

British Labour presides over increase in inequality

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A report commissioned by the Labour government shows how its pro-business agenda during its 13 years in office has led to a dramatic increase in inequality.

An Anatomy of Economic Inequality in the UK was the result of 16 months research by the National Equality Panel. (The report, and a summary, can be found [here](#).)

Britain, the report concludes, “is an unequal country, more so than other industrialised countries and more so than it was a generation ago.” It ranks in the top quarter of industrialised countries for income inequality.

The report highlights a situation where the richest 10 percent of the population are over 100 times wealthier than the poorest 10 percent, and where income inequality has reached its highest point since the end of the Second World War. The report was based on 2007/2008 figures, and did not reflect the 2008 financial crisis. It is quite likely that the current position will be worse even than the report shows.

The report also points to the unbridled growth in wealth of a tiny layer of the super-rich, and clearly indicates that the fundamental division in society is that of class.

The report was commissioned in 2008 by Harriet Harman, minister for women and equality. In part, it was intended to demonstrate the Labour government’s commitment to social mobility, as an appeal to sections of middle class voters. Announcing the formation of the National Equality Panel in 2008, Harman told the TUC (Trades Union Congress), “Equality matters more than ever and it is necessary for individuals, a peaceful society and a strong economy.” The government’s stated aim was to “promote equality and opportunity for all.”

Harman, who is being presented as a possible replacement for Prime Minister Gordon Brown by some on what passes for the left of the party, outlines her party’s record on equality in a foreword to the report that should automatically exclude her from any such support.

She claims that the report demonstrates the efficiency of the Labour government’s policies in overcoming inequality, or what she described in 2008 as “the good work that we have already done.” She writes now that public policy has “played a major role in halting the rise in inequality which was gaining ground in the 1980s.”

In fact, the report provides a clear indictment of the Labour government’s commitment to the same policies as their Conservative predecessors. Its overview notes specifically that “the large inequality growth between the late 1970s and early 1990s has not been reversed.”

The National Equality Panel was established under the chairmanship of Professor John Hills, director of the Centre for Analysis of Social Exclusion at the London School of Economics. In 16 months of work the panel assembled a substantial body of data up to and including 2007/2008. They aimed to document the relationship between economic outcome and people’s circumstances and study actual social mobility.

The main illustration they used for their data was the 90:10 ratio. They compared the richest 10 percent of the population (the 90th percentile) with the poorest 10 percent (the 10th percentile). This measure may soften some of the contrasts between the richest 1 percent and the rest of society, but even so the figures were staggering.

The panel looked at figures for total wealth, including personal possessions, net financial assets, housing and private pension rights. This showed the wealthiest 10 percent being some 100 times better off than the poorest 10 percent. The median figure is £204,500. Those in the 90th percentile have a total wealth above £853,000, while the poorest 10 percent have less than £8,800. The richest 1 percent of households has a total wealth of more than £2.6 million.

On weekly income, the gap is still dramatic. Using the Department of Work and Pensions “equivalent net

income” figures for 2007/2008, the median net household income was just £393 per week. However, the poorest 10 percent of households had a weekly net income under £191. The official DWP poverty line is 60 percent of the median, £236 per week. Nearly a quarter of the population shows an equivalent net household income below this figure. The richest 10 percent had a weekly income of more than £806.

The 90:10 ratio of 4.2:1 is an increase on a generation earlier. The scale of the social crisis becomes more apparent when the 90th percentile is examined in closer detail. The top 5 percent had weekly incomes over £1,000, while for the top 1 percent the weekly equivalent net incomes topped £2,000.

The statistics are even more striking on the question of hourly wages. The median gross hourly wage for 2006-2008 was £9.90. The lowest paid 10 percent of the population are paid less than £5.50 per hour, while the highest paid 10 percent earn more than £21.30. The top one percent is paid more than £43 per hour.

The panel also calculated the weekly net individual income, the income for all adults including those not employed or above pension age. The median net individual income is £223 per week and the poorest 10 percent of adults have a weekly net income of just £56. The top 10 percent of earners have a weekly net income above £542. For the top 1 percent the weekly net income is in excess of £1,300.

The report points to the gap in equality growing during the 1980s.

The concerns of successive governments with the tiniest of parasitic elites can be seen from the figures for after-tax income share. In 1937 the wealthiest 1 percent accounted for 12.6 percent of all after tax income. This was down by almost two thirds to 4.7 percent by 1979, when the Conservatives under Margaret Thatcher came to power. In 1990 it stood again at 8 percent, and had risen to 10 percent in 2000. For the wealthiest 0.5 percent of the population, their share of after tax income stood at 2.4 percent of the total in 1937, prior to the war and the post-war creation of the welfare state. It had fallen to under 0.5 percent by 1969. In 2000, the wealthiest 0.5 percent’s share of after tax income exceeded the pre-war figure for 1937, standing at 2.5 percent.

Internationally this placed Britain seventh among the 30 industrialised countries for income inequality in the first decade of the 20th century, with the highest rate of poverty in Western Europe. Wealth is a determining factor in life expectancy, the report notes.

The UK is also behind other countries in its proportion of working-age population with the equivalent of GCSE passes. The report called for more to be done to reduce child poverty, and emphasised the importance of policy to help prepare children from poorer backgrounds for school. Even excluding the top 7 percent who send their children to private schools, the report notes that wealthy parents are able to buy homes in the catchment areas of the better state schools.

This report follows recent research by the Save the Children charity, which discovered that 13 percent of children in Britain are now living in severe poverty. Save the Children concluded that government efforts to reduce child poverty had already hit the buffers before the 2008 financial crisis.

The Hills report highlighted regional differences across the UK. Only 55 percent of adults in the most deprived 10 percent of areas in England are employed, and median hourly wages in these areas are 40 percent lower than in the least deprived tenth of the country. The median total wealth in the poorest tenth of areas is only 16 percent of the national median. Inequality in earnings and incomes has risen faster in London over the last decade than anywhere else, and London now shows the widest local gaps in equality.

The report highlighted continued pay differences between men and women, and noted the lower incomes of ethnic minorities. Almost half of Bangladeshi and Pakistani households are in poverty, the report concluded. Yet for all this, the report shows quite clearly that the driving force of inequality is class. The differences that exist within social groups reflect those across the population as a whole, and they are “much greater than differences *between* groups.” These are *class* differences, and they are driven by the broader economic system, as can be seen by the report’s conclusion that “Even if all differences between such groups were removed, overall economic inequalities would remain wide.”

The Hills report offers a damning verdict on the Labour government, which has ruled on behalf of the parasitic super-rich, wholly committed to a social system based on class exploitation and dependent on class inequality.



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