Economic and social inequalities: Where is transport starting from?
John Hills, CASE, LSE
Social impacts and social equity issues in transport workshop, Oxford, 14 September 2010
Structure of presentation

- Dimensions of inclusion
- Inequality: Where we have come from
- Where we had got to by 2008
- Neighbourhood inequalities
- Where we are going: cash and in-kind
- Coping with an unequal environment
Dimensions of inclusion and transport

- Productive engagement
  - Travel to work/care responsibilities/schools and perceived boundaries
- Participation in standard of living of society
  - Access to shops, private and public services
- Social interaction
  - Access to friends and family/traffic barriers
- Political participation
  - Involvement in decisions about transport and service location

Transport is important as a *means* to these ends, giving people the capability to participate.
Where we have come from:
Real income growth by income quintile group
Average annual income gain (%), before housing costs, GB

(a) Thatcher: 1979 to 1990
(b) Major: 1990 to 1996-97, GB
(c) Blair I and Blair II
Over the last ten years, income inequality has stabilised, but the large inequality growth of the 1980s has not been reversed – the Gini coefficient for 2007-08 was a post-War record.
Where we had got to by mid-2000s:
Inequalities in incomes remain high in Britain, compared with most other industrialised countries

Gini coefficient (%): Equivalent net income, early 2000s

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

Source: ONS, based on Wealth and Assets Survey, 2006/08 (excludes state pension rights).
Median outcomes vary starkly between neighbourhoods, but also within them.

*Range of GCSE points scores by area deprivation (boys)*

**Source:** DCSF (English maintained schools only). Thin bars show P10-P90, thick bars P30-P70, and crosses P50 within each group.
All kinds of area contain low-paid workers; deprived areas contain few of the well-paid

*Range of hourly wages by area deprivation (£)*

*Source:* NEP, based on LFS 2006-2008 at 2008 prices. Thin bars show P10-P90, thick bars P30-P70, and crosses P50 within each group.
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. Thin bars show P10-P90, thick bars P30-P70, and crosses P50 within each group.
Wealth levels also vary substantially by tenure: A tenth of social tenant households aged 55-64 have wealth (excluding state pension rights) of under £3,000.

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Median financial and physical wealth</th>
<th>Median financial, physical and property wealth</th>
<th>Total household wealth (inc. pension rights)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10th percentile</td>
<td>Median</td>
<td>90th percentile</td>
</tr>
<tr>
<td>Outright owners</td>
<td>95</td>
<td>334</td>
<td>199</td>
</tr>
<tr>
<td>Mortgagors</td>
<td>68</td>
<td>245</td>
<td>148</td>
</tr>
<tr>
<td>Private tenants</td>
<td>25</td>
<td>25</td>
<td>*</td>
</tr>
<tr>
<td>Social tenants</td>
<td>15</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>All</td>
<td>66</td>
<td>243</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: ONS, based on the WAS, July 2006 – June 2008, GB, £000s; 55-64 year-old household reference person.
Distributional effect of tax-benefit policies, 1996-97 to 2008-09 compared to price or earnings indexation (% change in disposable income)

Source: Sefton, Hills and Sutherland (2009), fig 2.5
Distributional effect of tax and benefit reforms announced for June 2010 and April 2014 compared to conventional indexation (% change in disposable income)

Source: Browne and Levell (2010), fig 3.3 (losses as percentage of income)
Benefits in kind from public services are relatively more important for lower income groups

Effects of taxes and benefits in cash and kind on households by income quintile group, 2008-09

Source: Barnard (2010), ‘The effects of taxes and benefits on household income, 2008/09”, ONS
Growth in disposable incomes, 1996-97 to 2006-07

Decile group of households by equivalised household income

Disposable income

Source: Sefton, Hills and Sutherland (2009)
Growth in disposable and post-tax incomes, 1996-97 to 2006-07

Percentage increase in real terms

Decile group of households by equivalised household income

Disposable income  Post-tax income

Source: Sefton, Hills and Sutherland (2009)
Growth in disposable, post-tax and final incomes (inc. in-kind benefits), 1996-97 to 2006-07

Source: Sefton, Hills and Sutherland (2009)
Loss as percentage share of household disposable income from deficit reduction equivalent to £1,000 per household (£27 billion per year)

<table>
<thead>
<tr>
<th></th>
<th>Poorest fifth</th>
<th>Richest fifth</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal cuts in social benefits and services</td>
<td>11.9</td>
<td>0.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Equi-proportional increases in all taxes</td>
<td>3.4</td>
<td>3.7</td>
<td>3.5</td>
</tr>
</tbody>
</table>

*Source:* Based on ONS analysis in Barnard (2010); social benefits include health, education and housing (not transport subsidies)
Public policy can ensure that access to important aspects of life does not depend on individual resources.

*Socioeconomic gap in deaths from circulatory disease by exposure to green space*

*Source: Mitchell & Popham, Lancet 2008 (England).*
Conclusion

• Transport has key – positive and negative – roles in all dimensions of social inclusion.
• All aspects of policy, including transport, have to take account of the profound economic inequalities in the UK compared with the past and with many other countries.
• These are particularly acute in terms of the differences in resources between neighbourhoods by level of deprivation, whether one looks at educational attainment, earnings, incomes, or wealth.
• Between the mid-1990s and the mid-2000s, the growth in income inequality was halted, but was not reversed.
• This reflected tax and benefit policies which were redistributive. Allowing for incomes in kind from health, education and housing, policies between 1997 and 2007 were more strongly redistributive.
• This is now set to reverse, with tax and benefit reforms that are regressive in relation to incomes, and the bulk of deficit reduction to come from public spending cuts which are likely to be more so.
• Public services can reduce the consequences of inequalities: but this will become harder.
For the report of the National Equality Panel and summaries of the report, see:
http://sticerd.lse.ac.uk/case/_new/publications/NEP.asp

For a summary and more information on *Towards a More Equal Society? Poverty, inequality and policy since 1997*, see: