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## comment

15 November 2012

# On the rack of inequality

The gap between the richest and poorest in Britain is widening to new extremes

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Danny Dorling

Even way up the income scale, you might be on the bank board – but if you are the director responsible for procurement, foremost in your mind is the finance director's pay – and what other job you could do that would improve your financial status?

Below you, job cuts are being made and salaries are barely rising with inflation. Further down they have been frozen. You feel simultaneously cheated by the winners above you and fearful of joining the losers below.

No matter how much you try, or how well you do, you are climbing a ladder where the rungs above are continuously widening faster than those below.

Down below, no matter where you are placed, the situation looks worse than a year ago. Maybe you are disabled but no longer deemed deserving of disability benefits; but at least you are old enough to still qualify for housing benefit for your own bed-sit. It's getting worse for you, but it's getting even worse for the youngsters below you. Above you people complain about receiving no pay rises, and though their mortgage payments are less, above them their bosses are getting paid more.

We are given many scapegoats to blame that are much easier to understand than a society being stretched out on the rack of inequality: 'globalization', 'the mess the last government left', 'greedy bankers', 'all those foreigners', 'the feckless and lazy'.

And we are now more likely to blame others for their apparent failures. As Alison Park commented on the latest British Social Attitudes Survey: 'If you look back at the previous recession, you find that people became more sympathetic... that hasn't happened this time.'

We all need to pay a little more attention to the numbers. In May of last year the High Pay Commission reported that, if current trends continue, then by 2030 the best-off 0.1% of earners will see their remuneration rise to 140 times average income. The last time someone in the top tenth of a percent of the income distribution was deemed to be worth 140 other people was when we had a fully functioning aristocracy. It was when Queen Victoria was on the throne.

To get to where the High Pay commission said we are heading, one in a thousand people must receive an annual pay increase of over £100,000 each year – for the next 20 years. It may seem impossible, hopefully we will make it impossible, but that is the course on which we are currently and still, 19 months later, set.

Near the very top of the ladder the gaps between the rungs are growing by £11 an hour in wage rises. In other words, if current inequalities continue, then for each and every hour, from today until 2030, the richest 0.1% will be paid £11 more for their 'labour' than what they received for the hour before.

Inequalities have been rising for some time. Just before he became Deputy Prime Minister, Nick Clegg lamented that between 1997 and 2008 the best-off fifth saw their post-tax incomes rise so much more than others that they were receiving 7.2 times the incomes of the poorest fifth by the time Tony Blair left office (as opposed to 6.9 times as much when he became Prime Minister).

The 2011 statistics from the Institute of Fiscal Studies suggested that inequalities were increasing substantially again and in a far shorter period of time, not least because incomes at the bottom are now falling in real terms. Now the idea of reducing benefits in real terms has been floated.

Most people within the best-off fifth do not feel much better-off, despite the widening gulf between their lives and the lives of those who rely on average or low incomes. If you work full time and earn around £14 an hour you just qualify to be in the best-off fifth. You are in the middle of that group if your pay is close to £21 an hour. That translates to an annual salary of just over £40,000, twice the national average income.

The vast majority, nine out of ten people in Britain, receive an income of less than £40k a year. But if the people above you are receiving average pay rises of £5,000 a year, your £40,000 income begins to feel paltry. Compared to the top 1%, the remaining nine tenths of the top 10% are also being squeezed. So maybe the 99% are beginning to all be in it together?

Those with an income just below the top 1%, who mostly live in London and the South East, lose out in competitions to buy homes in similar streets and to pay school fees at similar schools to where their parents' went. For them too, those above them have financially been moving away farther and faster, and they too feel squeezed.

I am not suggesting we pity the rich, just that there needs to be a little more understanding. The redistribution that would be good for most of the rest of us would also be good for them. As inequalities grow, the top 'toffs' become even more distant from the rest, and at the bottom more children are labelled as 'chavs'. 'Toffs' and 'chavs' are both products of rising inequality.

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22 November 2012 at 2:13 pm

Excellent piece ....however I am not entirely sure what policy prescription[s] you imply . I have worried over this issue – though without your command of the social /economic data – for some time . I think it unarguable that the notion of a 140:1 ratio is morally repellant ....

22 November 2012 at 9:21 pm

My question about talk of inequality is so what? Why care? Because poorer people get jealous of wealthier people? Slicing the incomes of the rich doesn't make the poor better off, it just makes society worse off by distorting incentives. Anyway, all seems like fluff to me, but best of luck with it.

Danny Dorling says 23 November 2012 at 9:17 am

Its hard to know where to start with a list of reasons as to why to care. Perhaps it is all the earlier younger deaths you get in more unequal rich countries, the much higher rates of stillbirth and infant mortality. Or perhaps it might be the excess numbers of lives blighted by poor mental health in middle age, far higher proportions in more unequal countries. Maybe it is the fact that so many people do not get to spend long in retirement? Then there are the rates of imprisonment and how inequality increases crime. The highest rates in the world are in the USA. Or perhaps how rising economic inequality makes our housing so badly shared out so that, in contrast to more equal, more normal, average, OECD countries we have so many so badly housed in the UK. Or maybe how fewer people are well employed when salaries are so unevenly distributed? Or perhaps it is the educational statistics where we could start worrying most? I'm not quite sure where to start with your "so what" question. But, having had a think, maybe the way people in more unequal affluent countries appear to be becoming less aware of the implications of rising inequality, and how it can makes us all a bit less able to know what to do about it might be a good place to start. To try to help I wrote a short book about it:

<http://www.dannydorling.org/books/equality/Homepage.html>

But all this is just a reminder of things we have know for a long time. Dicken's Christmas Carol is maybe a better answer as give as to "so what". At the end Scrooge gives the answer: "His own heart laughed: and that was quite enough for him". It is worth reading if you do think " so what":

<http://www.gutenberg.org/files/46/46-h/46-h.htm>

23 November 2012 at 11:48 I think you are confusing correlation with causation. The claims you make may not be caused by inequality – imagine that!