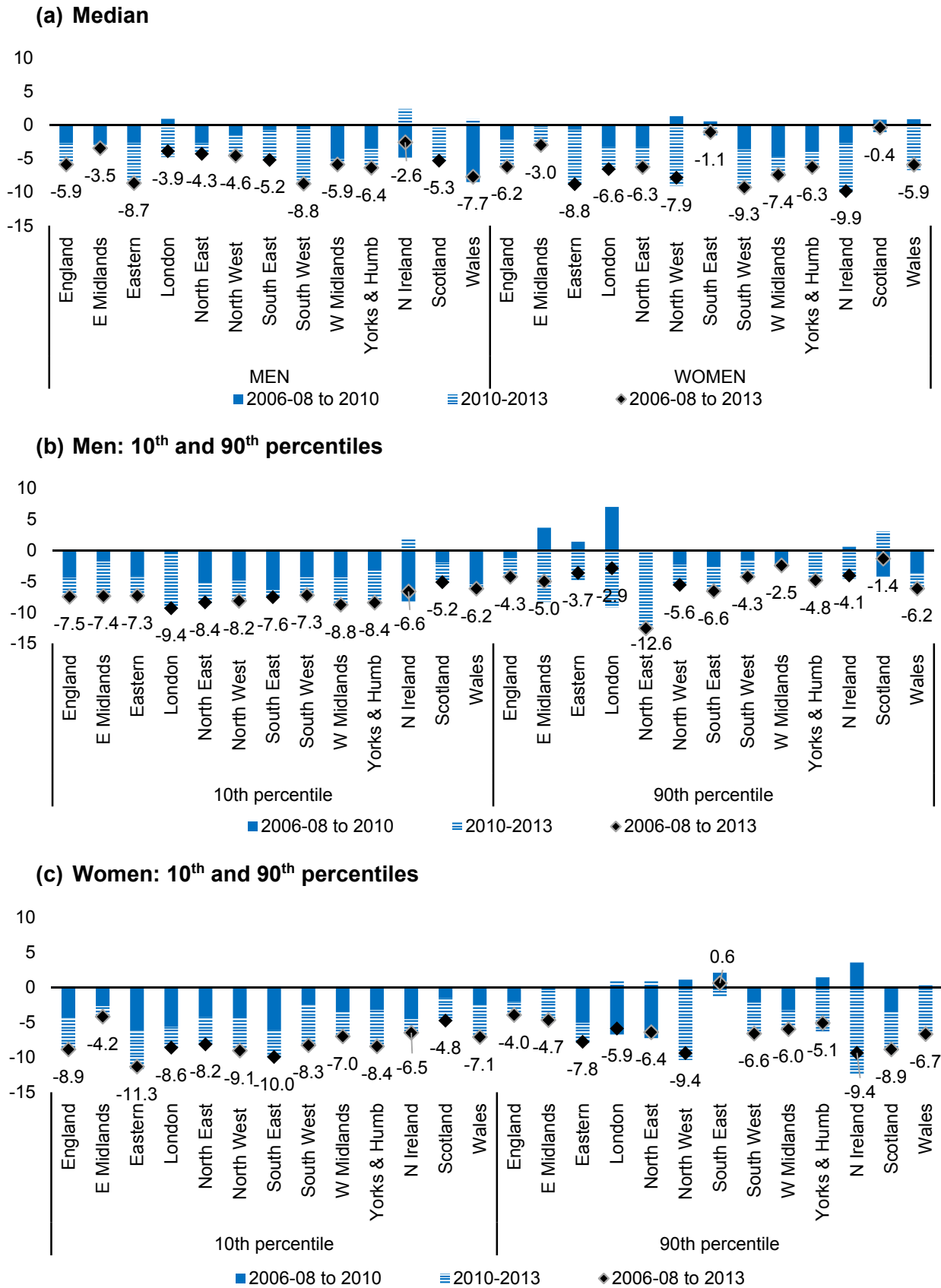
Table 6.1: Median full-time median hourly wages by region, 2013, and wage dispersion by region, 2006-08 and 2013

	Full-time wages, 2013 (£/hour)			90: 10 ratios, men		90:10 ratios, women	
	All	Men	Women	2006-08	2013	2006-08	2013
London	15.83	16.35	14.92	4.4	4.7	3.8	3.9
South East	13.75	14.90	12.49	4.4	4.4	3.5	3.9
Eastern	12.50	13.42	11.18	4.1	4.2	3.4	3.5
East Midlands	11.55	12.26	10.58	3.6	3.7	3.4	3.3
South West	11.36	12.31	10.33	3.6	3.8	3.2	3.3
West Midlands	11.33	12.02	10.52	3.6	3.9	3.3	3.3
North West	11.22	12.03	10.31	3.7	3.8	3.2	3.2
North East	11.16	11.68	10.24	3.4	3.2	3.2	3.2
Yorks & Humb	10.95	11.54	10.06	3.5	3.6	3.2	3.3
England	12.17	12.98	11.23	3.9	4.1	3.4	3.6
Wales	11.03	11.43	10.24	3.4	3.4	3.2	3.2
Scotland	11.90	12.36	11.33	3.8	3.9	3.3	3.2
Northern Ireland	10.58	10.88	9.97	3.3	3.4	3.2	3.1

Source: Labour Force Survey (UK).

²³ As discussed in Appendix 1 and shown in Table A2, the alternative survey of wages and earnings, the Annual Survey of Hours and Earnings, presents a different picture of the relative changes between London and the rest of the country, so the finding that the fall in real wages was lower in London than elsewhere should be treated with caution. See Vizard et al. (2015) for more discussion.

Figure 6.6: Percentage change in hourly pay by region, full-time employees, men and women, 2006-08 to 2013

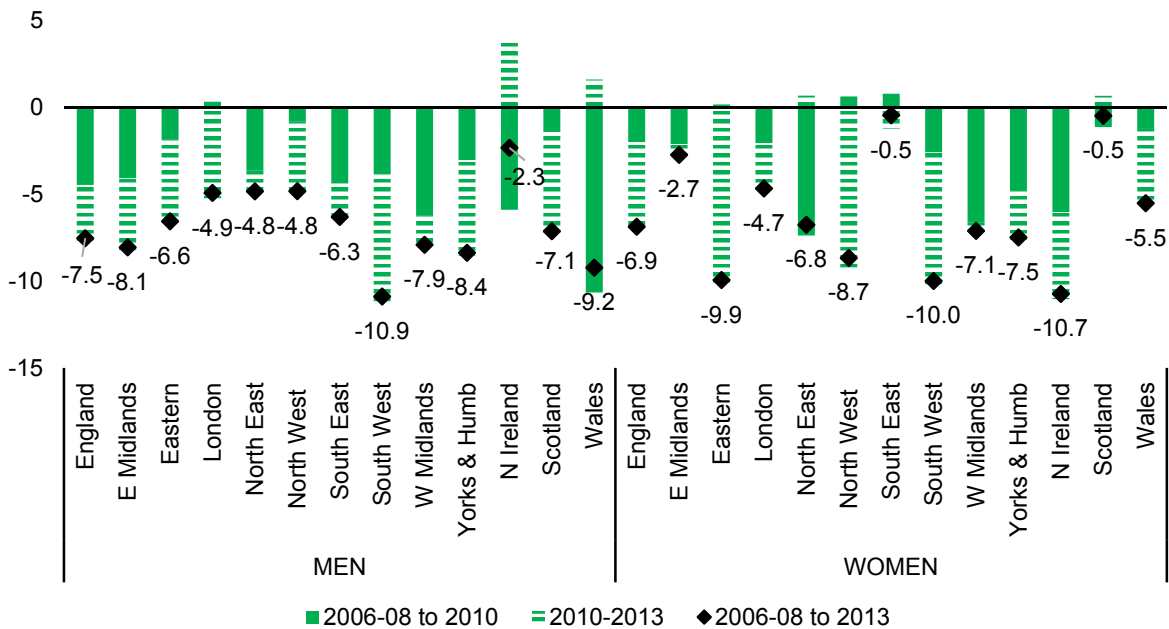


Source: Labour Force Survey (UK).

Weekly earnings

Still concentrating on full-time earnings, Figure 6.7 shows (for the median only) changes in weekly earnings. With few exceptions, these were greater than those in hourly earnings shown in Figure 6.6 (a). Again, London had one of the smallest falls for men (just under 5 per cent) and the South West the biggest, nearly 11 per cent. While men in Northern Ireland only had a fall of 2.3 per cent, the lowest nationally, women in Northern Ireland had the greatest fall, by 10.7 per cent (the reverse of the picture shown in Figure 6.4 for unemployment). Table 6.2 shows that the proportionate gender earnings gap in 2013 was widest in the Eastern region, however, with men paid 36 per cent more than women. Weekly earnings for men in London, £663, were 43 per cent higher than in Northern Ireland (£462), and they were 56 per cent higher for women (£577 compared to only £369 in Northern Ireland).

Figure 6.7: Change (%) in median weekly full-time earnings by region (men and women), 2006-08 to 2013



Source: Labour Force Survey (UK).

Table 6.2: Full-time median earnings by region (men and women), 2013 and wage dispersion by region, 2006-08 and 2013

	Full-time earnings, 2013 (£/week)			90: 10 ratios, men		90:10 ratios, women	
	All	Men	Women	2006-08	2013	2006-08	2013
London	615	663	577	4.2	4.9	3.8	3.9
South East	558	623	481	4.1	4.5	3.6	4.2
Eastern	508	577	423	3.8	4.2	3.4	3.7
East Midlands	462	508	404	3.5	3.6	3.4	3.6
South West	462	511	392	3.5	3.6	3.3	3.5
West Midlands	462	500	400	3.5	3.8	3.3	3.3
North West	442	500	385	3.5	3.8	3.3	3.4
Yorks & Humb	442	481	381	3.4	3.6	3.4	3.4
North East	438	481	386	3.4	3.2	3.3	3.6
England	487	538	423	3.8	4.1	3.5	3.7
Wales	437	474	389	3.3	3.2	3.3	3.4
Scotland	481	519	427	3.6	4.0	3.3	3.3
Northern Ireland	420	462	369	3.3	3.3	3.4	3.2

Source: Labour Force Survey (UK).

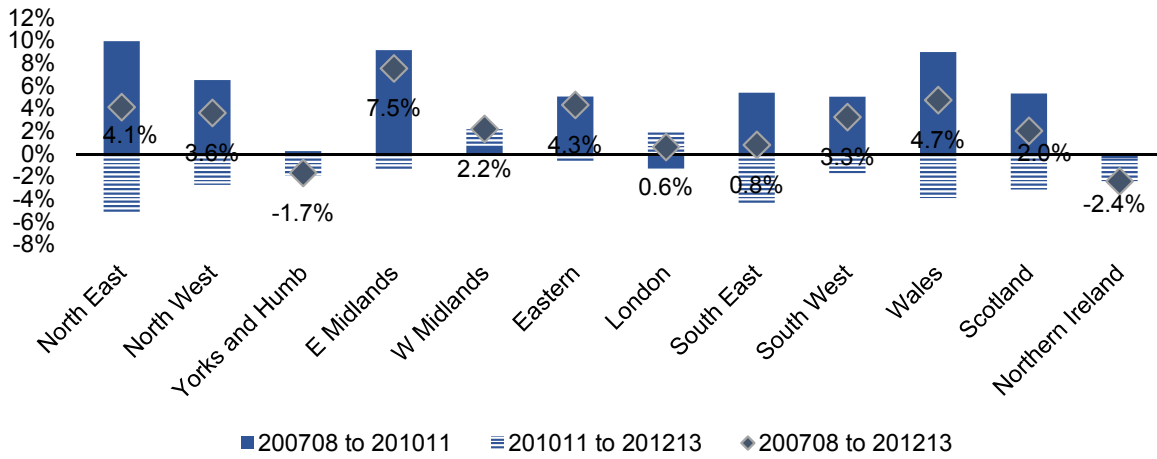
Household incomes

Looking at median net incomes before housing costs in Figure 6.8(b) first, Northern Ireland lost most between 2007/08 and 2012/13, falling by more than 8 per cent, while incomes actually grew in Wales, the East Midlands and the North East. With the effects of safety net protection in real terms continuing to 2012/13 for many with low incomes, incomes grew at the tenth percentile in most regions – including by 7.5 per cent in the East Midlands. By contrast, incomes fell at the 90th percentile by more than the median in nearly all regions, including by more than 8 per cent for the most affluent in London and the West Midlands.

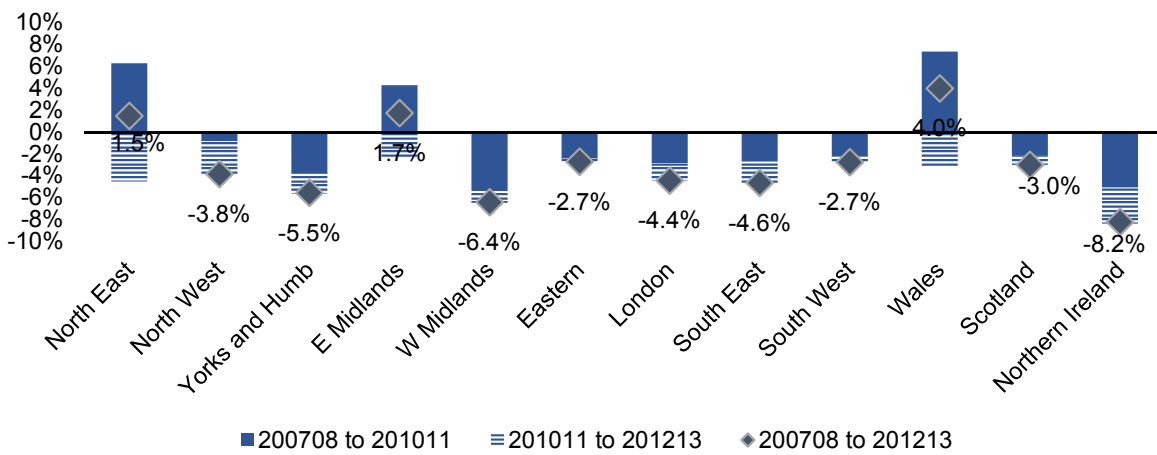
The picture after housing costs, shown in Figure 6.9 is very different, however. Median incomes fell by 12 per cent in London, and for the poorest Londoners – despite some recovery after 2010-11 – by 18 per cent compared to only 10 per cent for the highest income Londoners. The effect of this shown in Table 2.3 was that the 90:10 ratio for incomes in London fell before allowing for housing costs to 5.2 by 2012/13, but rose to an extraordinary 9.1 for incomes after housing costs – £1,027 per week at the 90th percentile compared to only £113 per week at the 10th percentile. The table also shows that regional differentials in median incomes are smaller after allowing for housing costs than before them – the difference between Northern Ireland and the South East falling from 26 to 20 per cent, once they are allowed for, for instance.

Figure 6.8: Changes in net incomes (adjusted for household size) by region, 2007/08 to 2012/13, before housing costs (%)

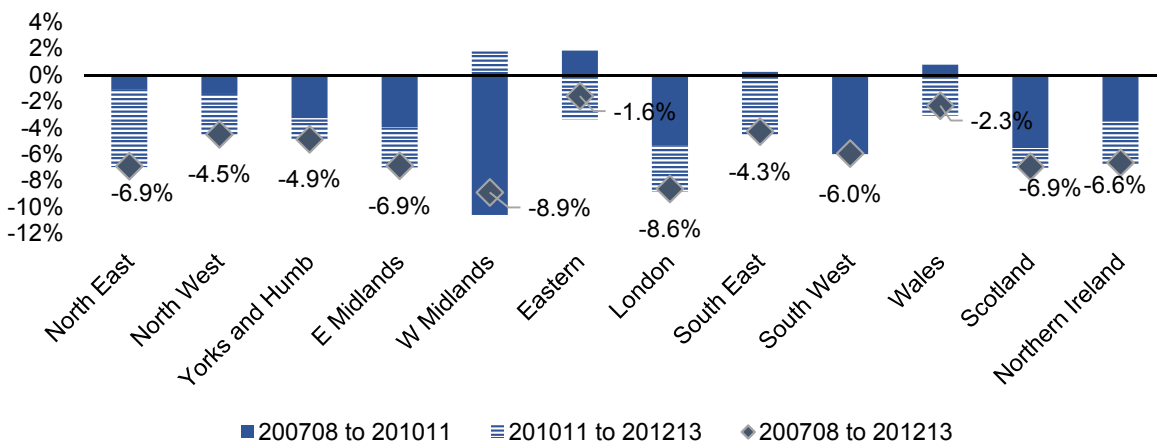
(a) Tenth percentiles



(b) Medians



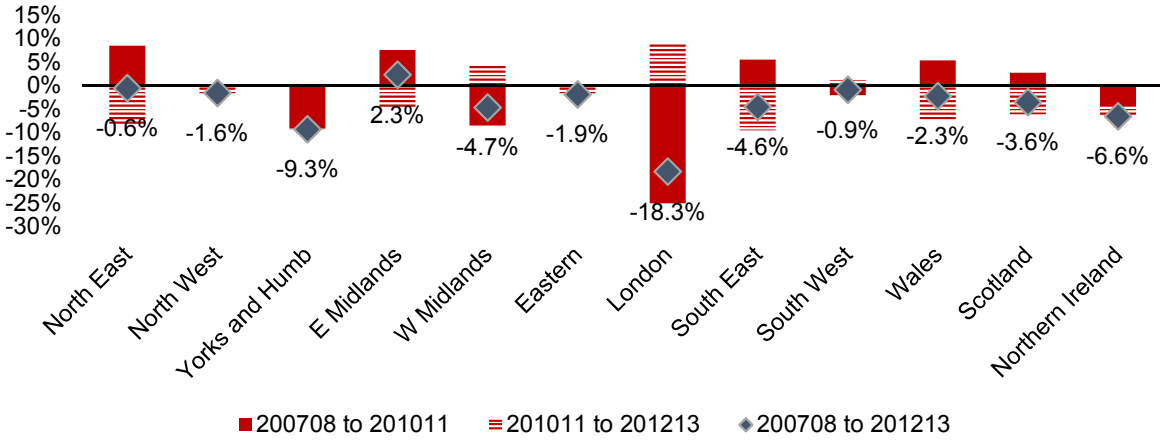
(c) Ninetieth percentiles



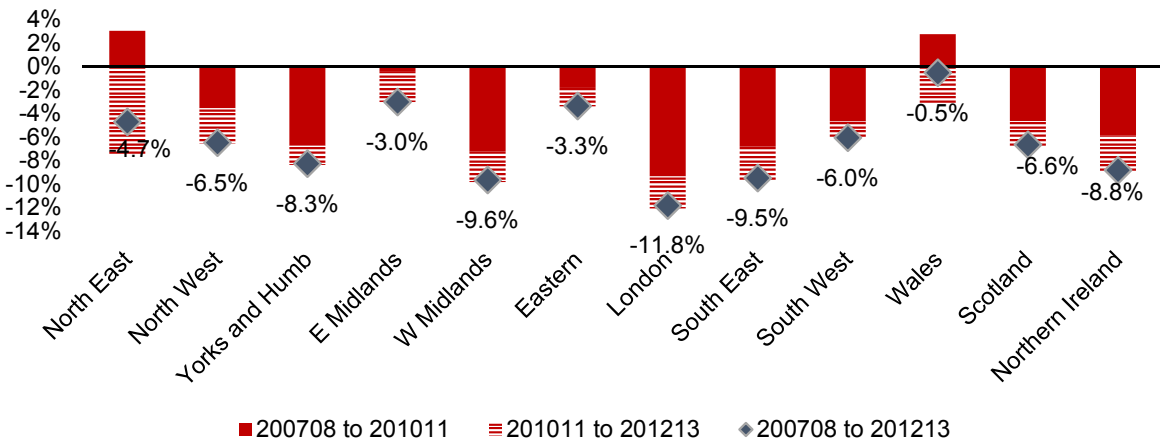
Source: DWP/CASE analysis of HBAI dataset (UK).

Figure 6.9: Changes in net incomes (adjusted for household size) by region, 2007/08 to 2012/13, after housing costs (%)

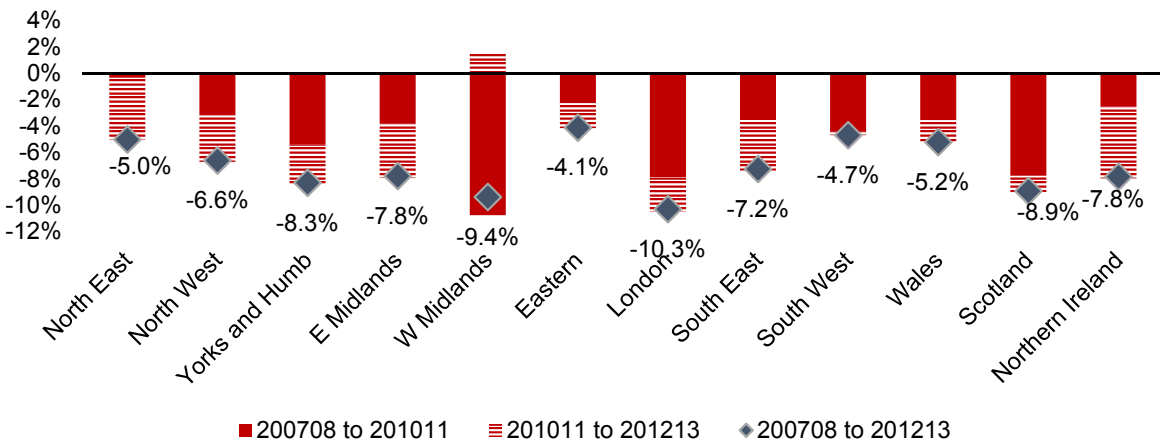
(a) Tenth percentiles



(b) Medians



(c) Ninetieth percentiles



Source: DWP/CASE analysis of HBAI dataset (UK).

Table 6.3: Weekly net incomes by region in 2012/13 (£/week, adjusted for household size) and income inequalities by region (90:10 ratios)

	Mean	P10	Median	P90	90: 10 ratio
(a) Before housing costs					
London	670	223	488	1151	5.2
South East	641	252	508	1071	4.3
Eastern	591	248	476	962	3.9
South West	529	241	456	839	3.5
E Midlands	489	232	431	795	3.4
North West	485	226	417	803	3.6
W Midlands	479	221	408	776	3.5
Yorks and Humb	477	217	402	779	3.6
North East	468	229	411	753	3.3
Wales	469	217	416	759	3.5
Scotland	523	235	447	843	3.6
N Ireland	456	213	398	740	3.5
(b) After housing costs					
South East	556	172	430	965	5.6
London	550	113	383	1027	9.1
Eastern	517	177	415	877	5.0
South West	459	170	385	775	4.6
E Midlands	433	171	377	732	4.3
North West	426	159	365	737	4.6
Yorks and Humb	422	158	353	719	4.6
W Midlands	420	158	352	719	4.6
North East	414	166	358	695	4.2
Wales	414	158	360	709	4.5
Scotland	466	175	396	783	4.5
N Ireland	412	168	359	696	4.1

Source: CASE/DWP analysis of HBAI dataset.

Wealth

The fastest rise in median non-pension wealth over the shorter period from 2006-08 to 2010-12 was in London – by more than a quarter in nominal terms, and by £32,000 in absolute terms. It also grew by more than a quarter for the wealthiest Londoners, reaching £750,000. However, net non-pension wealth at the 10th percentile, £4,500 in London in 2010-12, was the lowest in the country (the 50 per cent increase since 2006-08 only amounted to £1,500). Inequalities in wealth remained far greater in London than elsewhere, with a 90:10 ratio of 167 (compared to 66 nationally), while median households in London had less non-pension wealth than those in the South East, South West and East of England. If ONS's estimated value of pension wealth was included, the richest tenth of London households had nearly £1.1 million, but the poorest tenth less than £6,300 (after debts but including personal possessions) – a 90:10 ratio of 173 to 1 (compared to 70 to 1 nationally).

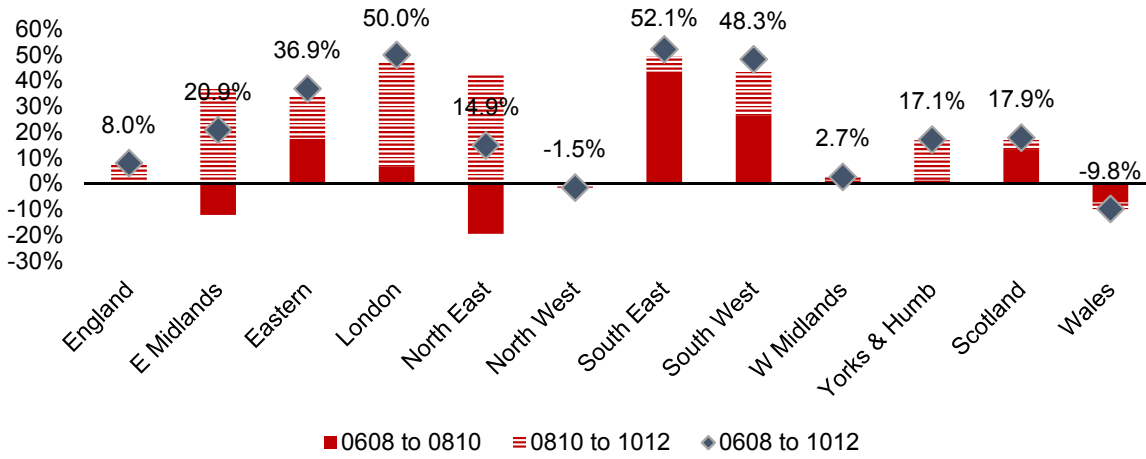
Table 6.4: Absolute changes in median non-pension wealth, 2006-08 to 2010-12, and wealth levels in 2010-12 by region (£, nominal terms)

	Absolute changes			Level of non-pension wealth in 2010-12	
	2006-08 to 2008-10	2008-10		Median	90:10 ratio
		to 2010-12	2006-08 to 2010-12		
South East	3.4	6.3	9.7	218.8	49
South West	-3.9	8.9	5	198.9	45
Eastern	-0.7	5.3	4.6	187.4	41
London	9.3	22.2	31.5	150.9	167
E Midlands	-15.9	4.5	-11.4	142.6	42
W Midlands	-6.6	-3.4	-10	132	59
Yorks & Humb	-0.7	-2.3	-3	121.6	47
North West	1.7	-1.6	0.1	118.2	65
North East	-15.7	-6.3	-22	94.7	47
England	-2.7	2.6	-0.1	152.3	68
Scotland	2.6	-1.6	1	107.9	50
Wales	-1.8	-3.6	-5.4	137.1	56

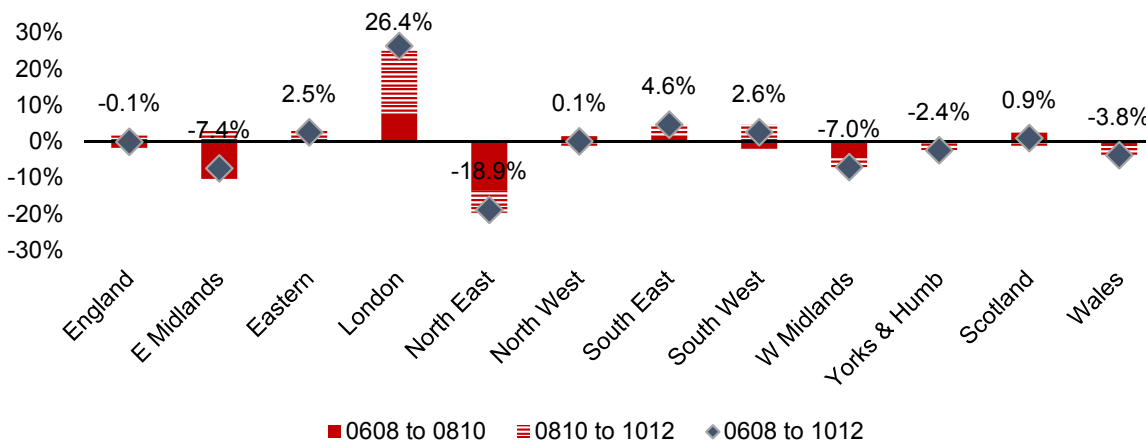
Source: ONS/CASE analysis of Wealth and Assets Survey.

Figure 6.10: Percentage change in household non-pension wealth by region, 2006-08 to 2010-12

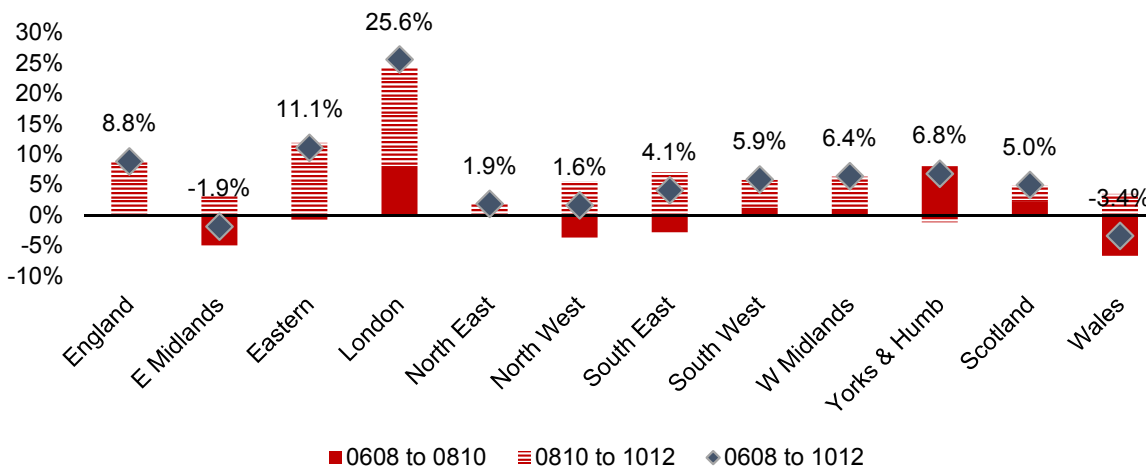
(a) Tenth percentiles



(b) Medians



(c) Ninetieth percentiles



Source: ONS/CASE analysis of Wealth and Assets Survey (GB).

Summary: London has smallest employment fall but becomes more unequal

Looking across these regional differences, two things stand out in particular – the differences *between* London and other regions, with Northern Ireland often in the least favourable position, and the differences *within* London.

- Londoners have had the most rapid increase in qualifications levels. By 2013, nearly half of Londoners of working age had a degree or other higher education qualification, compared to fewer than 30 per cent in Northern Ireland.
- London had the smallest drop in male full-time employment and the smallest increase in unemployment between 2006-08 and 2013. Northern Ireland had the largest rise in male unemployment but one of the smallest rises for women. London started with the lowest full- and part-time employment rate, however, and still had the lowest in 2013, but now jointly with Northern Ireland.
- Median hourly wages fell most for men in the South West and Eastern region, but most for women in Northern Ireland. But low wages for men fell by most – by 9 per cent – in London according the Labour Force Survey, and high wages by one of the least, so that wage dispersion grew rapidly in London, with the 90:10 ratio reaching 4.7 for men (and 3.9 for women) in 2013.
- By 2013 median weekly earnings in London were 43 per cent higher than in Northern Ireland for men, and 56 per cent higher for women.
- Before allowing for housing costs, household incomes fell fastest in Northern Ireland between 2007/08 and 2012/13, by more than 8 per cent, while they actually grew in Wales, the East Midlands and the North East.
- After allowing for housing costs, the picture was very different. Median incomes fell by 12 per cent in London, and – despite some recovery after 2010/11 – by 18 per cent at the tenth percentile. By 2012/13 the best-off tenth of Londoners had incomes of above £1,027 per week after housing costs, but the poorest tenth less than £113, by some margin the lowest in the country. That meant that income inequality was far greater in London after housing costs than elsewhere – with a 90:10 ratio of 9.1 (compared to 5.1 nationally).
- Median non-pension wealth in London grew by a quarter in nominal terms between 2006-08 and 2010-12, far more than in any other region. The wealthiest tenth of London households had non-pension wealth of more than £750,000 in 2010-12 and total wealth of more than £1 million, while the least wealthy had less than £6,300 of total wealth – a 90:10 ratio of 173 to 1 (compared to 70 to 1 nationally). However, median non-pension wealth was greatest in the South East (£219,000), which was more than twice as much as in the North East (£95,000).

7. Changing inequalities by disability status

The data available to identify disability status varies between surveys and, in the case of the Labour Force Survey, have changed over time. This limits the comparisons that can be made between different outcomes and means that some caution is needed in interpreting the changes we show below in terms of qualifications and the labour market. For these we use a four-fold classification for qualifications, employment and pay for disability status, as in the report of the National Equality Panel:

- Not disabled
- 'Work-limiting disabled' only
- 'Disability Discrimination Act' (DDA) disabled only
- Both work-limiting and DDA-disabled

The above are mutually exclusive categories. Within this 'work-limiting' means that respondents have said that they have a longstanding limiting illness or condition that limits the type or amount of work they can do and 'DDA-disabled' that they have a longstanding limiting illness or condition that limits every day normal activities. There was a discontinuity in the series for disability rates reported in the LFS between 2009 and 2010 as a result of a changes in the way the questions were asked.²⁴

For the breakdowns for net income using Family Resources Survey data we use a simpler two-fold classification between those individuals who report that they have a 'long-term limiting illness' (LLID) and those who do not. These definitions have changed slightly as with the LFS, to the new harmonised ONS measurement scale. For household wealth, using Wealth and Assets Survey data, we distinguish between households with at least one member reporting a long-term limiting illness and those with no members reporting this. The definitions for wealth have not changed over time, so the changes we show are based on consistent classifications.

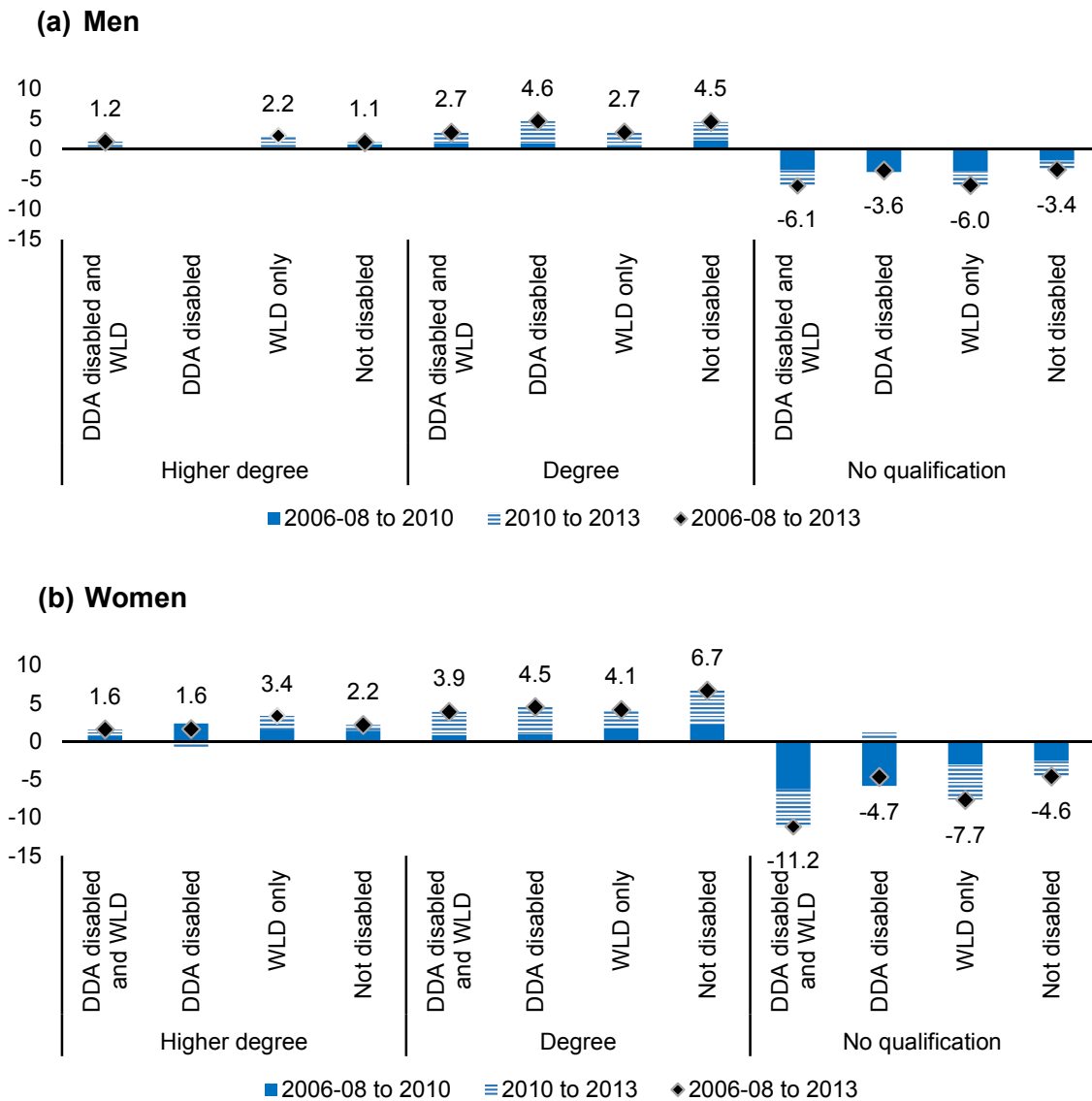
For all of these results it should also be remembered that disability status is strongly correlated with age. Some of the differences shown therefore reflect the patterns by age reported in Section 3 above, rather than being an effect of disability status by itself. To isolate that would require finer breakdowns by age as well as disability, and multivariate analysis, but that is outside the scope of this report.

²⁴ A short introduction at the start of the disability module was introduced which prepares respondents to the question: "I should now like to ask you a few questions about your health. These questions will help us estimate the number of people in the country who have health problems" (ONS 2012:6). Although ONS warns against making direct comparisons between estimates of disability before and after the change, it argues that, "the earlier estimates are still considered 'best estimates' for those periods and should give a robust picture of change over time" (ONS 2012:7). There was a further discontinuity during 2013 which resulted from a change in the reporting behaviour of survey respondents following changes to the wording of the questionnaire in April 2013. These changes brought the LFS into line with the Government Statistical Service (GSS) Harmonised Standards for questions on disability and also enabled the LFS estimates to be consistent with the definitions used in 2010 Equality Act. Previously published LFS estimates were based on the Disability Discrimination Act (DDA) 1995. These changes in responses are now being monitored by ONS, and should therefore be interpreted with caution, especially when comparing with estimates for previous periods (ONS 2014c, table A08).

Qualifications

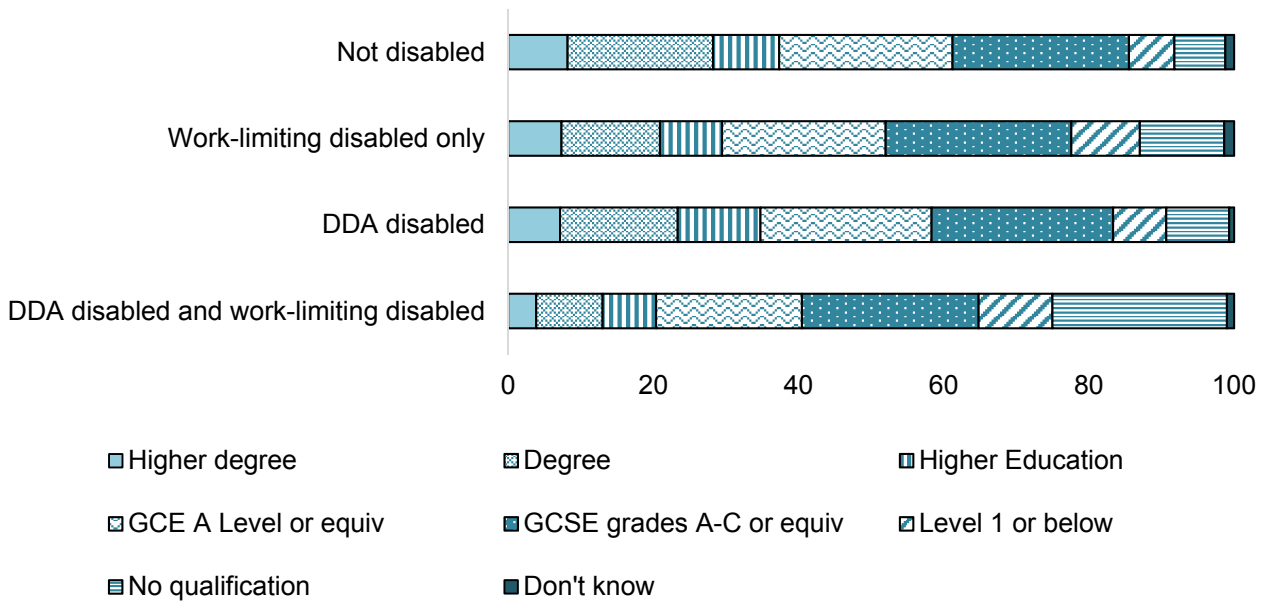
Figure 7.1 suggests that in general higher-level qualifications increased faster for those who were not disabled than for those who were. But at the same time, the fastest fall in the proportion of working age people without qualifications was for those who were both work-limiting and DDA-disabled – by 6 percentage points for men and 11 percentage points for women. Much of each of these will be an age effect: recall from Figure 3.1 (b) that the proportion of all women in age groups over 50 without qualifications fell by more than 10 percentage points, and for men over 60 by 7 percentage point or more. None the less, the differences in qualifications between those who were classified as both work-limiting and DDA-disabled and others shown in Figure 7.2 is striking: only 13 per cent of this group had degrees, compared to 28 per cent of the ‘not disabled group’; 34 per cent had no or only Level 1 qualifications, compared to 13 per cent of those who were not disabled.

Figure 7.1: Change in proportion of each disability status group with degrees or no qualifications, 2006-08 to 2013 (percentage points)



Source: Labour Force Survey.

Figure 7.2: Highest qualifications by disability status (all), 2013

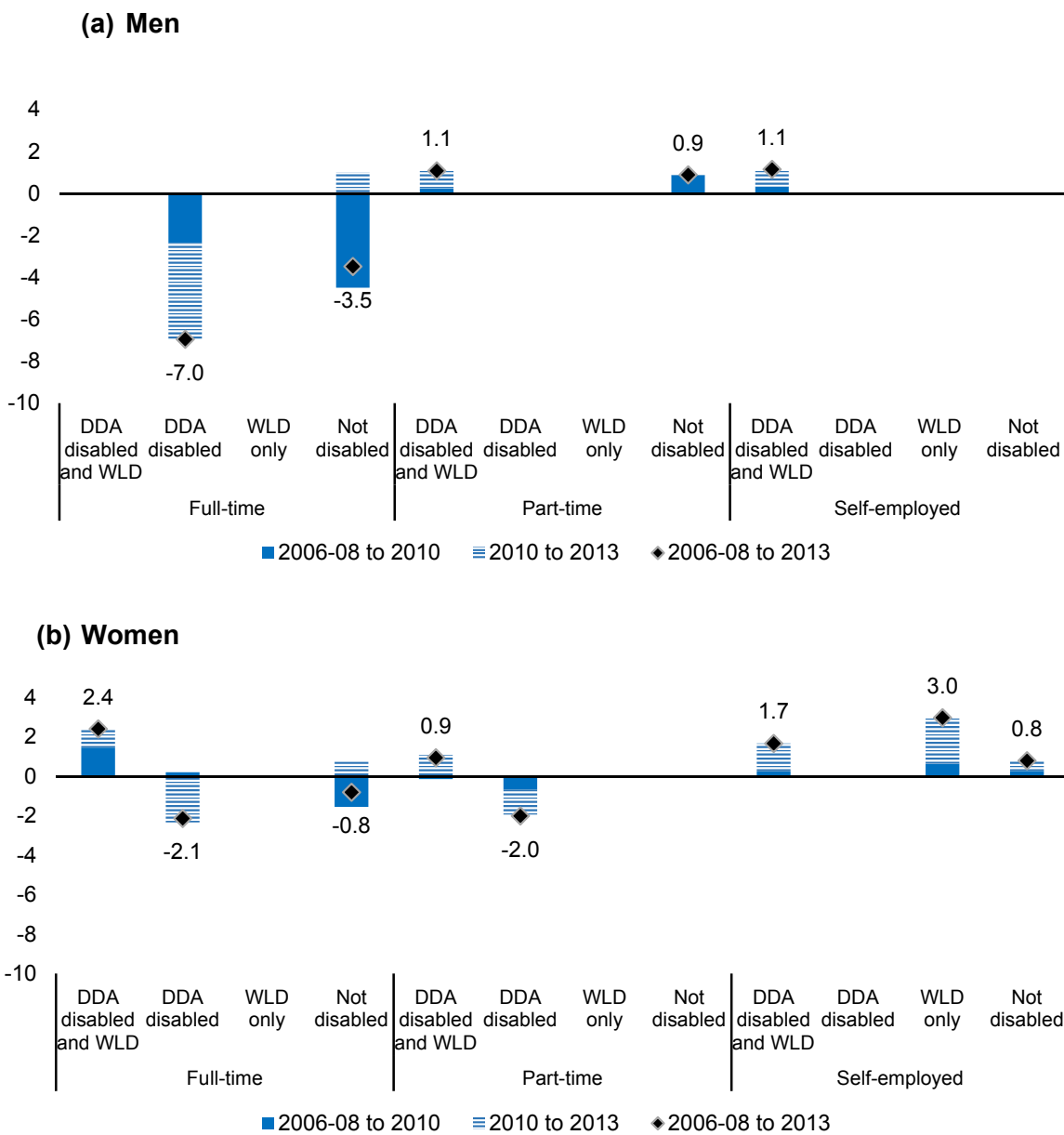


Source: Labour Force Survey (UK).

Employment

Figure 7.3 shows changes in employment patterns and Figure 7.4 changes in unemployment between 2006-08 and 2013. Small sample sizes mean that some of the changes are not statistically significant, but for both men and women the fall in full-time employment for those classified as DDA-disabled only was twice as much as for those who were not disabled. However, full-time employment grew for women who were both work-limiting and DDA-disabled. The pattern for unemployment was clearer, rising faster for all the disabled groups than the non-disabled group for both men and women. While male unemployment fell after 2010 for men who were not disabled, and rose only slowly for women who were not disabled, it continued to rise for nearly all of the disabled groups.

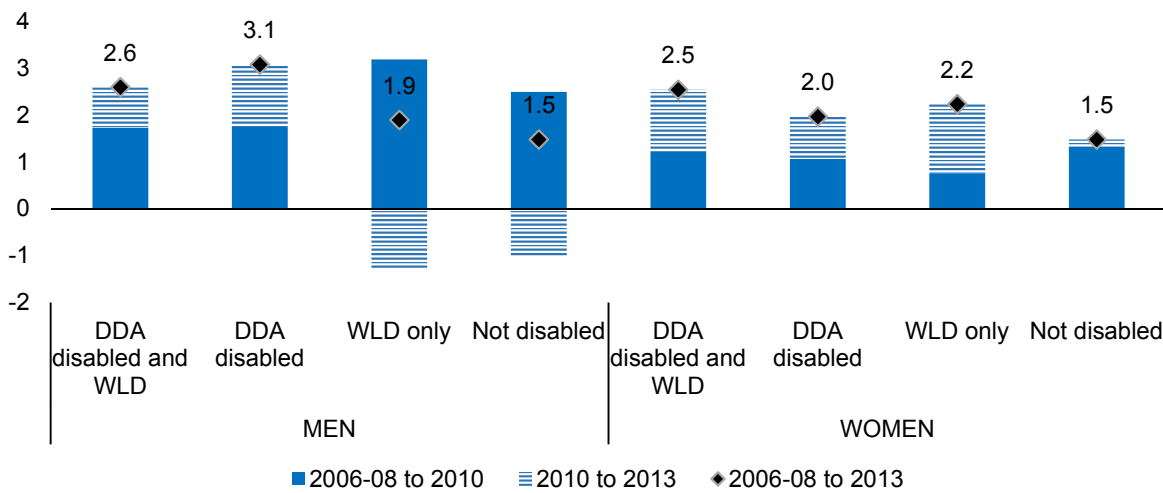
Figure 7.3: Significant changes in employment by disability status and gender, 2006-08 to 2013 (%-point changes; working-age population)



Source: Labour Force Survey (UK).

Note: Only significant changes over 2006-08 to 2013 reported here.

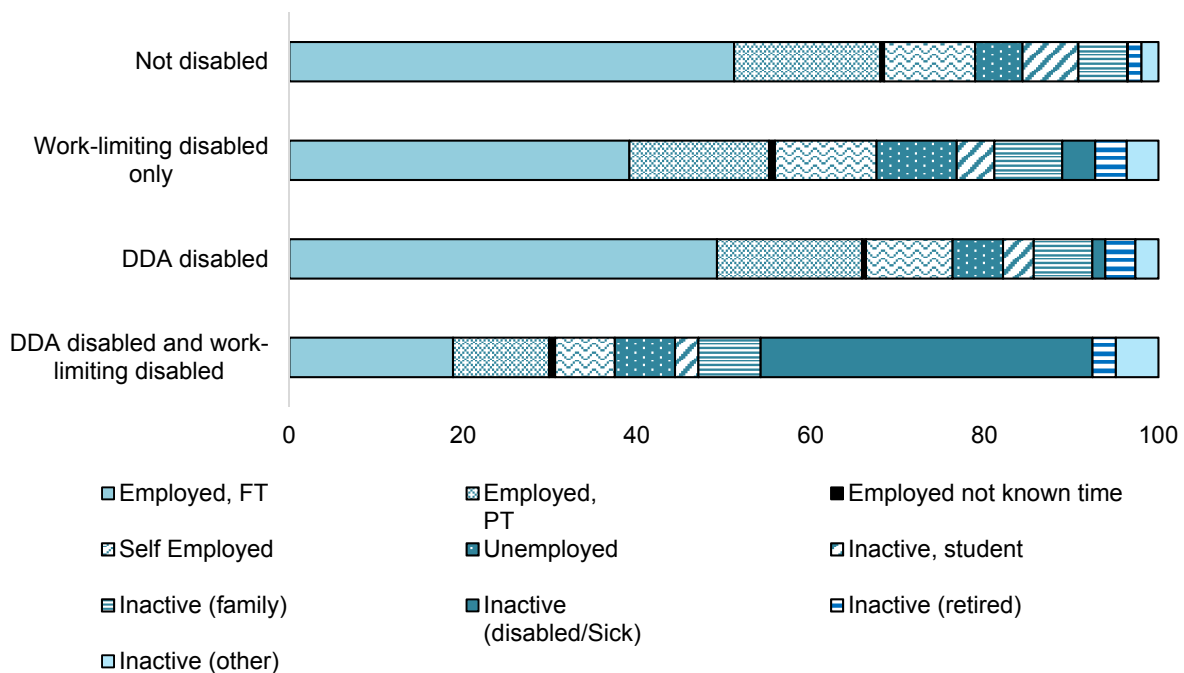
Figure 7.4: Changes in unemployment by disability status and gender, 2006-08 to 2013 (percentage points)



Source: Labour Force Survey (UK).
 Note: All changes shown are significant over 2006-08 to 2013.

Figure 7.5 shows the resultant employment patterns of working-age adults by 2013. Again the much weaker position of those classified as both work-limiting and DDA-disabled is clear. Only 37 per cent of this group were in any kind of employment or self-employment, less than half the proportion of those who were not disabled. More than half were economically inactive, including, unsurprisingly, 38 per cent reporting themselves as inactive because they were disabled or sick.

Figure 7.5: Employment status by disability (all), 2013



Source: Labour Force Survey (UK).

Hourly wages

Figure 7.6 shows changes in hourly pay for those who were full-time employees. At the median for each group, pay fell least for women who were not disabled, but amongst men pay fell least for the relatively small group who were both DDA and work-limiting disabled and were full-time employees. Patterns of change away from the median were mixed (and again possibly affected by small sample sizes), with the biggest falls for men who were DDA-disabled only at both the 10th and 90th percentiles, but for the lowest-paid women who were work-limiting disabled only and for the highest-paid women who were both DDA- and work-limiting disabled.

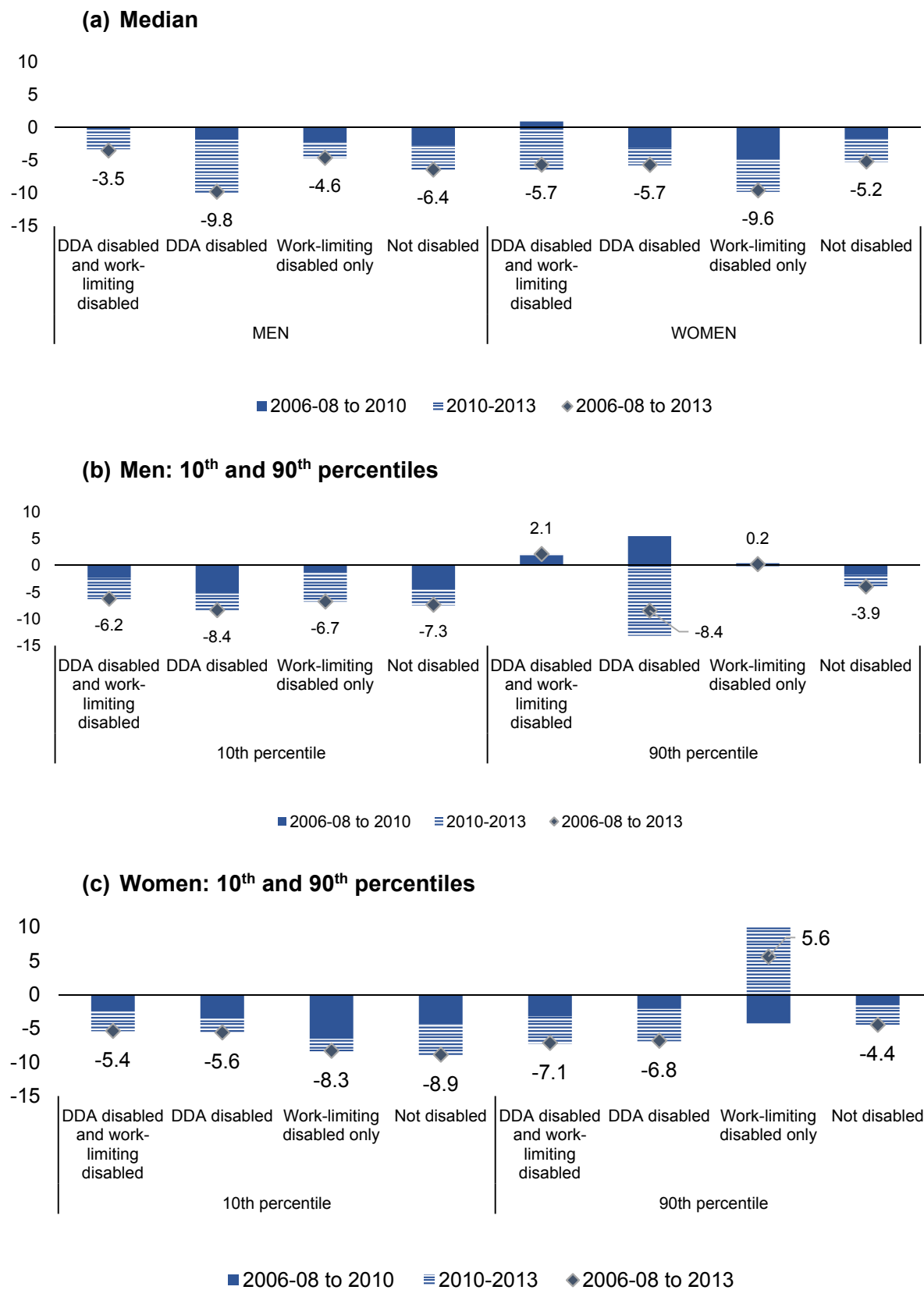
While those changes follow a mixed and sometimes unclear pattern, the levels of wages in 2013 remained sharply different (Table 7.1). Median full-time hourly wages were £12.90 for men who were not disabled, compared to £10.92 for those who were both work-limiting and DDA disabled; for women the differential was between £11.29 per hour and £10.00 per hour. Pay dispersion remained wider for those who were not disabled than the other groups, although it grew for men who were both DDA- and work-limiting disabled, and for women who were work-limiting disabled only.

Table 7.1: Full time median hourly wages by disability, 2013 and wage dispersion by housing tenure, 2006-08 and 2013

	DDA disabled and work- limiting disabled	DDA disabled	Work- limiting disabled only	Not disabled
Full-time wages, 2013 (£/hour)				
All	10.41	11.85	11.05	12.17
Men	10.92	12.49	11.19	12.90
Women	10.00	11.19	10.43	11.29
90: 10 ratios, men				
2006-08	3.4	3.7	3.5	3.9
2013	3.7	3.7	3.7	4.1
90:10 ratios, women				
2006-08	3.2	3.3	3.3	3.4
2013	3.2	3.2	3.8	3.6

Source: Labour Force Survey (UK).

Figure 7.6: Percentage change in hourly pay by disability status, full-time employees, men and women, 2006-08 to 2013

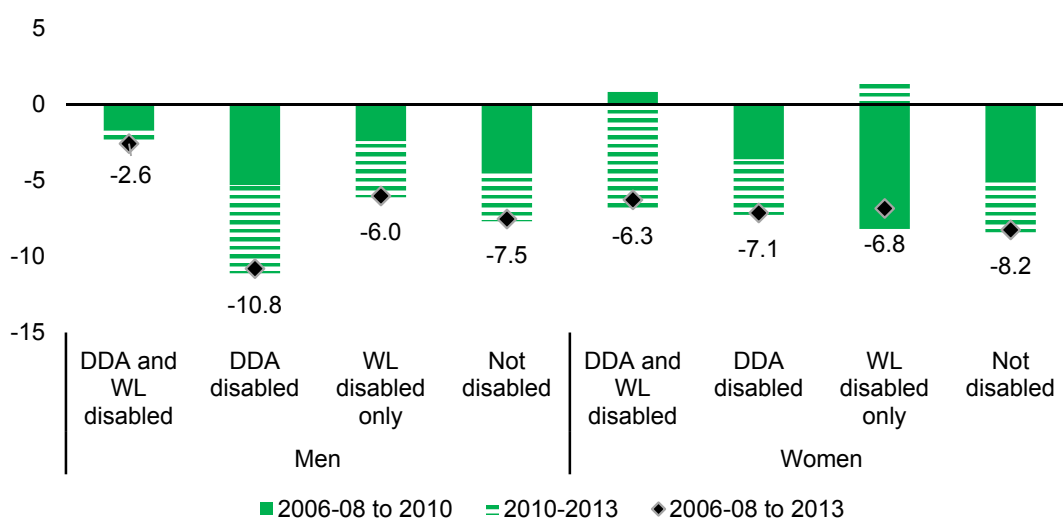


Source: Labour Force Survey (UK).

Weekly earnings

Still concentrating on full-time earnings, Figure 7.7 shows (for the median only) fairly similar declines across all of the groups, but the smallest fall for the small group of men who were both DDA- and work-limiting disabled, and the largest for men who were DDA-disabled only. This matched, but accentuated the pattern shown in Figure 7.6 (a) for hourly wages. Table 7.2 shows similar differentials in weekly earnings to those in hourly wages between the groups. Men not reporting a disability had earnings of £538 per week, compared to £462 for men who were both DDA- and work-limiting disabled; for women the differential was between £423 and £381 per week. Earnings dispersion was again greatest for men and women who were not disabled.

Figure 7.7: Change (%) in median weekly full-time earnings by disability (men and women), 2006-08 to 2013



Source: Labour Force Survey (UK).

Table 7.2: Full-time median earnings by disability (men and women), 2013 and wage dispersion by disability, 2006-08 and 2013

	DDA and WL disabled	DDA disabled	WL disabled only	Not disabled
Full-time earnings, 2013 (£/week)				
All	415	473	448	487
Men	462	519	469	538
Women	381	423	404	423
90:10 ratios, men				
2006-08	3.4	3.5	3.3	3.8
2013	3.5	3.6	3.4	4.1
90:10 ratios, women				
2006-08	3.2	3.3	3.4	3.5
2013	3.4	3.2	3.9	3.7

Source: Labour Force Survey (UK).

Household incomes

Figure 7.8 shows changes over time in net incomes (adjusted for household size) before housing costs for individuals divided into just two groups – those reporting a limiting long-standing illness ('DDA-disabled') and those who do not ('not DDA disabled'). In the period to 2010/11 incomes grew most for the poorest of the disabled group, and less for those with higher incomes, falling for those at the top. In the second period to 2012/13 this pattern was partly reversed, but the overall effect remained a gain at the 10th percentile and a loss at the top. For the not disabled group, the overall gradients were similar, but with losses across all of the distribution apart from the bottom overall. Remembering that this period on runs until 2012/13, the overall effect was that the incomes of the not disabled group fell more than those classified as disabled, with those with the lowest incomes protected in both cases.

As with the other breakdowns we have looked at, the pattern after allowing for housing costs is very different, with very largest losses for the poorest within the disabled group in particular after 2010/11, leading to an income fall of 9 per cent overall at the 10th percentile. For the not disabled group the largest fall, also of 9 per cent was at the median (in line with what we saw for the whole population in Figure 2.6(b).)

Table 7.3 shows the levels reached in 2012/13 after these changes. Despite some improvement in the relative position of people in a household with a disabled member, their incomes remained much lower than those in other households.²⁵ Median incomes for the disabled group were 16-17 per cent lower than those in other households and 23-25 per cent lower for the highest incomes. Differentials were smaller for those with the lowest incomes in each group (reflecting the effects of social security benefits). Income inequalities were therefore greater within the non-disabled group than within the disabled group.

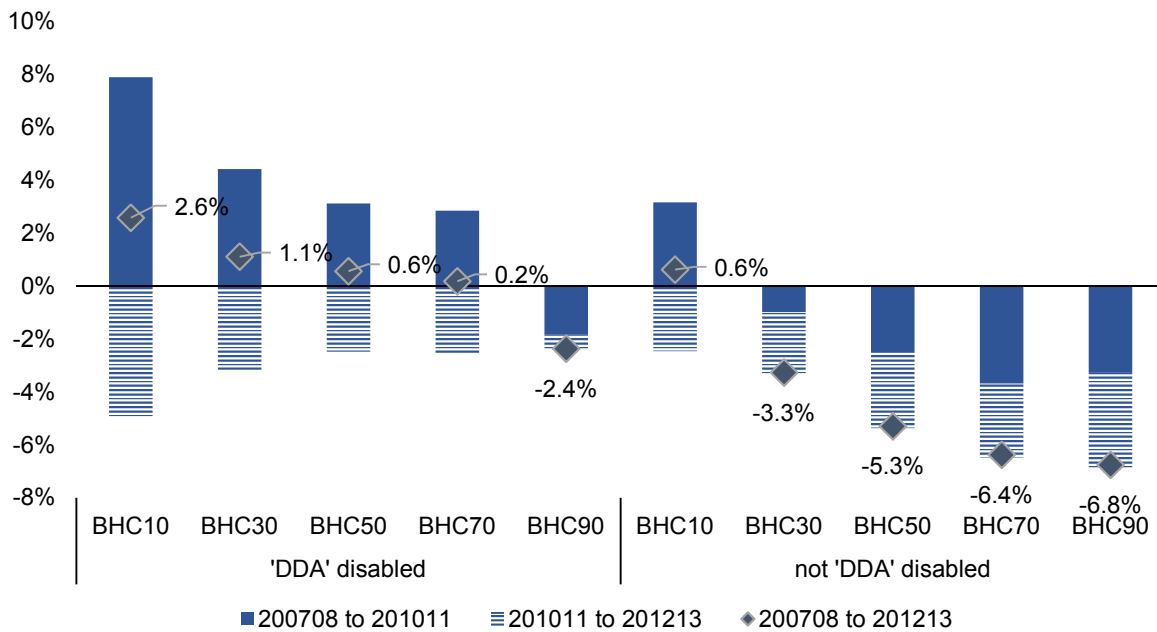
Table 7.3: Weekly net incomes by disability status in 2012/13 (£/week, adjusted for household size) and income inequalities by disability status (90:10 ratios)

	Mean	P10	Median	P90	90: 10 ratio
(a) Before housing costs					
Not DDA disabled	558	232	458	922	4.0
DDA disabled	442	214	381	693	3.2
(b) After housing costs					
Not DDA disabled	480	159	388	836	5.3
DDA disabled	387	148	326	646	4.4

Source: CASE/DWP analysis of HBAI dataset.

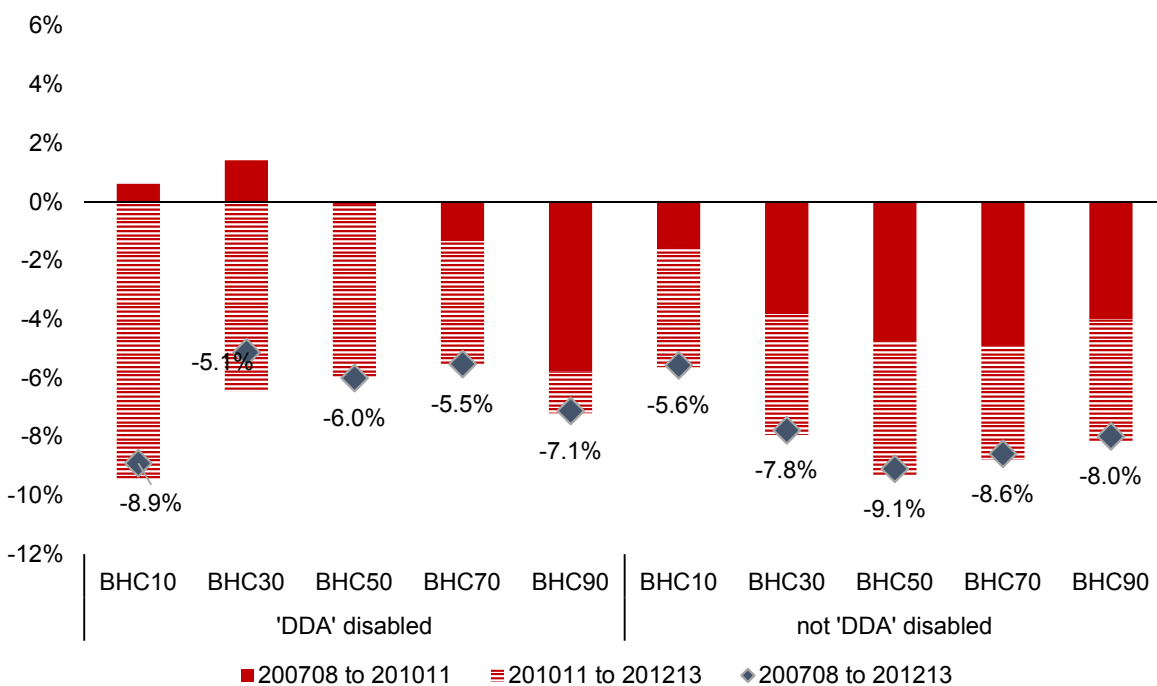
²⁵ This is despite the inclusion within the income concept used here of 'extra costs benefits' within the incomes of disabled people. There is a strong argument that they should be excluded to give comparability of potential living standards between the groups. If so, the differential between the two groups would be even larger. See Hills et al. (2010), pp. 189-192 for more discussion.

Figure 7.8: Changes in net incomes (adjusted for household size) by disability, 2007/08 to 2012/13, before housing costs (%)



Source: DWP/CASE analysis of HBAI dataset (UK).

Figure 7.9: Changes in net incomes (adjusted for household size) by disability, 2007/08 to 2012/13, after housing costs (%)



Source: DWP/CASE analysis of HBAI dataset (UK).

Wealth

Wealth differentials between those who are disabled and those who are not are strongly affected by age differences, as well as the effects of the onset of disability on people's ability to earn and to save.²⁶ None the less, Table 7.4 shows that households without a disabled member had a small rise in median non-pension wealth between 2006-08 and 2010-12, while those with a disabled member had a small fall. This left non-disabled households with median wealth of £157,000, compared to £124,000 for those with a disabled member. Figure 7.10 shows that wealth grew faster in percentage terms away from the median, including by 26 per cent for the least wealthy households with a disabled member. However, that represented a rise of only £1,500, compared with, for instance the increase of £35,000 represented by the 6.6 per cent increase for the wealthiest non-disabled households.

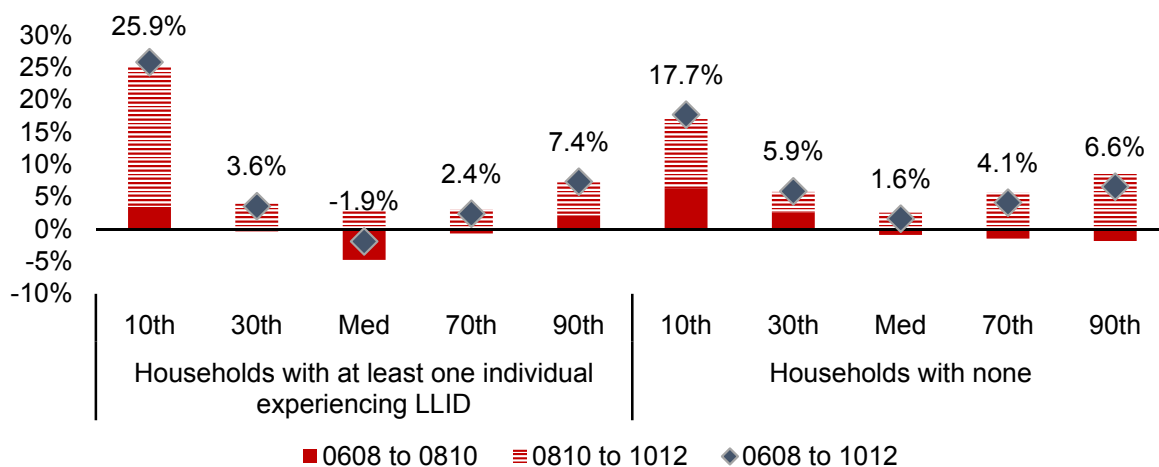
Table 7.4: Absolute changes in median non-pension wealth, 2006-08 to 2010-12, and wealth levels in 2010-12 by disability (£,000s nominal terms)

Absolute changes	Households with at least one individual with an activity limiting disability/ long-standing illness	Households with none
2006-08 to 2008-10	-6.0	-1.4
2008-10 to 2010-12	3.6	3.9
2006-08 to 2010-12	-2.4	2.5
Level of non-pension wealth in 2010-12		
Median	123.6	157.2
90:10 ratio	62	60

Source: ONS/CASE analysis of Wealth and Assets Survey.

²⁶ See McKnight (2014) for detailed discussion of the effects of disability on wealth accumulation, separating out the effects of disability from those of ageing and other characteristics. She finds, for instance a 'disability penalty' of £133,000 for 45-54 year-olds in non-pension wealth in 2005, comparing those who were disabled five and ten years earlier with their peers who were not.

Figure 7.10: Percentage change in household non-pension wealth by disability status, 2006-08 to 2010-12



Source: ONS/CASE analysis of Wealth and Assets Survey (GB). Age is that of household reference person.

Summary: Continuing disadvantage for disabled people

Without more detailed analysis, interpreting the results shown in this section is much harder than those relating to other characteristics, particularly those referring to changes over time, because of definitional differences between surveys and over time, and because many of the raw results shown here are heavily related to the age differences discussed in Section 3. However, there are clear differences between disabled groups and others in the positions shown by the most recent data:

- Those of working age classed as both work-limiting and Disability Discrimination Act disabled were less than half as likely to have degrees as those not classed as disabled in 2013, and approaching three times as likely to have no or only low level qualifications.
- Only 37 per cent of that group were in any kind of employment or self-employment in 2013, less than half the proportion of those who were not disabled.
- Even when they were in full-time employment, median hourly wages were 16 per cent lower for men who were both work-limiting and DDA disabled, and 11 per cent lower for women, than for those who were not disabled. Weekly full-time earnings were 14 per cent lower for men, and 10 per cent lower for women.
- Median net incomes were 16-17 per cent lower in 2012/13 for those in households with a disabled member than those without a disabled member.
- Non-pension wealth was 21 per cent lower in 2010-12 for households with a disabled member than for other households (despite their age profile, which would normally mean higher levels of wealth).

8. Conclusions

This report is not an analysis of policy.²⁷ However, as well as being a resource for those working on different aspects of inequality within the UK, the trends and differences it lays out present a series of challenges for a wide range of social and economic policies. These will confront whatever government is in office after May 2015.

Looking at the picture from before the financial and economic crisis up to the calendar year 2013 unemployment grew and real wages have fallen. But they have not done so evenly, leaving labour market inequalities wider than they were. At the same time, through the first part of the crisis and at the start of the term of the current government, the social security system protected many of those with the lowest incomes from real falls in income, thanks to the way in which most benefits were protected against inflation up until the financial year 2012/13. However, this predates many of the most important changes and cuts that have since been made to working-age benefits and tax credits. Modelling of the effects of these suggests that the initial protection of those on low incomes has been removed, and that overall income inequality will have grown since 2012/13, the latest year for which household income data are currently available, and which we have been able to analyse here.²⁸ Even by 2012/13, however, increasing housing costs were affecting some households beyond the protection offered by social security, and after allowing for housing costs, incomes at the bottom had already fallen since 2010 by more than those higher up the distribution.

These developments illustrate the importance of the way in which the safety net provided by the state evolves, in particular, whether over the coming years the way benefits and tax credits are adjusted from year to year keep up with inflation and general living standards as they recover.

Throughout this report we have presented results for men and women separately to set out the evolution of gender differences both overall and within particular groups. Women of working age are now more likely than men to have degrees or higher degrees, but gender gaps in pay have remained despite this, widening slightly on some measures between 2006-08 and 2013, but narrowing slightly on others. Looking at net incomes based on those of the household, women as a whole were more protected than men from falling incomes up to 2012/13, partly due to some groups of women being poorer and more likely to be receiving benefits than men, and partly due to more women being pensioners, who were also protected.

There is also a contrast between the experiences of different ethnic groups in terms of qualifications and labour market position.²⁹ Degree-level qualifications have improved faster for all minority ethnic groups than for the White British population, who now have the smallest proportion with degrees of any other group, apart from Bangladeshis. However, White men had the smallest increase in unemployment over the period and incomes for White adults remain higher than for other groups across the distribution (although median household wealth is now higher for some other groups).

²⁷ A series of parallel papers from the Social Policy in a Cold Climate programme examine social policies and their outcomes under both the last Labour government and under the Coalition government since 2010. These are available on our website at:

http://sticerd.lse.ac.uk/case/new/research/Social_Policy_in_a_Cold_Climates/Programme_Reports_and_event_information.asp. Developments under the Coalition government are summarised in Lupton, et al. (2015).

²⁸ See Hills (2015) for more detailed discussion.

²⁹ Although note that changes in the survey question used have produced some small differences in reporting, which will have affected reported changes over time to a limited extent.

Divides by housing tenure remained and if anything widened over the period, with implications for labour market and benefit policy as well as for housing policies. Social tenants had the largest rise in unemployment and the greatest falls in wages and earnings. By 2013 fewer than half of social tenants of working-age were in any kind of employment or self-employment, and even if in full-time employment had wages that were 60 per cent or less of those of mortgagors. But it was private tenants who had the largest falls in income up to 2012/13, after allowing for their increased housing costs. In thinking about the challenges for social mobility and the next generation, wealth differences will loom large, with median non-pension wealth (including personal possessions) reaching £307,000 for outright owners by 2010-12, but less than £20,000 for social and private tenant households.


The experiences of different regions over the recession and the start of recovery have also differed sharply, particularly between London and the rest of the country. These differences are not just that Londoners are on average better qualified and better paid than elsewhere, but that inequalities *within* London are far greater than in any other region.³⁰ Despite some recovery after 2010/11, the incomes after housing costs of the poorest Londoners in 2012/13 were 18 per cent lower than they had been in 2007/08. After allowing for housing costs, the 90:10 ratio (comparing incomes near the top with those near the bottom) was 9.1 in London in 2012/13, compared to 5.1 nationally. The equivalent ratio for total wealth (including pension rights) was 173 to 1 in London, compared to 70 to 1 nationally.

Limitations in the available data make it hard to compare the experiences of disabled and non-disabled people over the recession, but it is clear that differences remain wide, not just in employment rates but also in rates of pay when employed. Even if benefits that are intended to compensate for the extra costs disabled people face are included in income, net incomes of households with a disabled member are 16-17 per cent lower than those without a disabled member.

Many of these inequalities remain wide, and some have widened since the economic crisis. But the clearest change has been in the economic position of young adults, and in the gradients between how younger and older people have been affected. At older ages, rising employment is encouraging as a response to increased longevity, with a fifth even of those aged 65-69 now in employment or self-employed. For the generation approaching retirement or recently retired, rising wealth levels are an advantage, this is very unequally distributed. Non-pension wealth for those aged 55-64, for instance has a ratio of 48:1 between those a tenth of the way from the top of the distribution and those a tenth of the way from the bottom.

At the other end of adulthood, those in their twenties and early thirties are better qualified than any previous generation at the same age. But they have been hardest hit by far than any other age group, with the greatest drop in full-time employment, largest rises in unemployment, and greatest falls in real wages. For instance, median hourly wages were 14-15 per cent lower in real terms for men and women aged 25-29 working full-time in 2013 than they had been six years earlier. Even the best-paid in this age group were paid 13-16 per cent less in real terms than their predecessors. Looking at their net incomes as a whole, after allowing for housing costs, median incomes for those in their twenties were 18 per cent or more lower in 2012/13 than five years before, and fell by almost as much for those with the lowest incomes, as well as those with the highest incomes, in their twenties and early thirties. While wealth rose for households aged over 65 between 2006-08 and 2010-12, it fell for younger ones.

³⁰ See the much more detailed discussion in the companion report on inequalities in London (Vizard, et al., 2015).



These generational developments have ramifications across society and for many social policies. What can be done to improve the position of even well-qualified young people in today's labour market? Is there a generation who entered the labour market in the toughest times who will now be 'scarred' by comparison with younger cohorts who may enter in better times, with a less jaded experience of the labour market? If wages are so much lower than they were for people in their twenties and early thirties than in the late 2000s, what does that mean for the assumptions made when designing the current system of student finance, predicated on a particular level of graduate wages which we no longer have?

In the longer-term the generational wealth divide is now immense in relation to annual incomes. Median total wealth (including pension rights) of those aged around 60 reached £425,000 in 2010-12. For those aged around 30 it was £60,000. For the younger generation to bridge the gap between the two would require them to find £365,000. If through their own savings, that would mean saving and/or pension contributions of £33 each and every day for the next thirty years. This is unlikely to happen as a typical experience. Instead, what will matter most will be what happens to the wealth of the older generations, and to whom it is passed on. But that is also highly unequally distributed, and with it the prospects for members of the generation that has lost most in the years we have described.

The legacy of the crisis has not fallen equally, and the consequences of this will form the backdrop not just to the coming General Election, but also to the way society and public policies evolve over the years and decades to come.

Appendix 1: Wages and earnings in the Labour Force Survey and the Annual Survey of Hours and Earnings

Here as well as in our previous reports (Hills et al. 2010 and Hills et al 2013), we use Labour Force Survey (LFS) data for wages and earnings despite Annual Survey of Hours and Earnings (ASHE) data being likely to be somewhat more accurate for those who earn more than the threshold for paying National Insurance Contributions. This is because ASHE contains little information on the characteristics of employees beyond their gender, age, region of residence and occupation. LFS data, on the other hand, contains important information on other characteristics as well such as disability, ethnicity and tenure.

Table A1 below compares the hourly and weekly earnings for *all* employees nationally in the two surveys at different points of the distribution in 2008 and in 2013. For both hourly and weekly earnings, at all the points of the distributions and in both years, the figures are somewhat lower in the LFS than in the ASHE. This difference is slightly more pronounced for weekly pay at the bottom end of the distribution in both years and for hourly wages in 2013. But for hourly wages in 2008 the difference in figures at the top of distribution is more pronounced between LFS and ASHE data. One effect of these differences is that ASHE shows slower percentage (nominal) growth at the ninetieth percentile in particular between 2008 and 2013. This implies that the LFS figures used in this report may understate real falls in earnings at the top of the distribution (or overstate real growth, where that is shown). Despite these differences, the overall inequality shown by the two sources is fairly similar at both dates, although greater in the LFS for weekly earnings (possibly reflecting inclusion of more with incomes below the NIC threshold).

Table A1: Gross hourly wages and weekly earnings (£, nominal) as reported by LFS and ASHE, all employees, UK

	2008				2013				Percentage change 2008 to 2013		
	P10	P50	P90	90:10 ratio	P10	P50	P90	90:10 ratio	P10	P50	P90
LFS											
Gross hourly wages	5.5	9.9	21.3	3.9	6.0	10.8	23.8	4.0	8.5	9.5	11.7
Gross weekly earnings	107	363	813	7.6	115	390	885	7.7	7.5	7.4	8.9
ASHE											
Gross hourly wages	6.0	10.6	23.7	3.9	6.6	11.6	25.4	3.9	9.5	9.1	7.2
Gross weekly earnings	117	389	856	7.3	124	415	910	7.3	6.0	6.7	6.3

Source: ASHE figures are from ONS (2009, 2014b) and ONS (2009); Labour Force Survey (UK)

A second difference between the patterns shown by the LFS and ASHE is in what has happened to relative wages in London compared to other regions. Table A2 shows (for full-time employees only) that the LFS shows greater increases in nominal pay for London compared to UK between 2008 and 2013 (implying a smaller real decrease in both wages and earnings). ASHE data, on the other hand,

show a somewhat *smaller* increase in nominal wages and earnings in London than the UK as a whole (implying a larger real decrease in earnings and wages in London over the period). The difference between the two sources implies that findings for movements in pay differentials between London and other regions should also be treated with caution.

Table A2: Full-time employees weekly earnings and hourly wages in LFS and ASHE, London and UK (£, nominal)

	Hourly wages			Weekly earnings		
	2008	2013	% change 2008 to 2013	2008	2013	% change 2008 to 2013
LFS						
United Kingdom	11.0	12.1	9.7	447.9	481.0	7.4
London	14.2	15.8	11.7	556.2	615.0	10.6
ASHE						
United Kingdom	11.9	13.0	9.6	479.1	517.4	8.0
London	15.8	17.2	8.7	613.3	654.8	6.8

Source: ONS 2014b; Labour Force Survey (UK)

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