UK income inequality worsens during pandemic

Simon Whelan
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Median pay for FTSE 100 company chief executive officers (CEOs) was an enormous 86 times the median annual wage for a full-time UK worker in 2020.

But spare a thought for the suffering inflicted on CEOs during the first year of the pandemic, when forced to partially withdraw their snouts from the trough. According to research published by thinktank the High Pay Centre (HPC), CEO pay is down from the previous two years, when they earned almost 120 times the median wage. This scandal means that 2022 will be the first year in a decade when chief executives needed to work into the fourth day of the new year to earn the average yearly pay of a worker.

The *Financial Times* (FT) explained how the gap between chief executives' pay and UK average earnings narrowed during 2020, as corporations canceled bonuses and imposed temporary pay freezes after the initial COVID-19 lockdowns. This meant average CEO remuneration fell from £3.25 million in 2019 to £2.7 million in 2020.

The fall drew obsessive media interest. However, further up the food chain, the super-rich for whom CEOs work are benefiting from falling workers' wages, soaring property values, rising share prices and, above all, government largesse. The UK's billionaires saw their wealth increase by 21.7 percent over the year, an overall rise of £106.5 billion.

Meanwhile, UK average earnings for full-time work fell between 2019 and 2021 and soaring inflation and utility prices are reducing wages and living standards further. The runaway cost of living means millions face crippling price rises driven by large increases in energy bills.

The Institute for Fiscal Studies (IFS) calculated that some 10 million people were affected by price hikes that were not matched by fixed rate welfare benefits. British welfare payments and the state pension are inflation linked, but rates for this year were set before prices started to take off and will rise by only 3.1 percent in April, approximately half the forecast cost-of-living increase.

Households with typical energy usage also face a £600-700 rise in annual energy bills, bringing the total to approaching £2,000. The rise in the UK state pension in April amounts to an annual increase of less than £300.

The University of Bristol's Coronavirus Financial Impact Tracker Survey for December reported that, between March 2020 and October 2021, "for every household that saw their financial situation get a little or a lot better (21% of all UK households), two households saw their financial situation get a little or a lot worse (38%)."

The FT notes how public attitudes are hardening against inequality. Research conducted by the HPC together with polling company Survation found that a majority of people believed high earnings were the result of educational and social privilege, not a reflection of harder or more valuable work.

"Some of the lowest-paying jobs have played the most important role to keep society functioning through the pandemic. With the value of the UK economy reduced, there's also greater pressure to share what we do have more evenly," said HPC director Luke Hildyard. "In this context, vast CEO to worker pay differences may be harder to justify."

The crucial role played by millions of key workers during the pandemic has progressively altered public consciousness. By keeping society functioning, the workers are confirmed as being irreplaceable, as opposed to the entrepreneurial so-called "risk takers" and managerial elite. The staggering numbers of workers who contracted COVID-19 and died has aroused enormous sympathy. When the public turned out to applaud the Herculean efforts of the NHS workers, nobody was clapping the efforts of the bankers or corporate chief executives.

The narrowing of the gap between CEOs' and workers' incomes is only temporary. The HPC said "Most FTSE 100 firms have not yet announced CEO pay for their financial year ending in 2021, but 57% of those that have recorded an increase on 2020 levels."

Differences in income, as large as they are, are dwarfed by wealth inequality. Recently released Office for National Statistics (ONS) data for 2018-2020 show the wealthiest 10 percent of British households, comprising the upper middle classes and super-rich, now own 43 percent of total wealth. The bottom half of the British population held a meager 9 percent. The wealth of the richest top 1 percent of households was on average more than £3.6 million, 230 times higher than the £15,400 or less for the poorest 10 percent.

Arun Advani, assistant professor at the University of Warwick, described the figures as "striking findings", but added that the wealth gap was most likely a considerable under estimation because "the wealthiest are less likely to respond to the survey". In addition, wealth derived from the ownership of business enterprises is not included.

Both the FT and the *Guardian* reported Executive Director at Tax Justice UK Robert Palmer explaining that even prior to the pandemic "it was clear that wealth inequality was entrenched". Krishan Shah, a researcher at the Resolution Foundation noted how "with limited financial resources to protect them from economic shocks, the poorest households were undoubtedly in the worst position heading into the pandemic".

The latest ONS figures on wealth inequality are the most comprehensive data on wealth distribution available. However, ONS data released last month shows that total UK wealth increased even further during the ongoing pandemic.

Total UK household wealth rose to a record high, as the property prices, savings and share values of the super-rich continued to climb despite the economy contracting. According to the ONS household net worth grew 8.4 percent to £11.2 trillion in 2020, achieving its highest level since records began in 1995. Compared with 3.3 percent growth in 2019, and double the average pace over the previous decade, it is clear the super-rich have had a good time during the pandemic.

Such spectacular wealth expansion, concentrated in the richest few percent, occurred as the UK economy experienced its largest contraction in more than 300 years and as waves of death and disease were caused by the government's herd immunity policy.

Resolution Foundation economist Jack Leslie said the ONS figures illustrate how the COVID-19 crisis had "bucked" the pattern of previous crises because asset prices, like pensions and property, rose despite the shrinking economy. The increase in household wealth thus far during the pandemic compares to a 10 percent contraction in 2008 during the global economic financial crisis.

The largest contribution to household wealth came from a 7.3 percent increase in average house prices, followed by the rising value in insurance and pensions, and bank deposits. The rise in household assets amongst the top 10 percent is one expression of how their incomes have been shielded from the effect of the economic shutdowns, benefitting from generous government funding including job support furlough schemes.

Leslie warned that the greater prosperity was not shared equitably across society, and "wealth gaps that existed pre-pandemic are likely to have been exacerbated by the crisis". "Unless addressed," he stressed, "these wealth gaps will have profound consequences for social mobility and future income inequality,".

Right now, the pandemic and the explosion in social inequality are already having an impact on the social consciousness of millions of workers as the unbridgeable chasm between the two main classes, the bourgeoisie and the proletariat, becomes clear.