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*The wealth chasm:
from inequality to inclusion
in housing, pensions and
financial assets*

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25th May 2010

School of Social Policy and Birmingham Business School
Centre on Household Assets and Savings Management
(CHASM)

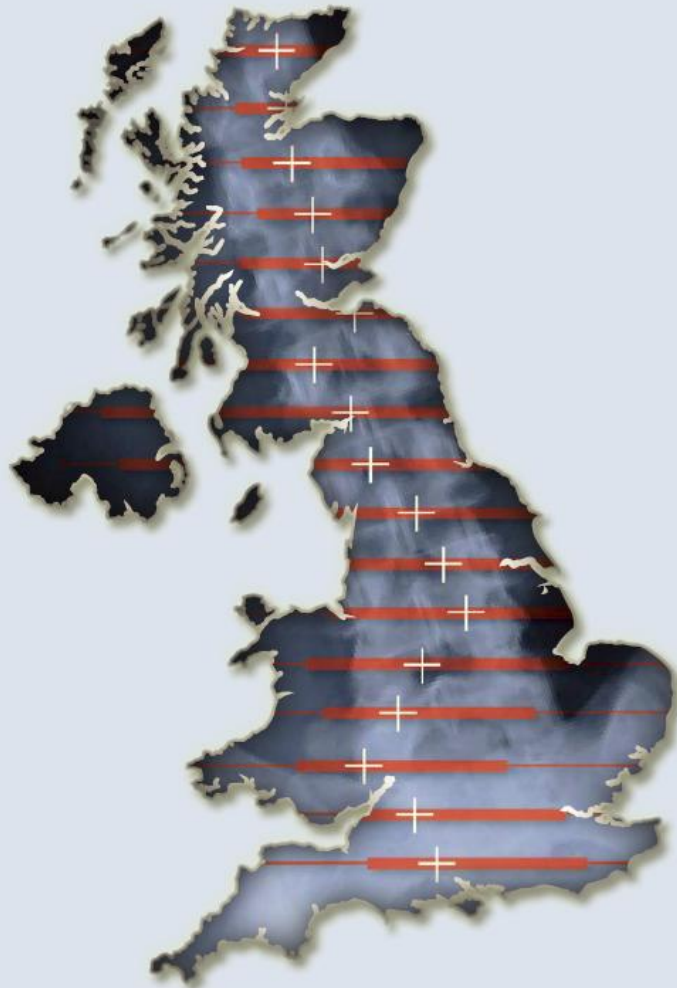
*The wealth chasm:
from inequality to inclusion in housing,
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Wealth inequality

□ Professor John Hills

London School of Economics

An Anatomy of Economic
Inequality in the UK
Report of the National Equality Panel



Wealth inequality: Findings from the National Equality Panel:

John Hills

Chair, National Equality
Panel

CHASM launch

Birmingham University

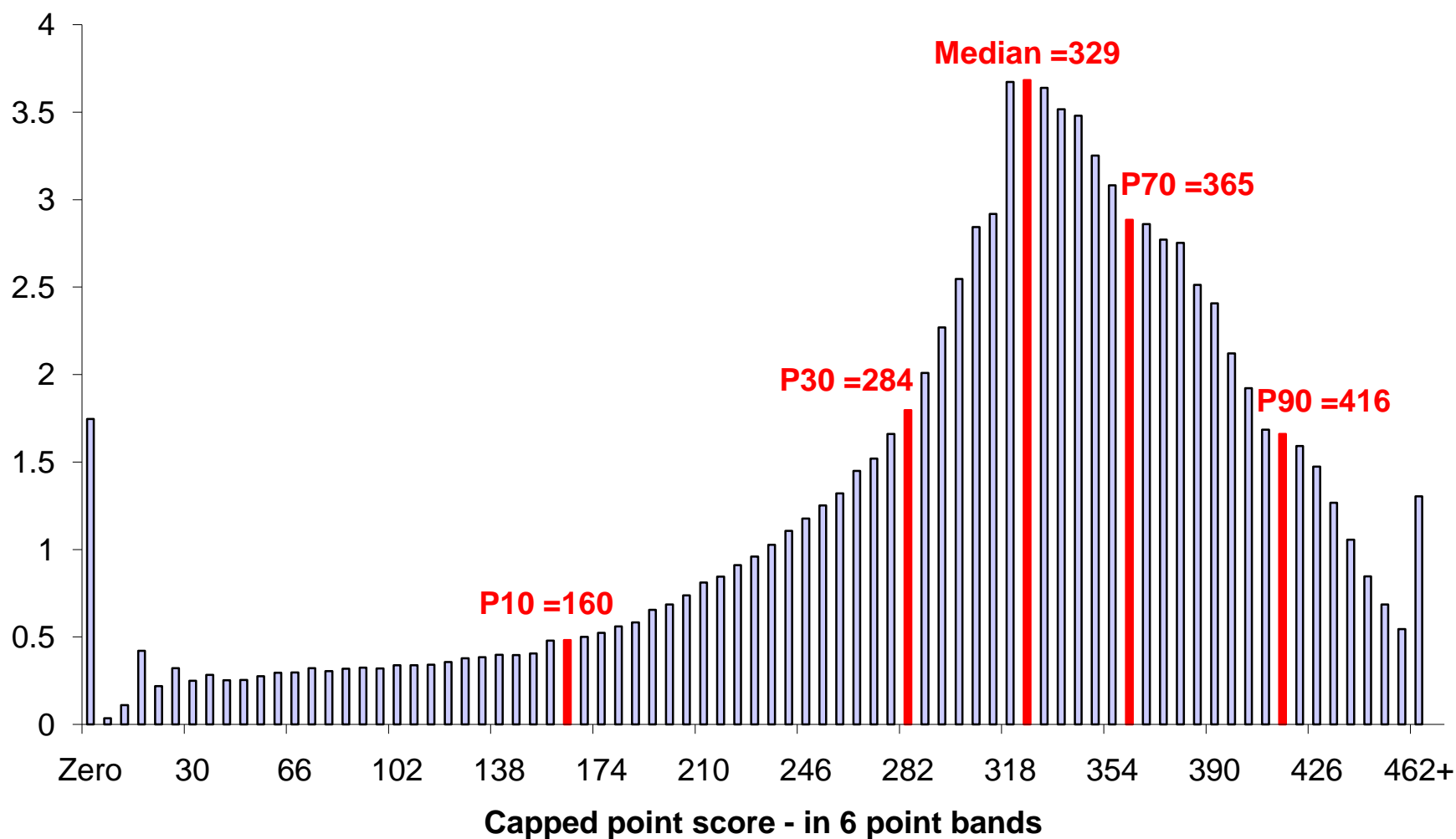
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http://sticerd.lse.ac.uk/case/_new/publications/NEP.asp

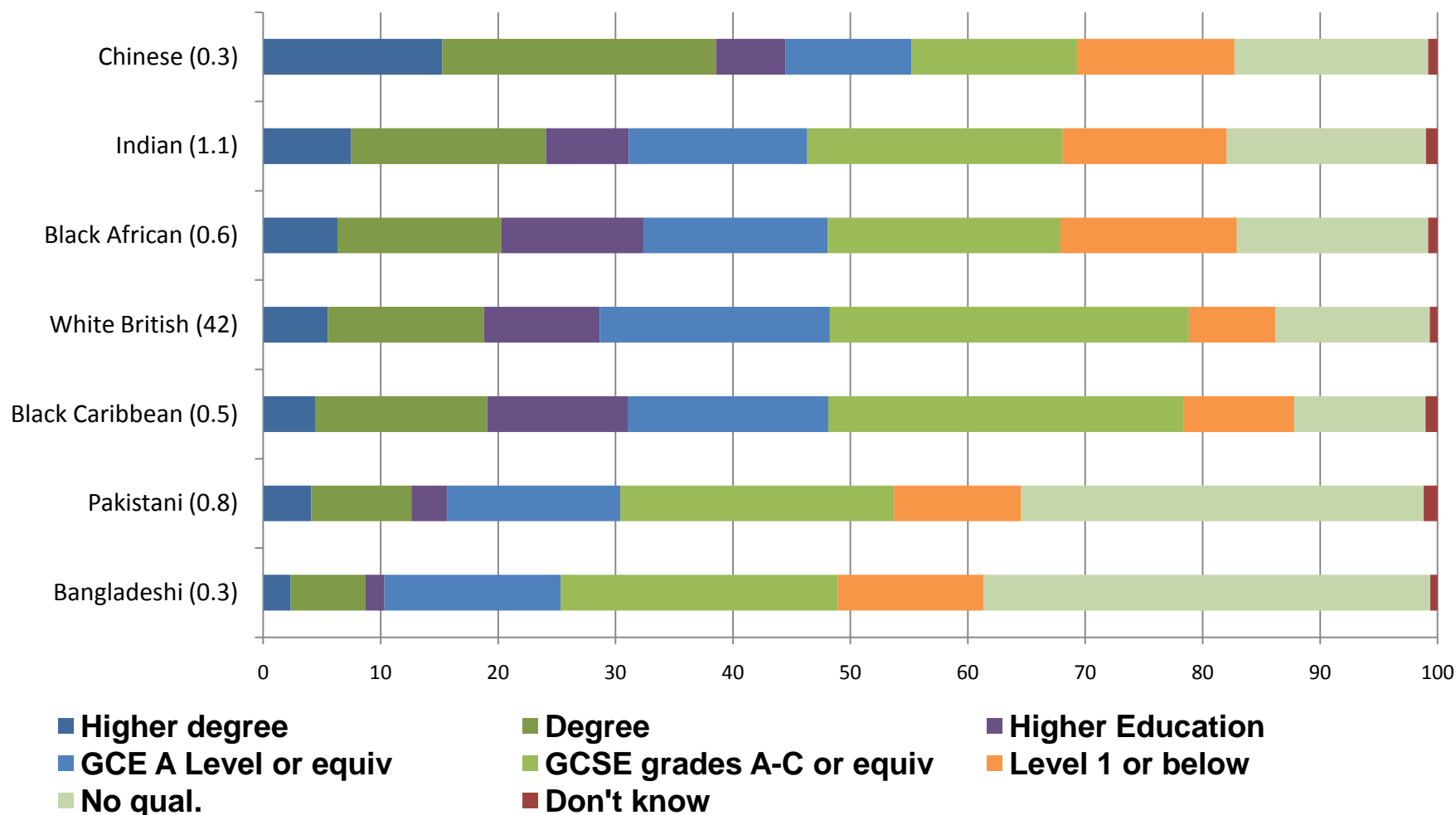
What we were asked to do

- Examine the relationships between economic outcomes:
 - education;
 - employment;
 - hourly wages and weekly earnings;
 - individual and household income; and
 - wealth
- and people's characteristics and circumstances:
gender, age, disability status, ethnicity, religion or belief, sexual orientation, social class, housing tenure, nation or region, and neighbourhood deprivation.

Outcomes at 16: GCSE points scores (England; maintained schools)

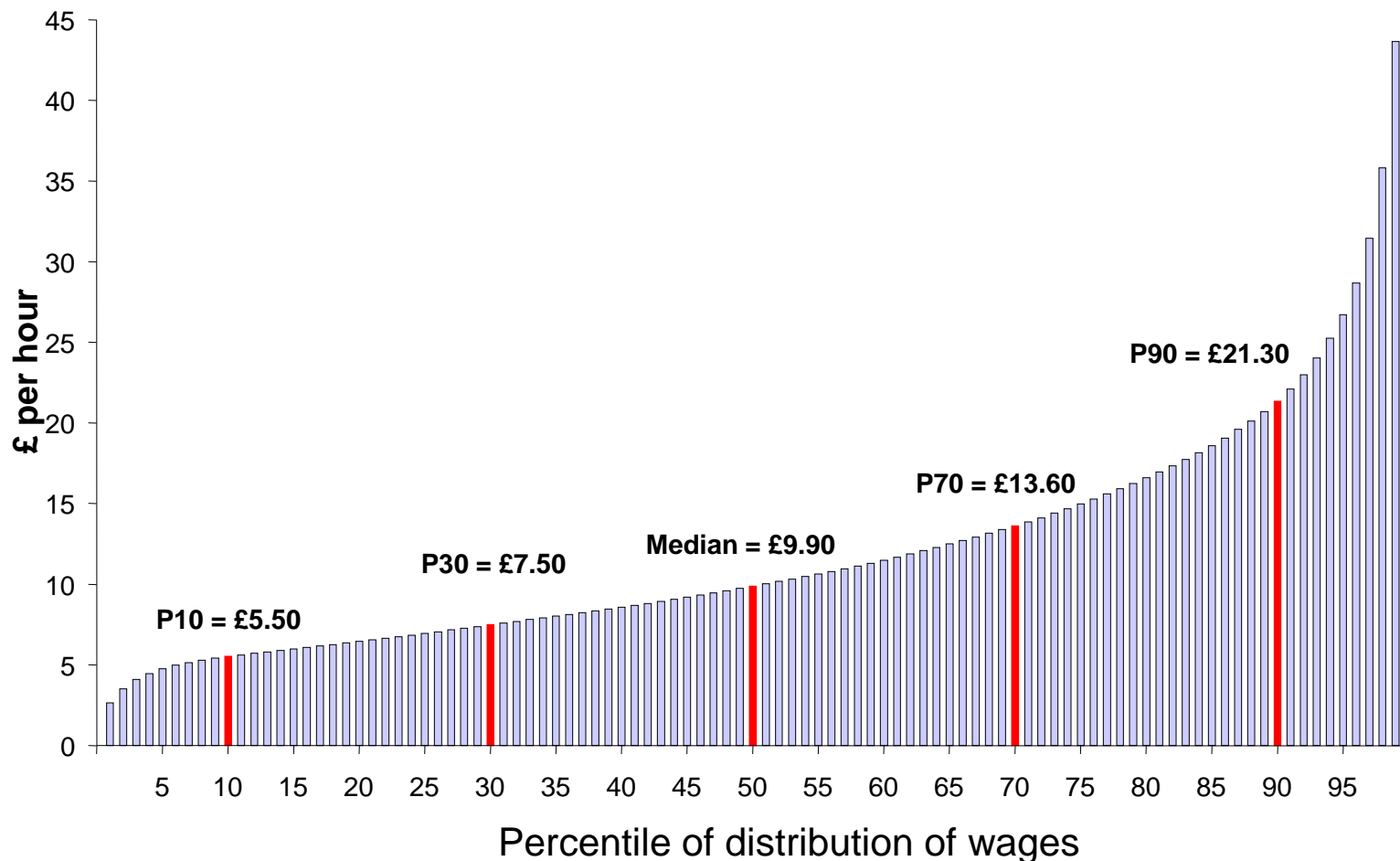


Highest qualification by ethnicity (women, working age , UK, 2006-2008)



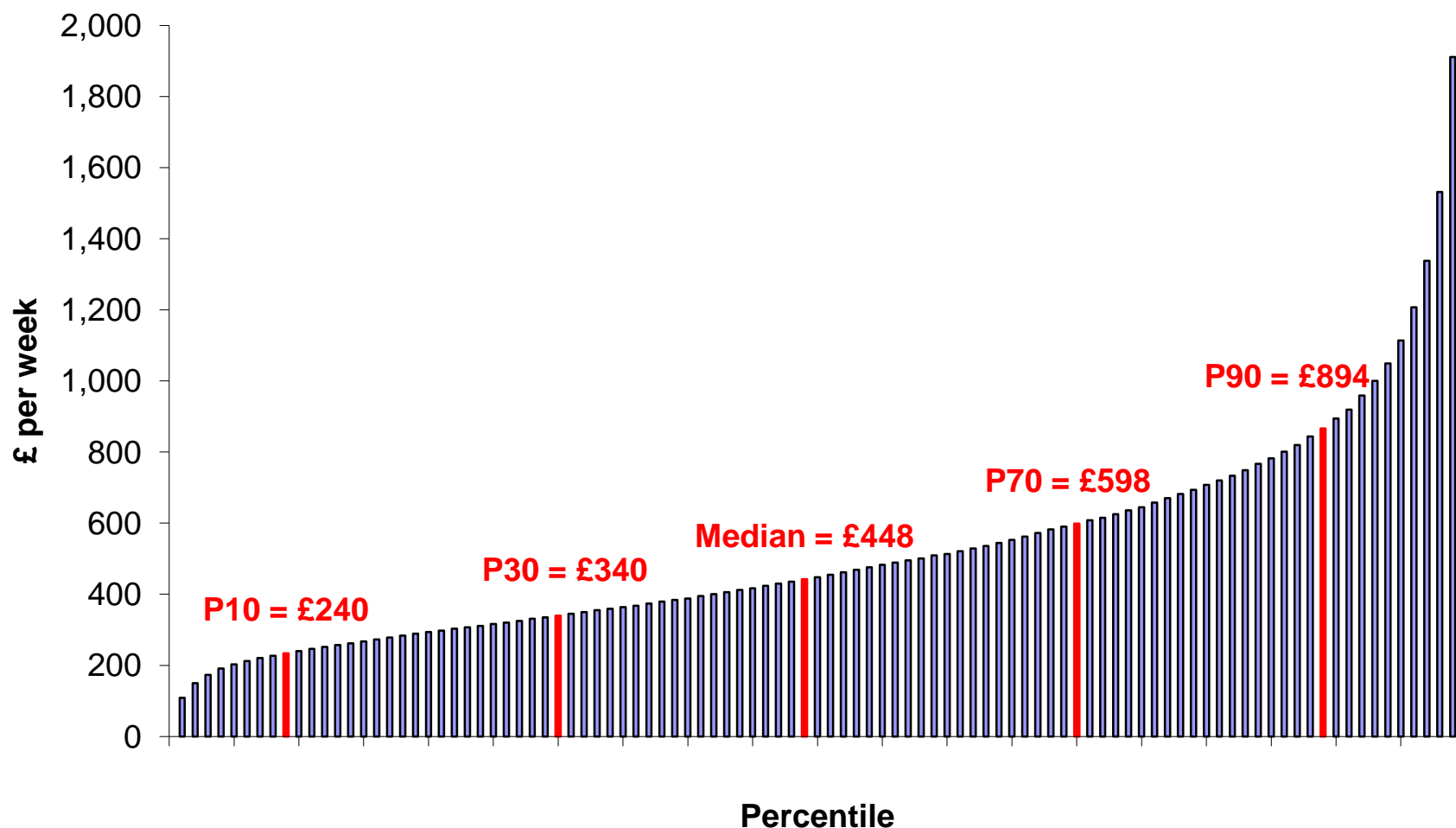
Source: DCSF (maintained schools only).

**A tenth of employees is paid less than £5.50 per hour
and a tenth more than £21.30. One per cent is paid
more than £43 per hour**



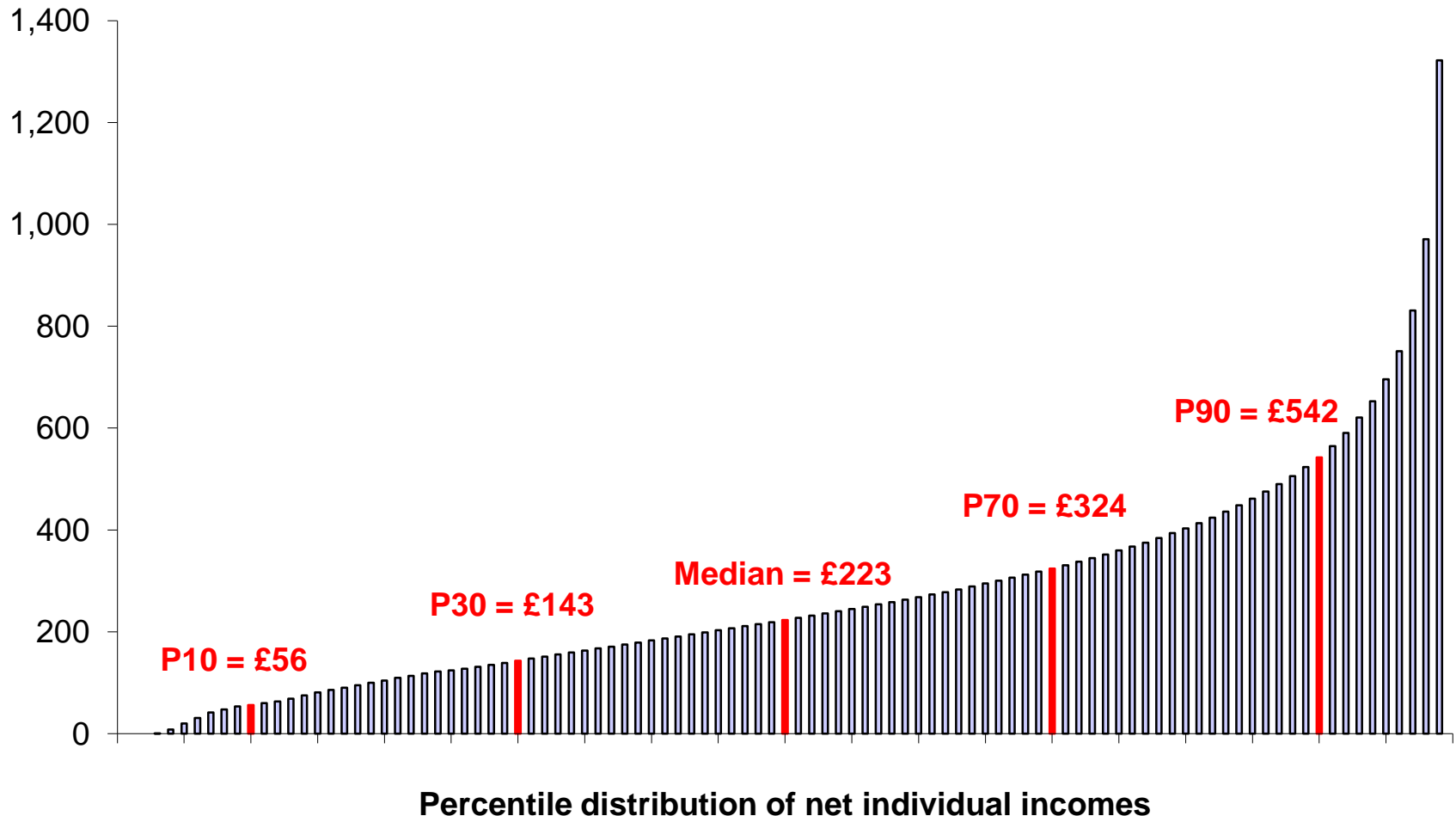
Source: Labour Force Survey, 2006-2008 (at 2008 prices). All employees.

A tenth of full-timers are paid less than £240 per week and a tenth more than £893 per week. One per cent is paid more than £1910 per week



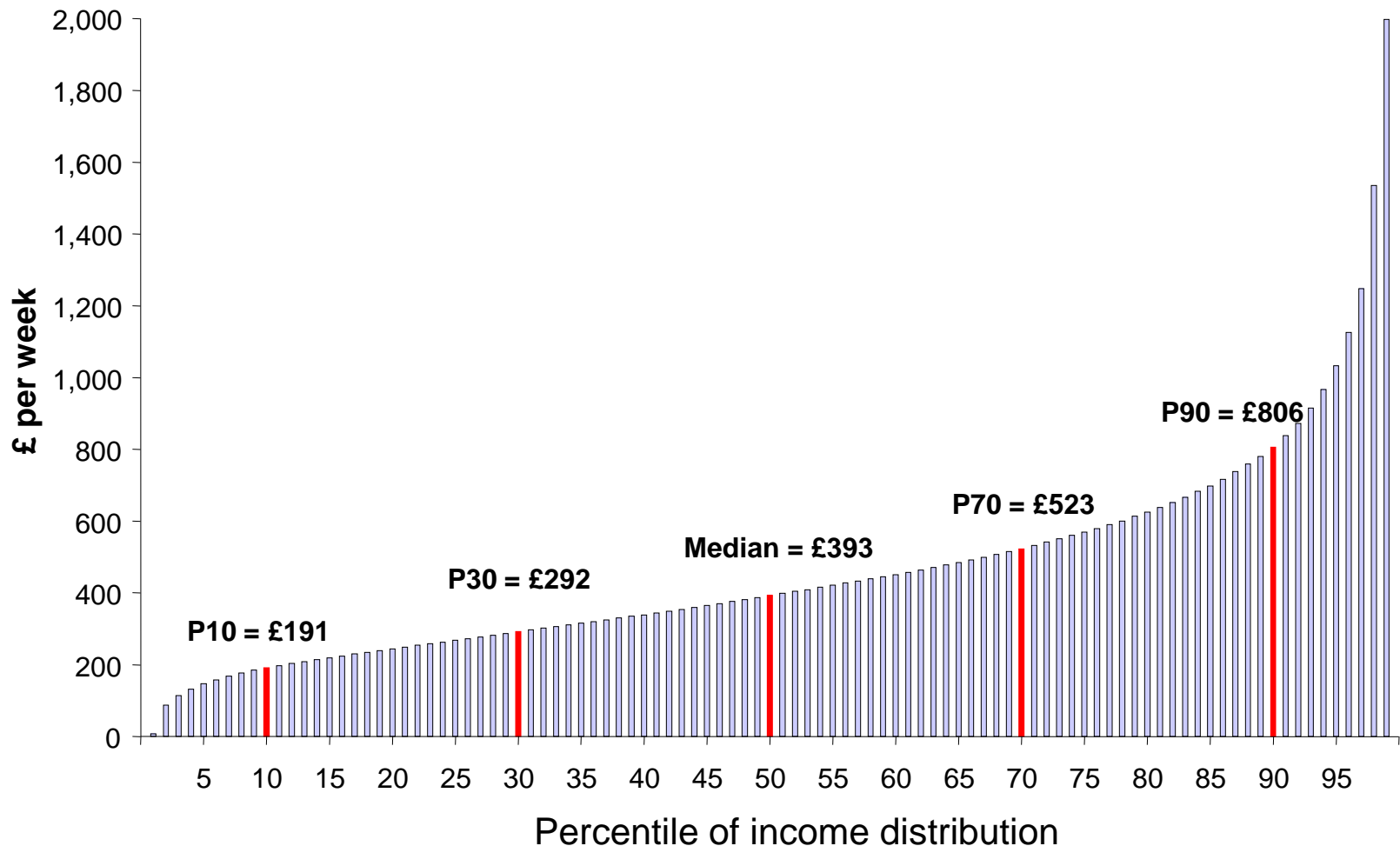
Source: Labour Force Survey, 2006-2008 (at 2008 prices). All employees.

Adults at the cut-off for the top tenth have *individual* incomes nearly ten times those at the cut-off for the bottom tenth



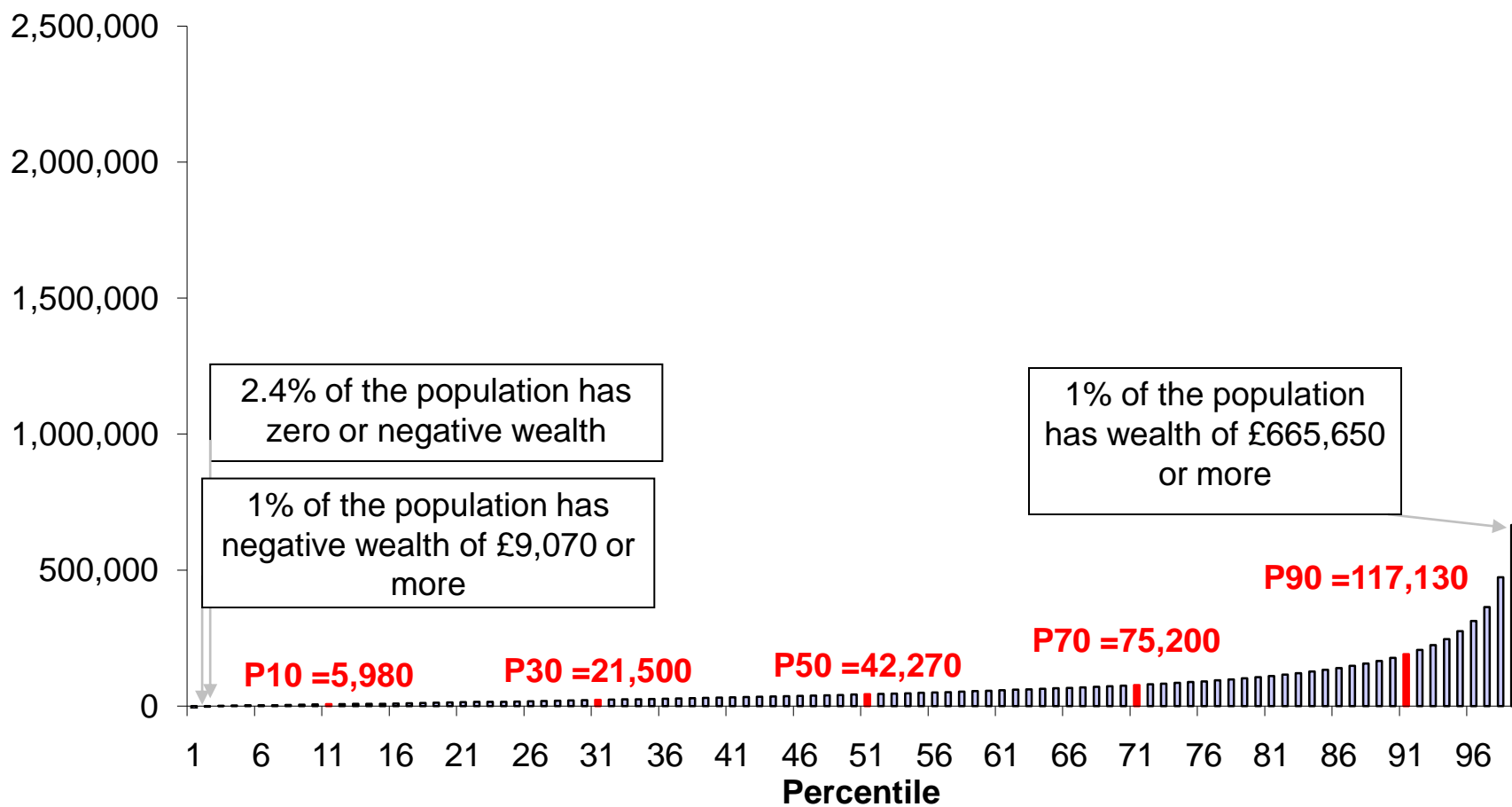
Source: NEP based on FRS, 2005-06 to 2007-08.

People at the cut-off for the top tenth have equivalent incomes 4 times those at the cut-off for the bottom tenth. One per cent has incomes over 5 times the median.



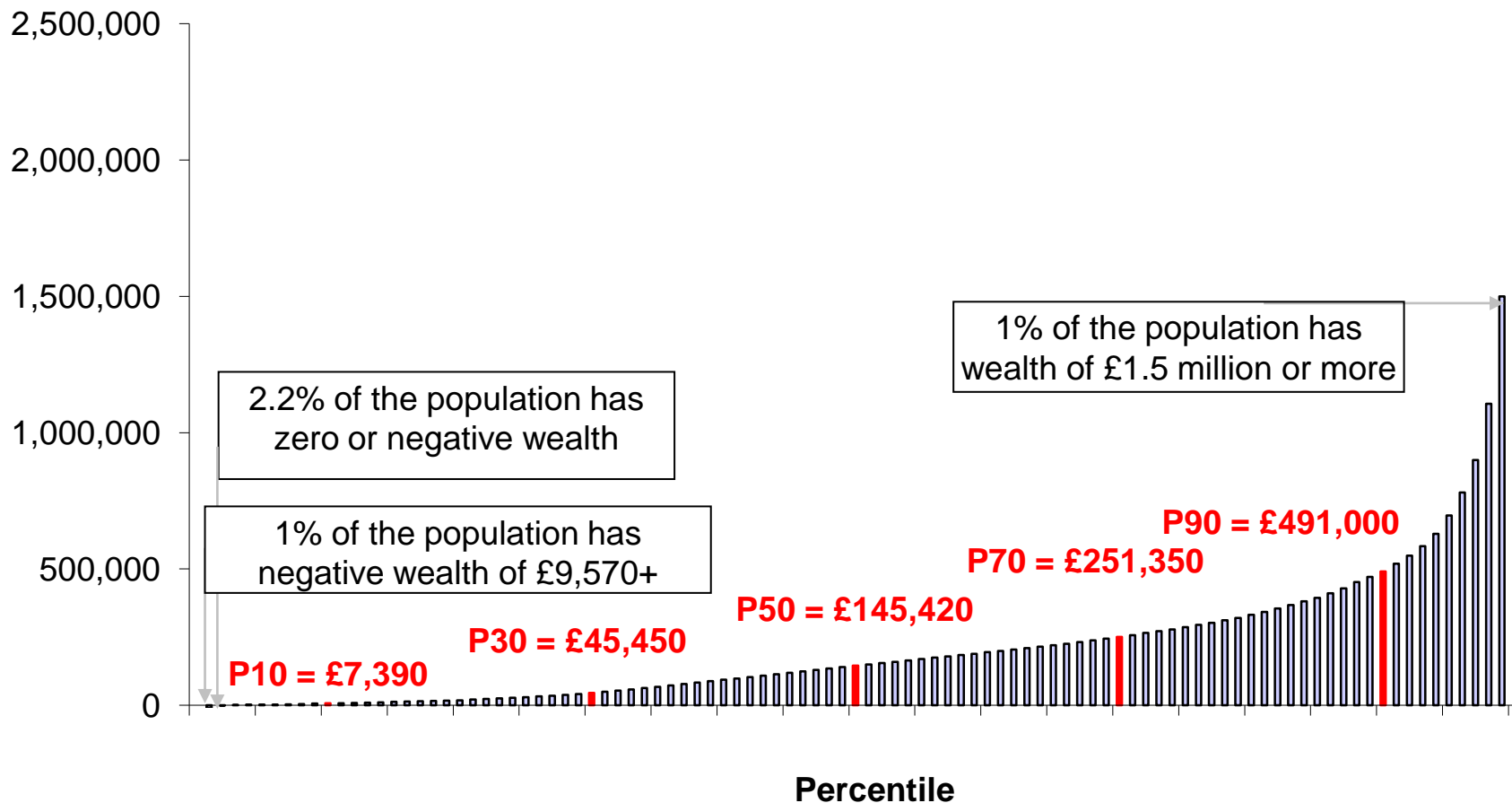
Source: DWP, based on FRS, 2007-08. Incomes are equivalent net income, adjusted for household size, before housing costs, at 2008 prices.

Half of households have financial and (non-housing) property wealth of under £43,000; a tenth have less than £6,000

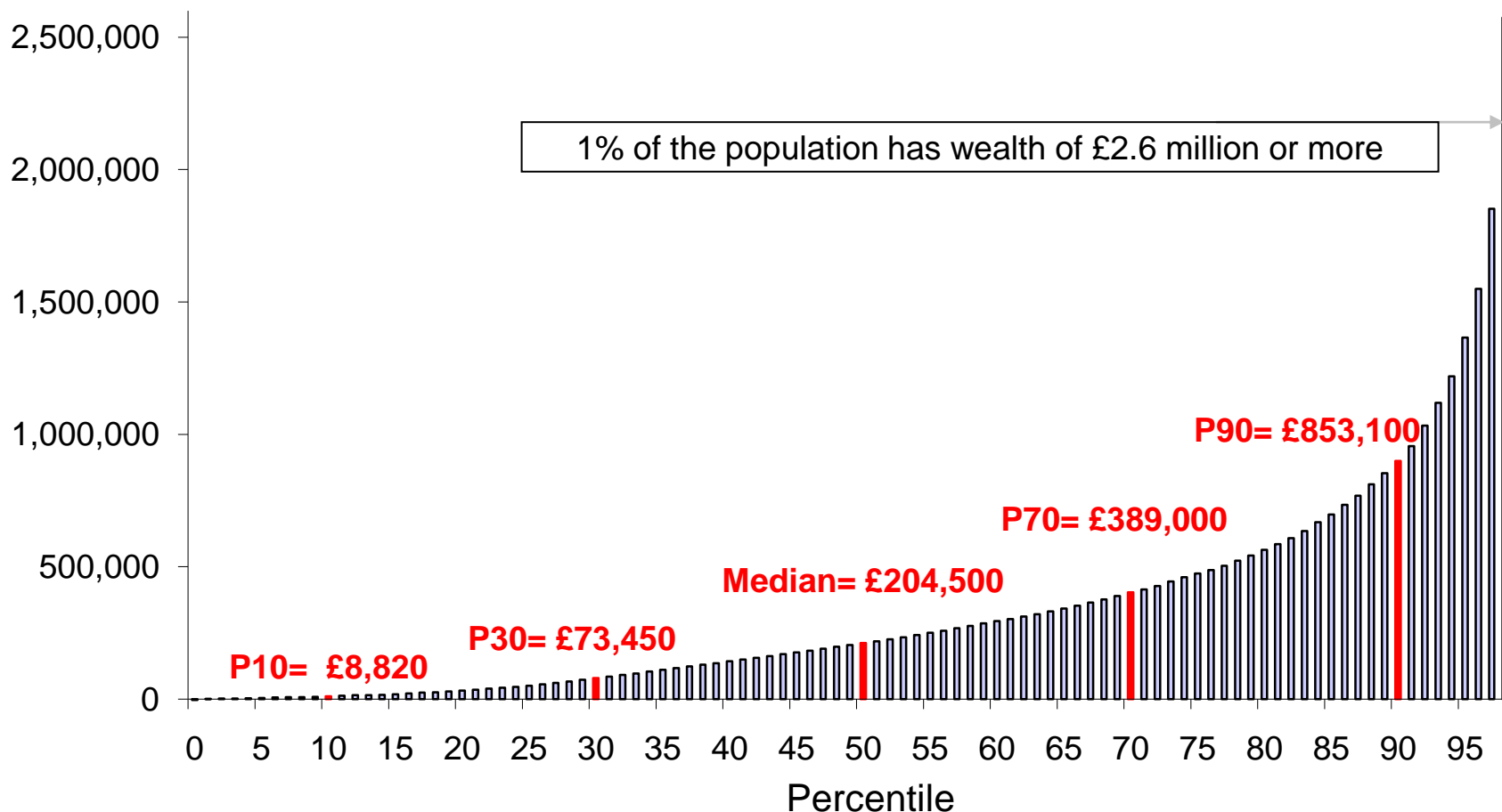


Source: ONS Wealth and Assets Survey. Net financial and physical wealth, 2006/08, GB (£)

Half of households have total wealth (*excluding* pension rights) over £145,000. A tenth have over £491,000 and one per cent over £1.5 million.



Half of households have total wealth (*including* non-state pension rights) over £200,000. A tenth have over £850,000 and one per cent over £2.6 million.



State pension rights reduce inequality but widen absolute gaps

(England, 2002-03, over 50s, £000s)

	Mean	P10	Median	P90
Net financial and physical	81.7	0	17.4	190
Non pension wealth	202.2	0.6	126.0	438
Total (ex. state pensions)	306.8	5.5	195.5	683.6
Total (inc. state pensions)	375.0	44.3	268.7	783.8

Source: Banks and Tetlow (2009) based on ELSA.

State pension rights reduce inequality but widen absolute gaps

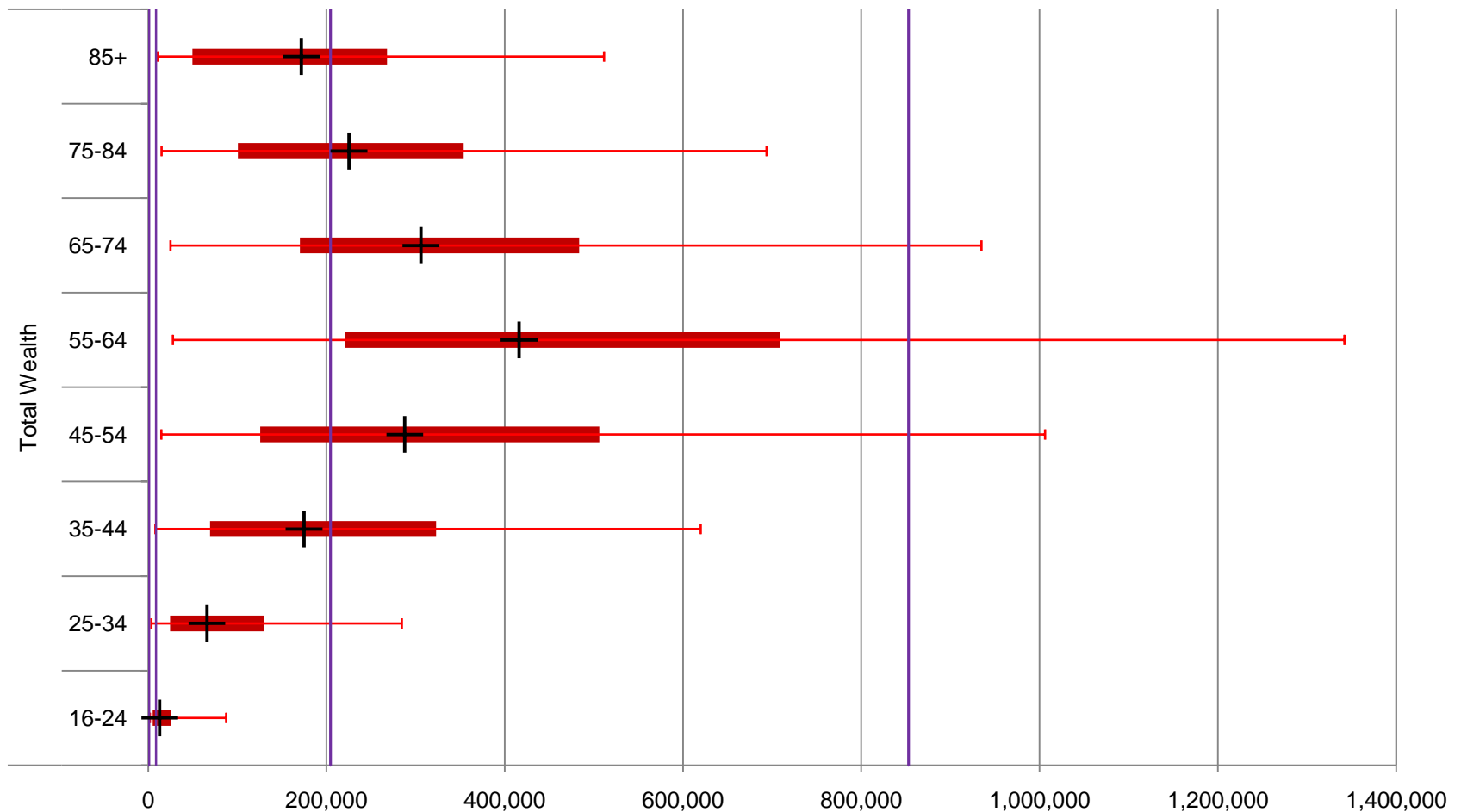
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Wealth shows a clear life-cycle pattern, but inequalities within age groups are almost as large as those overall

Total wealth, by age, GB, 2006-08 (£)



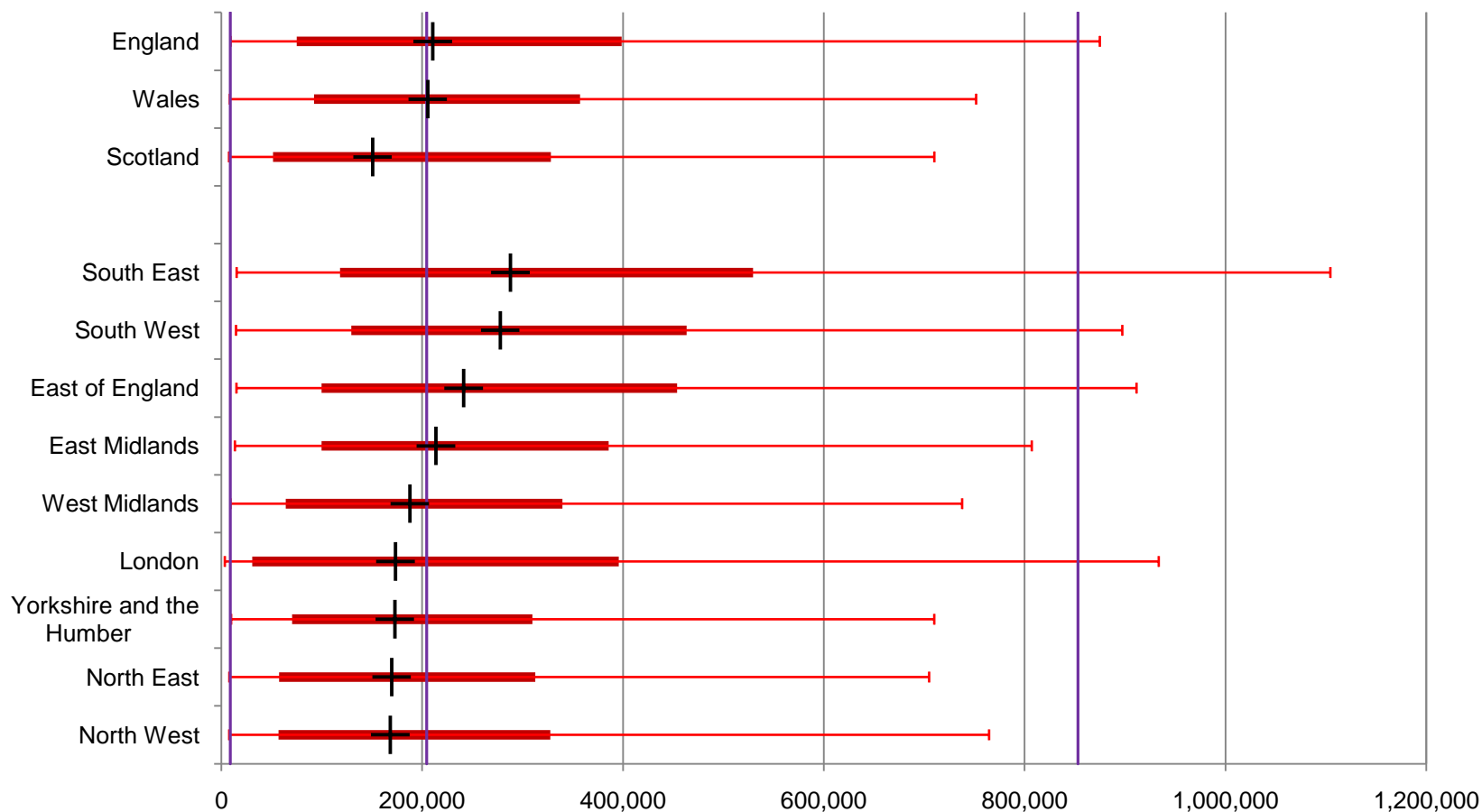
There are large differences by ethnicity and religious affiliation

(Median total wealth, 2006/08, GB)

- For *White British* households, median total wealth is £221,000.
- For *Indian* households it is £204,000.
- For *Pakistani* households it is £97,000.
- For *other Asian* households it is £50,000.
- For *Black Caribbean* households it is £76,000.
- For *Black African* households it is £21,000.
- For *Bangladeshi* households it is £15,000
- For households with a *Jewish* household reference person it is £422,000.
- For *Sikh* households it is £229,000.
- For *Christian* households it is £223,000.
- For *Hindu* households it is £206,000.
- For *Muslim* households it is £42,000.
- For those with *any other religion* it is £161,000.
- For those with *no religious affiliation* it is £138,000.

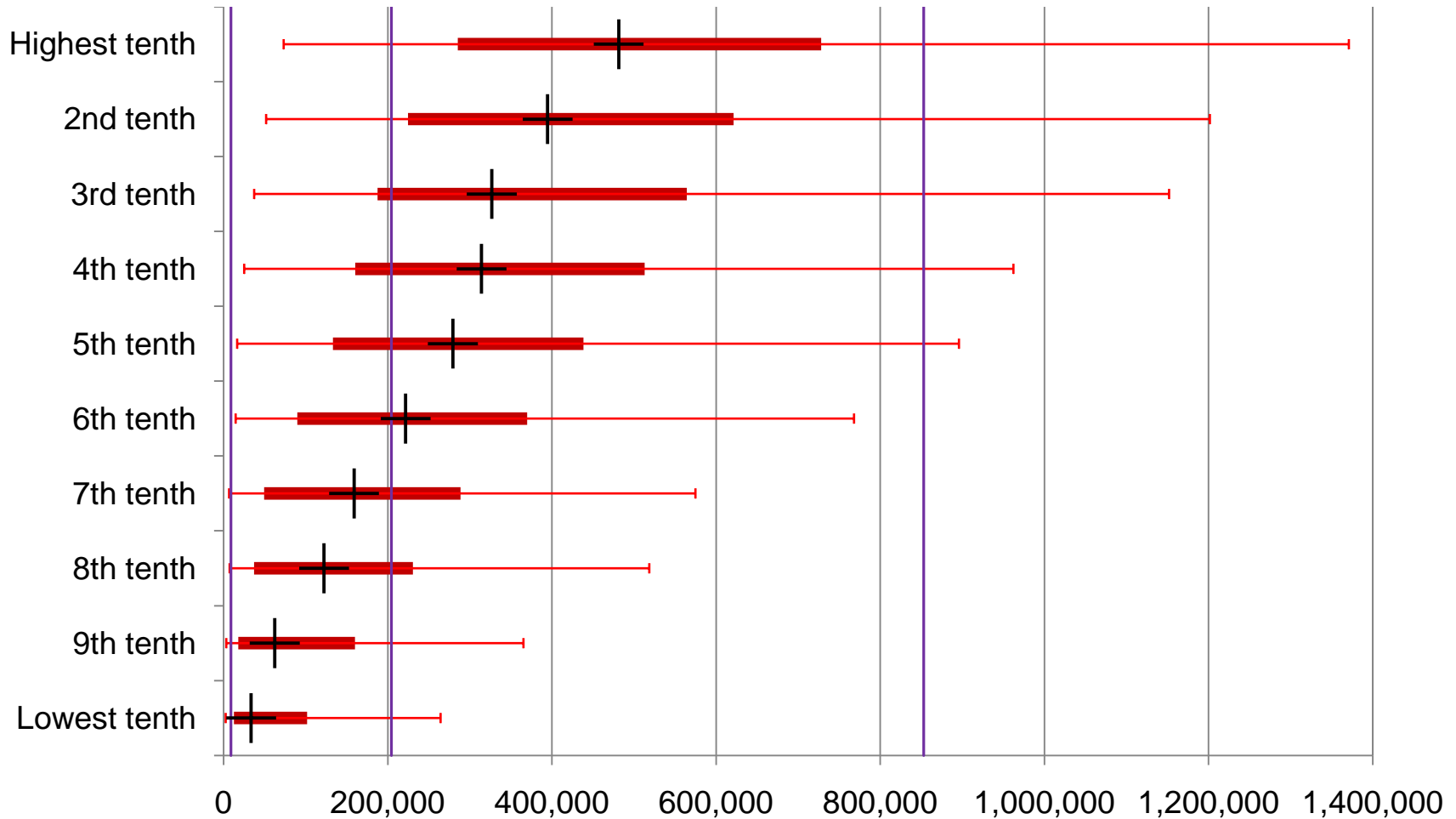
Median total wealth varies much within than between regions

Total wealth, by nation and region, GB, 2006-08 (£)



The profound gaps in all economic outcomes between more and less disadvantaged areas imply huge disparities in collective resources

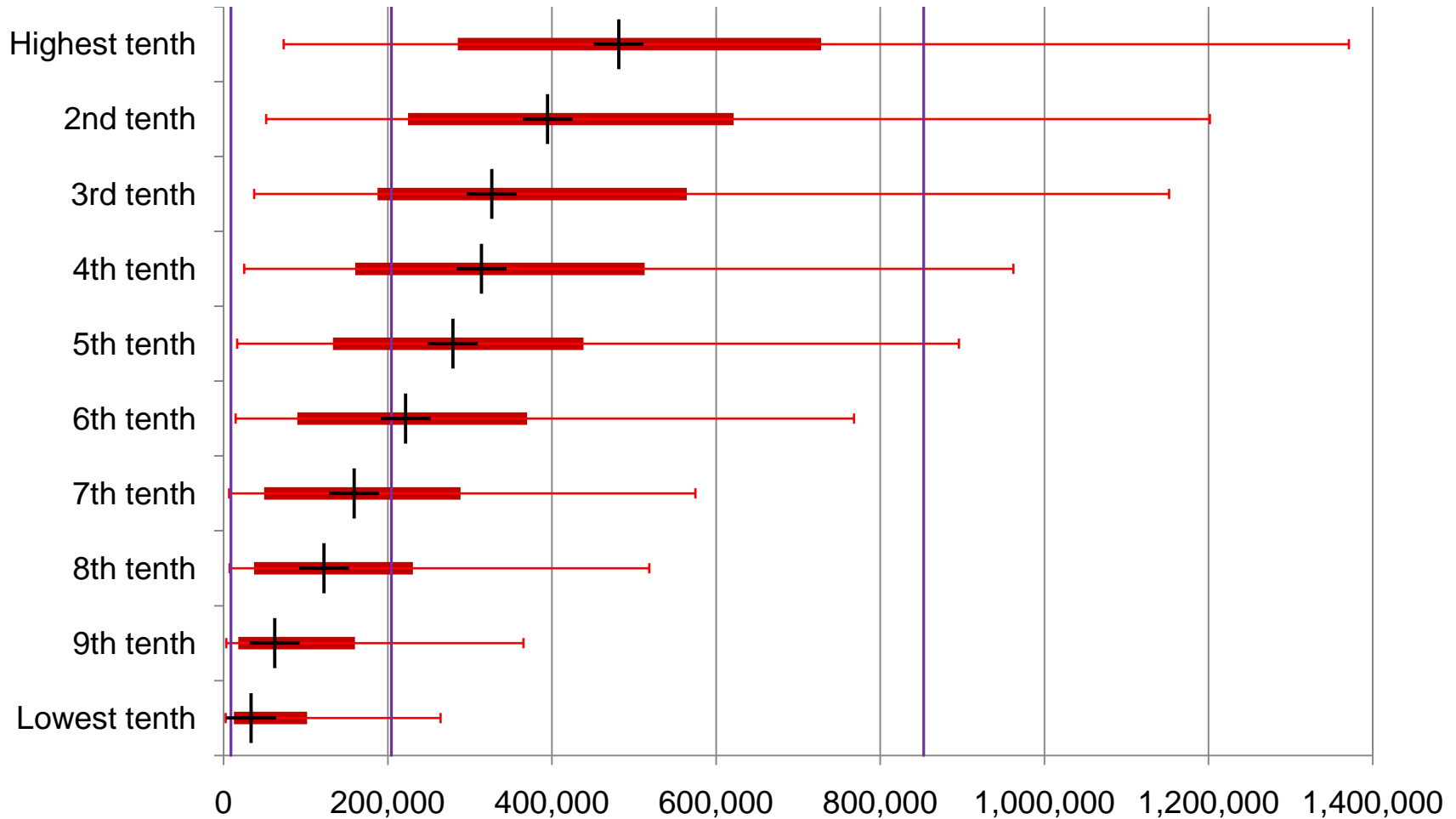
Range of household wealth by area deprivation



Source: ONS from Wealth and Assets Survey, 2006/08, England.

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Range of household wealth by area deprivation



Source: ONS from Wealth and Assets Survey, 2006/08, England.

Labour market inequalities are amplified into huge differences in household resources available for retirement (55-64 year-olds)

	Total Household Wealth (£000s)		
	10 th	Median	90 th
Large employers and higher managerial	370	990	2430
Higher professional	290	910	2170
Lower managerial and professional	190	670	1720
Intermediate occupations	84	400	1070
Small employers and own account workers	37	360	1060
Lower supervisory and technical	20	300	820
Semi-routine occupations	13	220	640
Routine occupations	8	150	520
All	28	420	1340

Source: ONS, based on Wealth and Assets Survey, 2006/08. Households aged 55-64 only. Wealth includes financial assets, houses, and private pension rights.

Differences in total wealth by tenure are profound, and not confined to housing assets (GB, 2006/08, 55-64 only)

	Median financial and physical wealth	Median financial, physical and property wealth	Total household wealth (inc. pension rights)		
			10 th percentile	Median	90 th percentile
Outright owners	95	334	199	572	1612
Mortgagors	68	245	148	474	1262
Private tenants	25	25	*	62	*
Social tenants	15	15	3	26	186
All	66	243	28	416	1342

Source: ONS, based on the WAS, July 2006 – June 2008, GB, £000s.

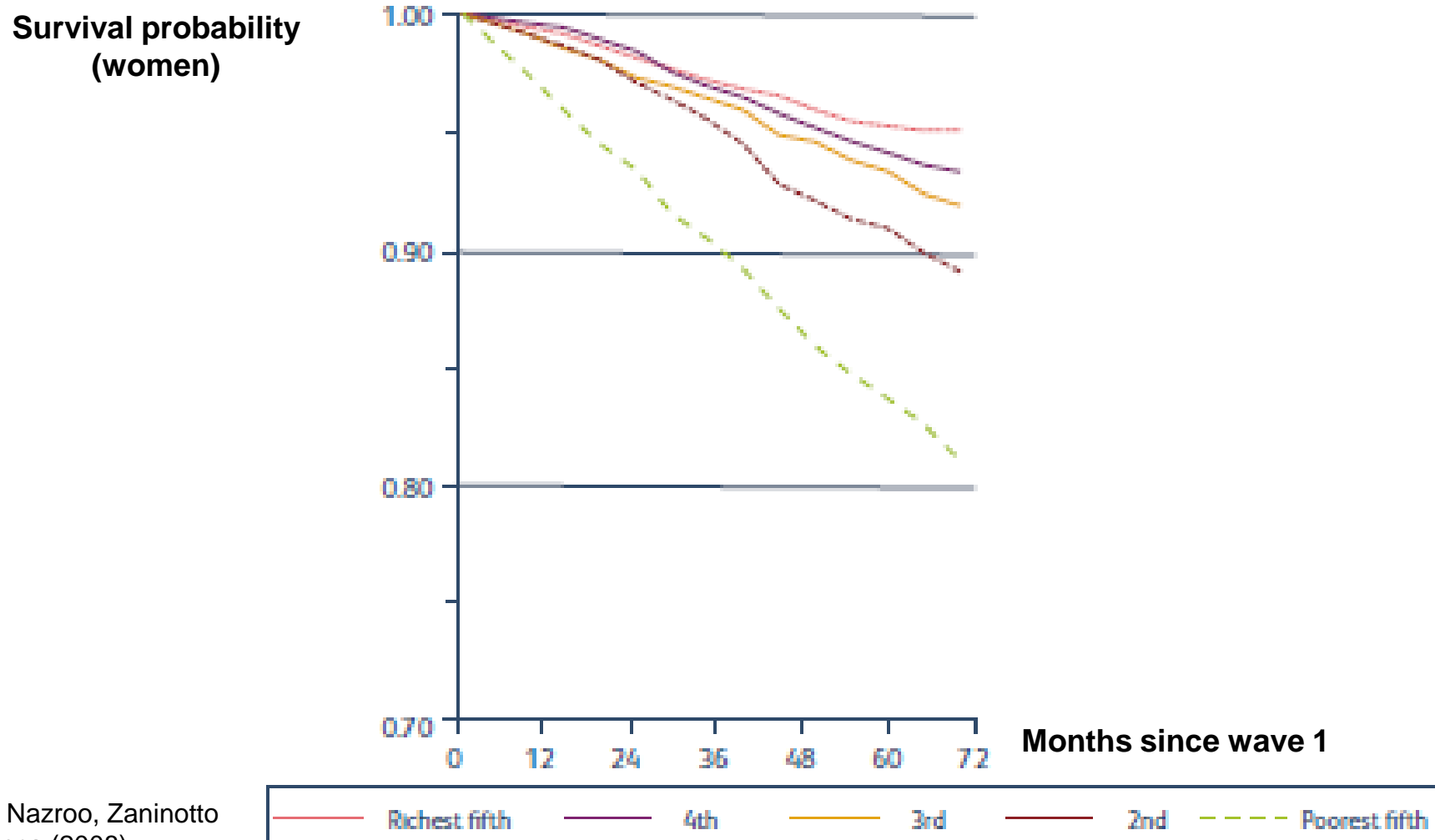
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Four times as many older women from the lowest fifth of wealth die within a six year period as from the highest fifth

Survival rates by wealth group, women aged over 50 (England)



Source: Nazroo, Zaninotto and Gjonca (2008)

Conclusion

- Much of what the NEP reports shows the way economic advantage and disadvantage reinforce themselves across the life cycle, and often on to the next generation.
- It matters more in Britain who your parents are than in many other countries: moving up a ladder is harder if its rungs are further apart, and those who start higher up the ladder fight harder to make sure their children do not slip down.
- Wealth inequalities are a crucial part of this, allowing purchase of homes in catchment areas of right schools, assistance with deposits for house purchase, etc.
- They are not just a matter of age and life cycle savings patterns, but are closely related to occupational social class, housing tenure, ethnicity, and neighbourhood deprivation
- They are not only associated with differences in life chances, but also with differences in chances of a long life