

Britain: Income inequality at record high

Barry Mason
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Last month the government quietly published the latest measure of income inequality, the Gini coefficient, for the UK. The figure tells a story of growing exploitation and mounting poverty in Britain.

The Gini coefficient can range from 0 to 1 and provides an objective measure of income inequality, which allows every country to be ranked against others and against its own past performance. A coefficient of 0 would mean income is shared equally between all individuals, whilst a coefficient of 1 would mean one person within the population has all the income and everyone else none. So a higher Gini coefficient figure indicates a higher level of inequality.

Britain's Gini co-efficient is now 0.36, beyond the normal bounds of inequality seen in developed countries. In the United States the figure is 0.408, putting the largest economy in the world on a par with Mexico in terms of income inequality. But by European standards, the UK figure is exceptionally high. Sweden has a Gini coefficient of 0.23, Germany 0.283 and in France the figure is 0.327.

For the last three decades the Institute of Fiscal Studies (IFS) has produced a report on the UK Gini coefficient. The latest IFS report shows that the figure has increased from 0.25 when Thatcher came to power. The report also notes that the number of those in relative poverty, which is defined as those with an income less than 60 percent of the median, has risen over the last three years. The figure initially fell when the Labour government came to power in 1997, but is now rising consistently year on year.

"Poverty for working-age adults without dependent children is now at its highest level since the start of our comparable time series in 1961," according to the IFS report.

Median income was £394 a week. This represents a rise of just £1 on the previous year. Median income is

the level which 50 percent of the population is above and 50 percent below.

For the last six years there has been only a slow average rise in take home pay. But the IFS predict "a bleak outlook for income growth in the near future," because of rising unemployment and stagnant earnings. Income inequality has risen (on most measures) in each of the last three years and is now at its highest level since our comparable time series began in 1961."

The contrast between rich and poor is even starker when the mean or arithmetical average is considered. The mean earnings figure for 2007-08 was £487 a week. It is calculated that 65 percent of the population earn less than this sum.

A small proportion of the population, 1.2 million, has earnings above £1,500 a week. The incomes of Members of Parliament range up to £1,100 a week, putting them above 91 percent of the population. Only nine percent of households in the UK have a higher income. If their expenses are included in the calculation they have a higher income than 96 percent of the UK population. If they have a working partner, their household income is in the very top income bracket.

Even before the government issued the latest Gini coefficient, a Joseph Rowntree Foundation Report concluded that the measures brought in by the Labour government to address inequality were stalling.

The report issued in February stated that "child poverty remains amongst the highest in Europe," despite the fact that the government had focused on this area. Health inequalities continued to widen, as did the gap between the top and bottom of the income scale.

"The UK's experience in the 1980s and 1990s showed that the strategy of hoping that growth in living standards at the top would 'trickle down' to those at the bottom did not work. The last decade has shown that a more interventionist 'pump up' strategy is hard in an unequal society."

The author of the report, Professor John Hills, director of the Centre for the Analysis of Social Exclusion, said in a *Financial Times* article of February 25 that the report “will disappoint those who might have hoped that a Labour government in power for over a decade would decisively reverse the gaps in society that had widened over the previous two decades.”

In 1999 the Labour government set a goal to lift three million children out of poverty. Even the government acknowledges that this target will not be reached. “Meeting the 2010 target is very difficult,” Beverley Hughes, children’s minister told the *Guardian*. Asked about the likely impact of the recession she said, “It is very difficult to model the impact of the recession on child poverty.”

Even before the recession, charities specializing in child poverty were deeply concerned about the situation in Britain. “Ten years ago the government committed to eradicating child poverty but these figures show progress has stalled,” Hilary Fisher, director of End Child Poverty said. “In the previous two years, child poverty actually rose. Progress has been made on child poverty, but the UK is way off track on its targets. Budget 2009 invested less than a pint of milk per week per child in family incomes and did nothing to narrow the gap.”

The IFS report concludes, “Over the past three years, average living standards have continued to stagnate, though poverty and income inequality both rose. We expect that the current recession will again lead to a change in the course of poverty inequality and average living standards. Unfortunately, the only thing we can be near-certain of is that average living standards will fall, but we cannot be sure how this pain will be shared.”

Judging by past experience it is all too clear how the pain will be shared. It will be inflicted on working people and income inequality can only get worse. There will be even less attempt on the part of government, Labour or Conservative, to assist those in financial difficulties. Money used to bail out the banks has increased government debt levels. The demands are now coming from the representatives of the financial elite that wages must be cut and savage cuts in welfare provision and public services pushed through.



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