Starting levels: how geographically unequal are we, and is geographically inequality increasing?

David Phillips
Regional inequalities

Starting levels: how geographically unequal are we, and is geographically inequality increasing?
Big differences in productivity across the UK

London: 133%
Big differences in productivity across the UK

Starting levels: how geographically unequal are we, and is geographically inequality increasing?
Big differences in productivity across the UK

Starting levels: how geographically unequal are we, and is geographically inequality increasing?
Translate into significant differences in mean full time earnings

London: 132%
Wales: 85%
Starting levels: how geographically unequal are we, and is geographically inequality increasing?

Smaller differences in median earnings

<table>
<thead>
<tr>
<th>Region</th>
<th>Median Earnings (% of UK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>121%</td>
</tr>
<tr>
<td>N. East</td>
<td>90%</td>
</tr>
</tbody>
</table>

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The tax and benefit system acts to reduce geographic income inequalities...

Starting levels: how geographically unequal are we, and is geographically inequality increasing?

London: 113%

Wales: 92%
As do differences in housing costs

Starting levels: how geographically unequal are we, and is geographically inequality increasing?
As do differences in housing costs
As do differences in housing costs

London:
- 50% more likely to be in top 10% of AHC income distribution
- 25% more likely to be in AHC poverty

Wales:
- 40% less likely to be in top 10% of AHC income distribution
- 8% more likely to be in AHC poverty
Productivity in London and rUK grown at same rate since early 2000s...

Source: Authors’ calculations using data from ONS and Department for Work and Pensions. Series begins in 2002 when data on earnings based on resident are first available.
... but earnings have done better outside London, driven by post-recession period...

Source: Authors’ calculations using data from ONS and Department for Work and Pensions. Series begins in 2002 when data on earnings based on resident are first available.
... and picture for median household income depends on treatment of housing costs

Source: Authors’ calculations using data from ONS and Department for Work and Pensions. Series begins in 2002 when data on earnings based on resident are first available.
Clear increase in geographical inequality in mean household wealth

Clear increase in geographical inequality in mean household wealth

Local inequalities

Starting levels: how geographically unequal are we, and is geographically inequality increasing?
Significant inequality within regions

- Kensington and Chelsea
- Barking & Dagenham

Starting levels: how geographically unequal are we, and is geographically inequality increasing?
Significant inequality *within* regions

<table>
<thead>
<tr>
<th>Area</th>
<th>Median Full Time Earnings (UK = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Hertfordshire</td>
<td>150</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>160</td>
</tr>
<tr>
<td>Elmbridge</td>
<td>150</td>
</tr>
<tr>
<td>Barking &amp; Dagenham</td>
<td>140</td>
</tr>
<tr>
<td>Hastings</td>
<td>140</td>
</tr>
<tr>
<td>North Norfolk</td>
<td>140</td>
</tr>
</tbody>
</table>

Starting levels: how geographically unequal are we, and is geographically inequality increasing?
Significant inequality *within* regions

Median full time earnings (UK = 100)

East       East Mids.    London    N. East      N. West      S. East      S. West    West Mids.   Y&H       Scotland      Wales

60

80

100

120

140

160

180

200

Starting levels: how geographically unequal are we, and is geographically inequality increasing?

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Significant inequality *within* regions

Geographical inequality in earnings has fallen since late 2000s

Bigger falls in earnings at top of earnings distribution

Increases in minimum wage levels

Starting levels: how geographically unequal are we, and is geographically inequality increasing?
Trends for different kinds of places

Earnings and household incomes higher in towns and country surrounding cities than cities themselves – except London

Earnings and incomes for residents of towns and country have grown slightly faster than cities since early 2000s
- Although cities’ relative performance has improved since late 2000s recession

Those of former industrial towns in North & Midlands and coastal towns have grown at similar pace to rest of the country since early 2000s
- But have not made up previous lost ground
Key takeaways

Starting levels: how geographically unequal are we, and is geographically inequality increasing?

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Key takeaways

Significant geographic inequalities in earnings
Smaller geographic inequalities in AHC incomes
Both have fallen a little in recent years

Why have concerns grown so much?
• Impact of de-industrialisation still largely with us after 40 years?
• Stagnation of earnings and incomes?
• Changes in other geographic inequalities?
Key takeaways (II)

Differences at top and bottom of earnings and income distributions

- London has both lots of high income and high AHC poverty
- ‘Poor’ regions are poor due to having few high income households

Big differences in earnings and incomes between LAs within regions

- Linked to commuting to high-paid jobs in major cities

Different parts of the country face different issues

- High housing costs in London and surrounding areas
- Low productivity and few high paying jobs in much of rest of country

Important bearing on investment and policy focus
A look ahead to the March 2020 Budget

Wednesday 26 February 2020
One Birdcage Walk, London

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