Social Policy in Cold Climate

Research Report 2

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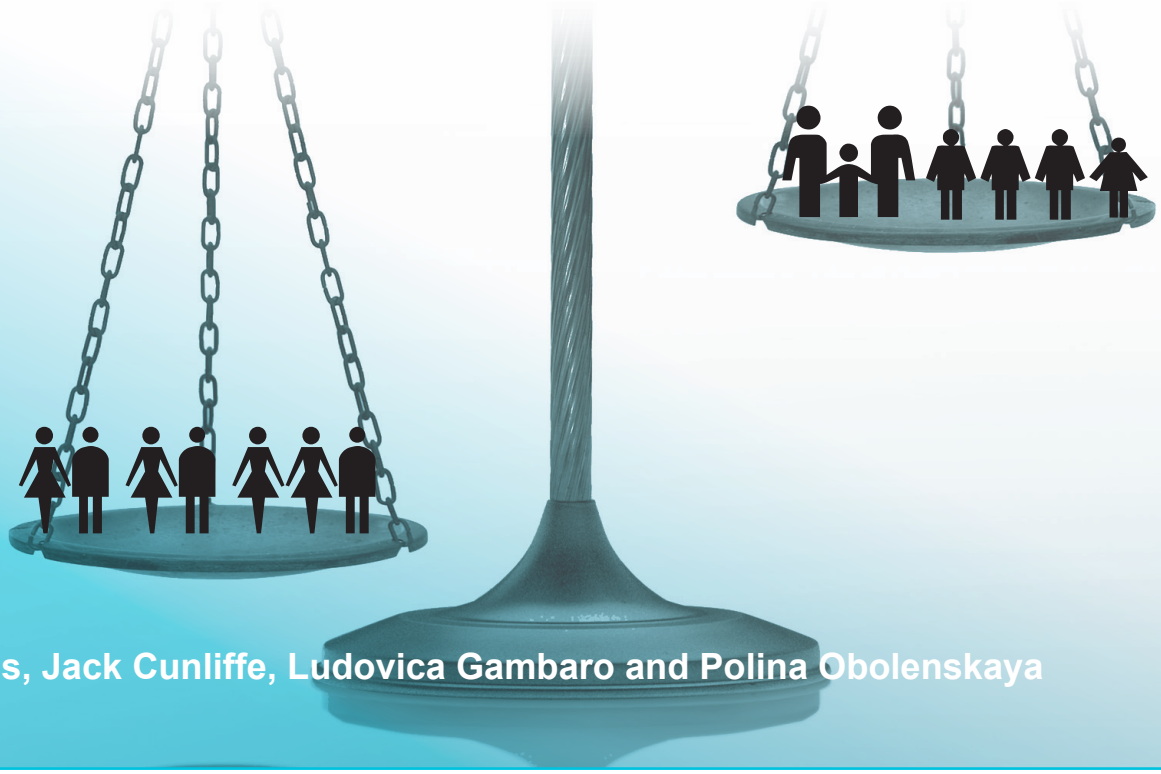
Winners and Losers in the Crisis: The Changing Anatomy of Economic Inequality in the UK 2007-2010



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Preface

This is the second research report in a series of papers which form the first stage of a programme of research, *Social Policy in a Cold Climate,* designed to examine the effects of the major economic and political changes in the UK since 2007, particularly their impact on the distribution of wealth, poverty, income inequality and spatial difference. The full programme of analysis will include policies and spending decisions from the last period of the Labour government (2007-2010), including the beginning of the financial crisis, as well as those made by the Coalition government since May 2010. The programme is funded by the Joseph Rowntree Foundation and the Nuffield Foundation, with London-specific analysis funded by the Trust for London. The views expressed are those of the authors and not necessarily those of the funders.

The research is taking place from October 2011 to May 2015. More detail and other papers in the series will be found at:
http://sticerd.lse.ac.uk/case/_new/research/Social_Policy_in_a_Cold_Climate.asp

In our first set of papers, we look back at the situation inherited by the Coalition government in 2010, providing a basis for analysing and understanding the changes that are now taking place.

Acknowledgements

John Hills is Professor of Social Policy and Director of the Centre for Analysis of Social Exclusion (CASE) at the London School of Economics, where Jack Cunliffe is a doctoral student and Polina Oboloenskaya a research officer. Ludovica Gambaro was a research officer in CASE at the time of writing, and is now a research officer at the Institute of Education. They are particularly grateful to Alex Barton and Mike Daly the Department for Work and Pensions and Alan Newman and Elaine Chamberlain at the Office for National Statistics for their kindness in providing analysis of the 2010-11 Family Resources Survey and the 2008-2010 Wealth and Assets Survey used here. They received very helpful support, including comments on earlier versions of the material presented here from Ruth Lupton, Bert Provan, Polly Vizard, and from members of the research programme's Advisory Committee. They are very grateful to Cheryl Conner for all her work in preparing the report for publication.

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Summary

Despite being better qualified than previous generations, people in their twenties were worst hit by the crisis in terms of unemployment, pay and incomes. A detailed analysis of economic inequalities, comparing 2010 with three years earlier, shows that:

- Gaps between the lowest and highest-paid workers grew wider. Median (middle) hourly wages fell by 1.6 per cent in real terms, but by nearly 3 per cent for the lowest paid full-time men and women and by over 4 per cent for the worst paid male part-timers. Weekly earnings of the lowest paid full-timers fell by more than 5 per cent.

- Net incomes after taxes and benefits, fell by 2 per cent for those on middle incomes, before allowing for housing costs. Benefit increases in line with inflation insulated some of the the poorest households from the recession, and their income increased before allowing for housing costs. But after housing costs are taken into account, their incomes fell by 2 per cent – although the incomes of better-off households fell further.

- More detailed analysis reveals significant geographical differences. After allowing for their housing costs, the poorest Londoners became as much as 24 per cent worse off, while the incomes of the poorest people living in the most deprived three-tenths of neighbourhoods nationally declined by more than 10 per cent.

- Children and pensioners were better protected against the recession than other groups. Young adults, despite being more likely than previous generations to hold degree qualifications or higher, were not. Among those in their early 20s:

    - The proportion in full-time employment fell by 9 percentage points for men and 7 points for women.
    - Hourly wages fell 5.5 per cent for men and 5.3 per cent for women
    - Weekly full-time earnings fell 6.1 per cent for both men and women
    - Net income fell by 10.8 per cent before housing costs and 16.5 per cent after housing costs.

1. Introduction

As the economic crisis hit after 2007 unemployment rose, average wages fell behind inflation, the stock market crashed, and the house price boom came to an end. Overall living standards and the value of the personal wealth some people thought they had declined. But the impact of the crisis was not even. Many people, of course, held on to their jobs even as organisations stopped hiring new workers. Some groups did see wage rises. Price-linked social security benefits – which had fallen behind for those without children when other people's real incomes were rising in the boom years[1]– had their values protected rather than declining. The stock market recovered, and house prices fell more in some regions than others. As long-term interest rates fell, today's value of some people's future pension rights increased, where the promises were defined in real terms or relative to their final salaries.

There were thus winners as well as losers in the early years of the crisis. How the earnings, incomes and wealth of different social groups were affected – and who did best and worst within each group – presents a complex picture, which this report sets out to describe. We are able to do this using the baseline of the data used in the 2010 report of the National Equality Panel (NEP).[2]That report looked systematically at inequalities across a range of economic outcomes ranging from qualification levels to hourly wages, household incomes, and personal wealth. It compared outcomes both between groups defined by characteristics such as gender, age, or ethnicity and within such groups. One of its findings was that inequalities usually varied far more *within* each group than they did between them, and often by nearly as much as across the population as a whole. For instance, differences in earnings between well-paid and low-paid women are much greater than those between women and men on average.

The data which the NEP could use generally related to outcomes around 2007. It used data on 2008 Key Stage 4 school results; pooled data from the 2006 to 2008 Labour Force Surveys for qualifications of the working-age population, employment patterns, hourly wages, and weekly earnings; data from the 2007-08 Family Resources Survey for individual and household incomes; and data from the first wave of ONS's Wealth and Assets Survey (WAS) collected between July 2006 and June 2008. It thus presented a picture of the United Kingdom on the eve of the crisis – where things had reached when the economic music stopped.

We are now able to extend this analysis to 2010, and examine how inequalities changed in the first three years of the crisis. Accompanying this paper, a complete set of tables and charts is available on our website[3] updating those presented in the original NEP report to 2010, together with some revised tables for outcomes in 2007 (for instance, uprated to 2010 prices) to allow comparison. Given the amount of material involved, this paper provides a commentary on only a selection of the main changes over the period. Readers can consult the underlying tables and charts for particular outcomes, breakdowns, or social groups in which they are most interested.

[1] See Hills (2013), table 3.
[2] Hills, *et al.* (2010).

[3] Data underlying this report can be found by clicking the tables and charts in this report or by going to www.casedata.org.uk

In Section 2 we present results using the National Pupil Database for Key Stage 4 (GCSE) results in England in 2010. Sections 3-6 present results using the 2010 Labour Force Survey on highest qualifications of the working age population, employment, gross hourly earnings (for all employees), and gross weekly earnings (for those working full-time) in the UK.[4] Section 7 compares results for net household incomes (adjusted for household size) from the Family Resources Survey consistent with the Department for Work and Pension's *Households Below Average Income* (HBAI) analysis for the UK in 2007-08 and 2010-11. Section 8 compares the wealth distributions in Great Britain found in the second wave of the ONS Wealth and Assets Survey (July 2008 to June 2010) with those in its first wave (2006-2008).

In this phase of our research we have not been able to update the results for the distribution of incomes going to individuals in their own right presented in the NEP report, but given their importance for aspects of the gender impact of both the recession and policy reforms after 2010 we hope we may be able to do so in future research focussing on later data.[5]

Those sections present broad comparisons of the changes in distributions over time, and some highlights of the differences between groups. Section 9 looks across all of the outcomes to concentrate on the position of young adults by contrast with older ones. Although we are only analysing differences over what is usually a three year period, the rapid deterioration of the position of those in their 20s is striking across nearly all of the outcomes we examine.

While it is well-known that the employment rates of young people were particularly badly hit at the start of the recession, these figures show that they were also badly affected in terms of wages, earnings and incomes as well. We also show that this was not just a matter of those with the lowest resources within the age group falling behind, but also affected even relatively prosperous young people. The ill-effects of economic hard times have been concentrated on one particular generation, despite the way in which they are also better qualified than their predecessors. If, as in previous recessions, labour market difficulties early in people's working lives have 'scarring effects' on employment and earnings that persist when the economy recovers, they may have implications for many years to come.

The final section summarises some of the main themes emerging through the paper.

[4] We use the data from all four quarters of the 2010 LFS. The LFS interviews households for five consecutive quarters, so that in each quarter one fifth of the sample is being interviewed for the first time, one fifth for the second time and so on. We include only those interviewed for the first and fifth time (so-called "wave 1" and "wave 5"), as they are the only ones that contain information of wages. This is in line with the NEP's analysis of the 2006-2008 LFS, which used data from the first and fifth interviews. Our sample for 2010 is thus around one-third of the size used in the earlier analysis. This allows us to focus on that year, as the recession took hold, but the smaller sample sizes mean that we need to be cautious in comparisons between groups. At this stage in the analysis we are not able to present results drawn from the LFS broken down by area deprivation (Index of Multiple Deprivation decile group), but hope to be able to do this in later work.

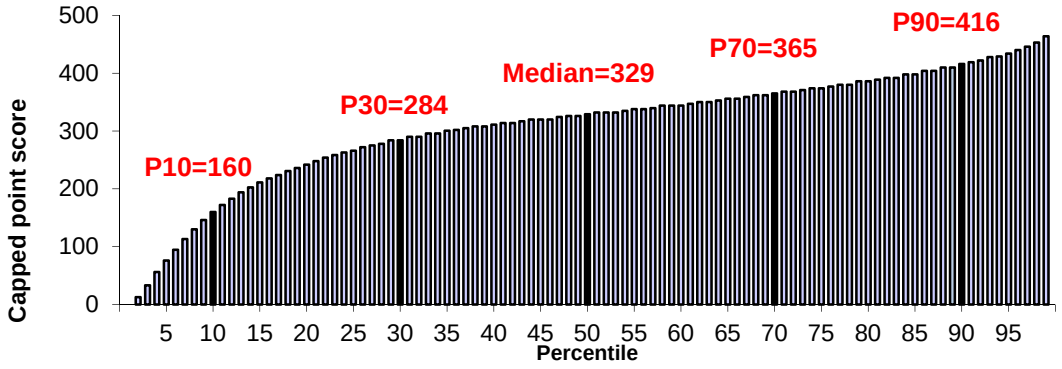
[5] We also do not discuss changes in the position of those who report to the Labour Force Survey that they live in a same sex couple, as none of the changes from 2008-2006 was statistically significant (although we do include the 2010 results on this basis in the on-line database). It is also not clear how well this variable captures differences in sexual orientation. It will in future be possible to analyse results from the LFS in terms of a more direct report of sexual orientation, although not to make comparisons over time.

2. Results at Key Stage 4 (England)

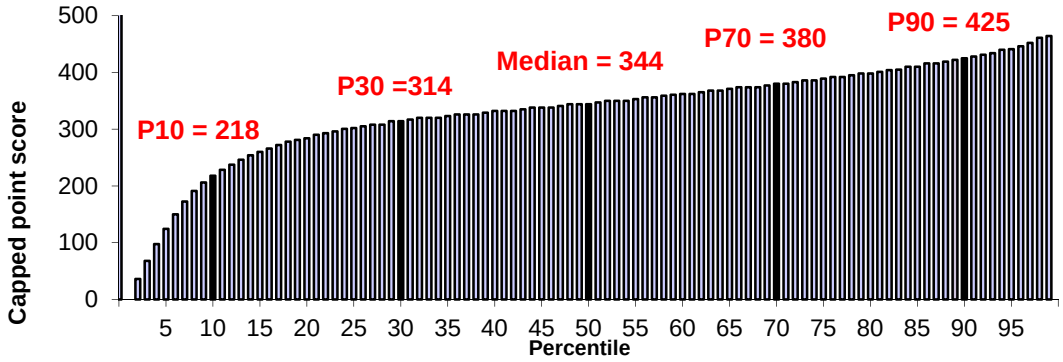
Much public and political discussion of school education results focusses on simple cut-offs, such as the proportion of pupils achieving five 'good' (grade A*-C) GCSEs.[6] This focus neglects a great deal of information, such as whether those with lower grades are improving towards the cut-off, or how well pupils are doing above it. Targets based on such numbers have been accused of leading to concentration of schools' attention on pupils just below the boundary, rather than across the whole ability range. Figure 2.1 presents an alternative way of viewing the whole range of pupil outcomes used in the NEP report. This is what is sometimes called the 'Pen's parade' presentation of the results for all pupils in 'maintained' (state-funded) schools in England in 2008 and 2010. That is, the bars show the results at each percentile of the distribution, if pupils are arranged in order of their 'capped GCSE point score'.[7]

Figure 2.1: Distribution of Key Stage 4 (GCSE) results, 2008 and 2010, all pupils (England)

a) 2008



b) 2010



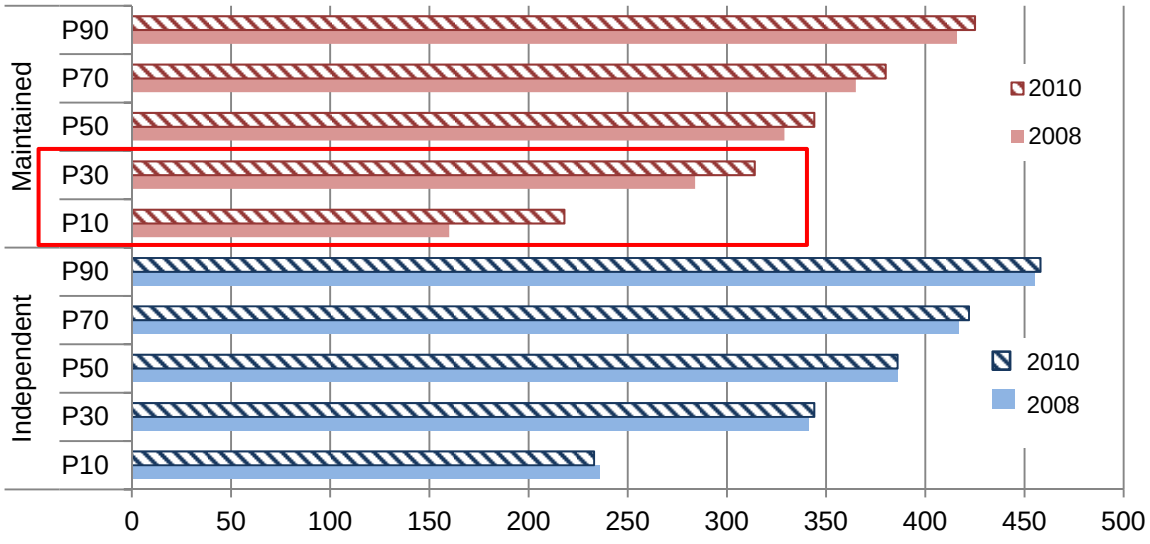
Source: National Pupil Database.

[6] For detailed discussion of educational outcomes at age 16 between 1997 and 2010 and of the meanings that can be ascribed to particular qualification levels, see the paper in this series by Ruth Lupton (2013).
[7] This is the total number of points for a pupil's best 8 GCSEs, with 16 points for a pass at G, 22 at F, 28 at E, up to 58 for an A* (and so a maximum score of 464 for 8 A* passes). Some qualifications are counted as equivalent to half a GCSE, so odd numbers of points are possible. For technical reasons the results for 2008 originally reported in the NEP report have revised to give consistency with those for 2010.

In overall terms the shapes of the two distributions are very similar. But the highlighted bars show that there was – for what is in this case only a two-year period – quite a large improvement, particularly for the lower tail of the distribution. The median result (for the pupil half way through the 'parade' of results) rose from 329 to 344 – equivalent to one higher grade in two and a half GCSEs. For the lowest performing pupils, at the tenth percentile (P10), the improvement was by 58 points – more than a grade higher across eight subjects from 160 to 218 (the position of the 16th percentile just two years earlier).

The improvement in results was particularly for the tail of lower-achievers in state schools. As a result, the gaps between the results in the maintained and independent sectors in England narrowed. Figure 2.2 highlights the improvements at the tenth and thirtieth percentiles in the state sector. With results for pupils in independent schools barely changing, the gap between the median scores fell from 57 to 42 points, and at the tenth percentiles from 76 to only 15 points (or a single grade across two and a half subjects). There is, of course, controversy around the meanings of such results, and whether they result from 'league-table' driven concentration on 'easier' vocational subjects.[8] But given the concern that more than 5 per cent of pupils were leaving school with no passes *at all* in 2003,[9] the improvement of the position of those in the tail of maintained school pupils is striking.

Figure 2.2: Distribution of Key Stage 4 (GCSE) results, 2008 and 2010, all pupils (England)



Source: National Pupil Database.

Looking in a little more detail at the 2010 results by comparison with those for 2008, the following differences can be noted when looking at the *ranks* of results for different groups – how far up the overall distribution from the first to one hundredth percentile children would be placed (within the distribution of maintained school pupils only).

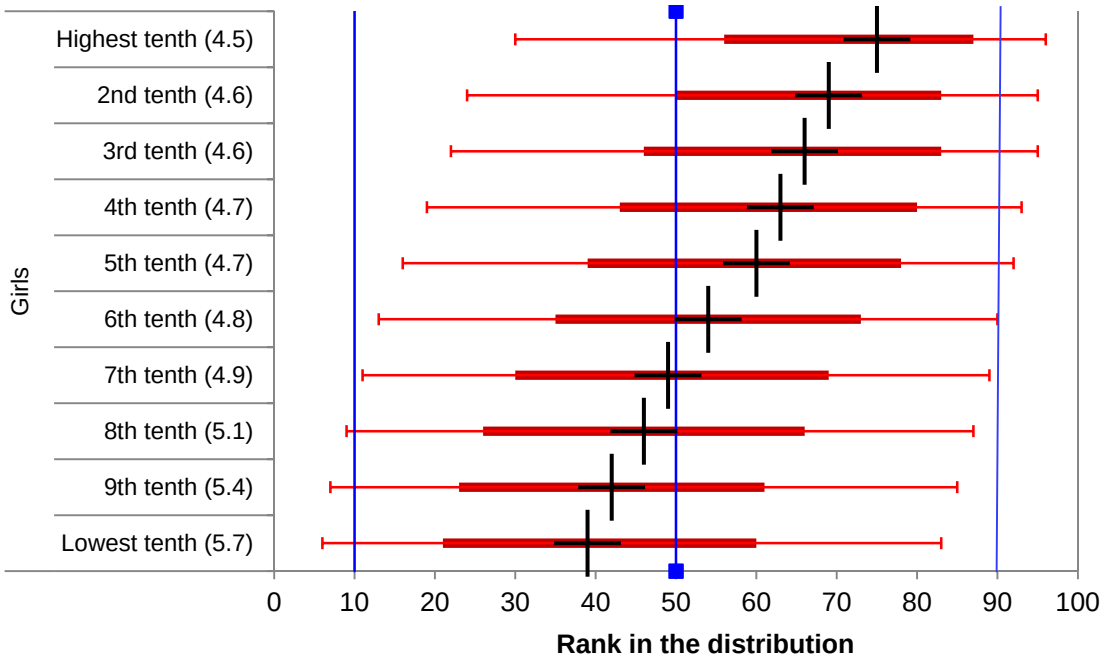
[8] See Lupton (2013) for further discussion.
[9] Cassen and Kingdon (2007).

- By *gender*, the difference between boys and girls increased in the top part of the distribution, with the ranking of the median girl rising (further) to the 57th percentile in the overall distribution, while the rankings of boys at their 70th and 90th percentiles fell back.
- By *ethnicity*, while White British boys maintained their median position in the distribution, the median for Bangladeshi boys improved to the same level, with those for Pakistani and Black African boys also improving. The median for Black African girls reached that for White British girls, while the gaps between other categories of black girls and White British girls narrowed. Indian and Chinese girls retained their remarkable overall results – with *median* results at the 72nd and 85th percentiles of the overall distribution – that is, *half* of Chinese girls had results in the top 15 per cent.
- For both boys and girls, the gap between those with *Special Educational Needs* and those without narrowed, although this was in the context of a fall in the proportion of pupils with no identified Special Educational Needs (from 73 to 71 per cent for boys and 84 to 80 per cent for girls), so the composition of the groups being compared over time may have changed.
- There was a narrowing of the gap in ranking of median results between boys receiving *Free School Meals* (rising from the 25th to 26th percentile) and other boys (falling from the 49th to 47th percentile).
- By *region* there was an apparently dramatic rise in the relative position of London boys from having a median that was behind seven other regions to having the highest regional median, as boys in other regions slipped back, but in both years the regional differences were quite small.
- By contrast, a gradient between the results of children from the poorest and richest neighbourhoods[10] remains, but as Figure 2.3 shows for girls, it became a little less steep between the years. The median ranking of a girl from the poorest tenth of neighbourhoods rose from the 39th to the 43rd percentile, while the median for girls from the less deprived neighbourhoods fell from 75th to 72nd. Similarly, for boys the median for the poorest neighbourhoods rose from 30th to 34th, while it fell from 64th to 62nd for boys from the least deprived areas.

[10] Measured here by the Income Deprivation Affecting Children Index (IDACI), with the child poverty rates in 2006 used for the 2008 results and child poverty rates for 2008 used in the 2010 results.

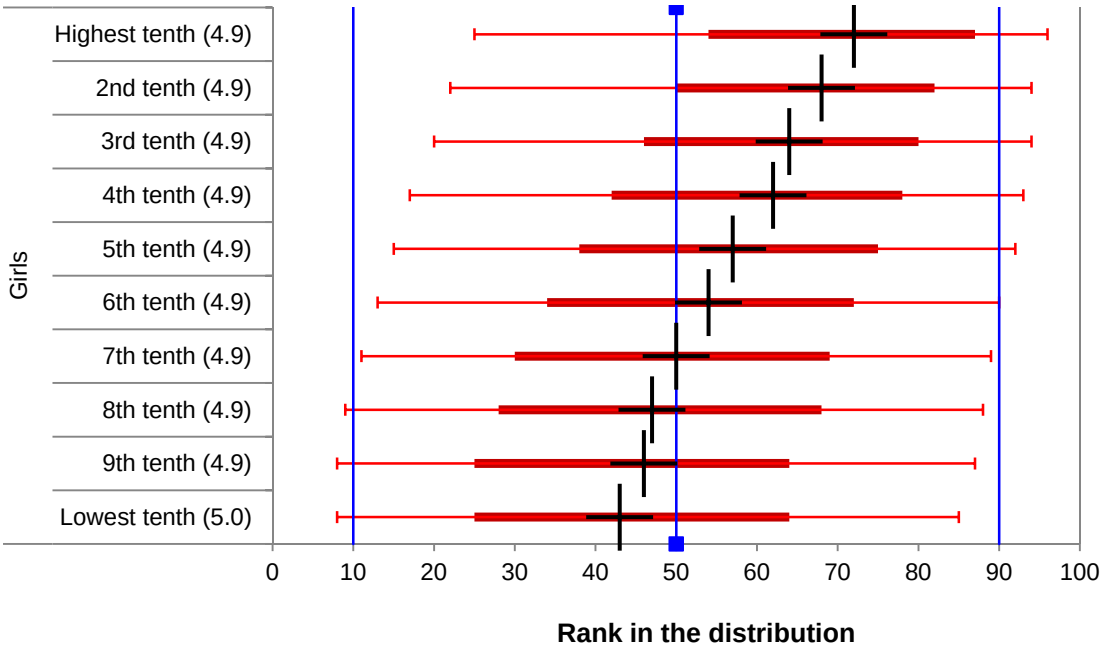
Figure 2.3: Key Stage 4 results for girls, 2008 and 2010 by area deprivation (maintained schools, England)

a) 2008



Source: National Pupil Database.

b) 2010



Source: National Pupil Database.

Summary

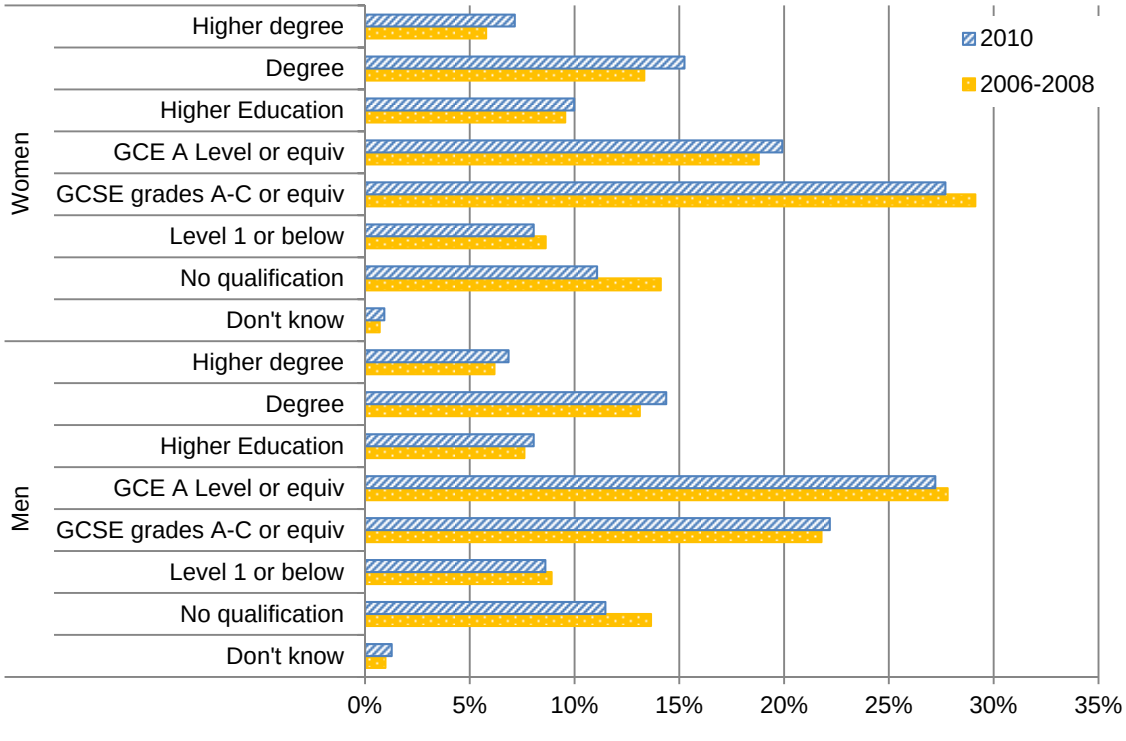
Examination (GCSE) results at age 16 in England in 2010 were better for pupils at all levels than those in 2008, but particularly for the lowest-performing pupils in state schools. As a result the performance gap between state and independent schools narrowed, particularly for the lowest achievers. The differences between boys and girls in the upper part of the distribution widened further, and the results of Indian and Chinese girls continued at a very high level. The gap between boys receiving and those not receiving free school meals narrowed. The differences between those living in the poorest and other neighbourhoods reduced for both boys and girls but remained wide.

3. Qualifications of the adult population

Beyond school, the Labour Force Survey allows us to look at the highest qualification levels of the working age population (and those in work after pension age) and how they are changing over time. Bearing in mind that the comparison is between combined results for 2006 to 2008 and those for 2010, so this is effectively a three year period, the differences shown in Figure 3.1 are remarkable, especially for women. Overall, 2.6 percentage points more of the working age population (age 16 to 64 for men and 59 for women) had degrees or higher degrees in 2010 than in 2006-2008, taking the overall proportion to 22 per cent. Seven per cent now have higher degrees.

The proportion with only low level (Level 1) or no qualifications fell by 2.9 percentage points to 20 per cent overall – fewer than the number with degrees. As the figure shows, the rise in the proportion of working age women with degrees or higher degrees was 3.3 percentage points, so that by 2010 they had overtaken men in both respects for the first time. Meanwhile the proportion of working age women with low or no qualifications fell by 3.6 percentage points to 19 per cent, below that for men for the first time. In those respects, women are now better qualified than men (although, if the threshold is taken as A levels or higher, men retained their advantage).

Figure 3.1: Highest qualification of working age population by gender, 2006-2008 and 2010 (%, UK)



Source:

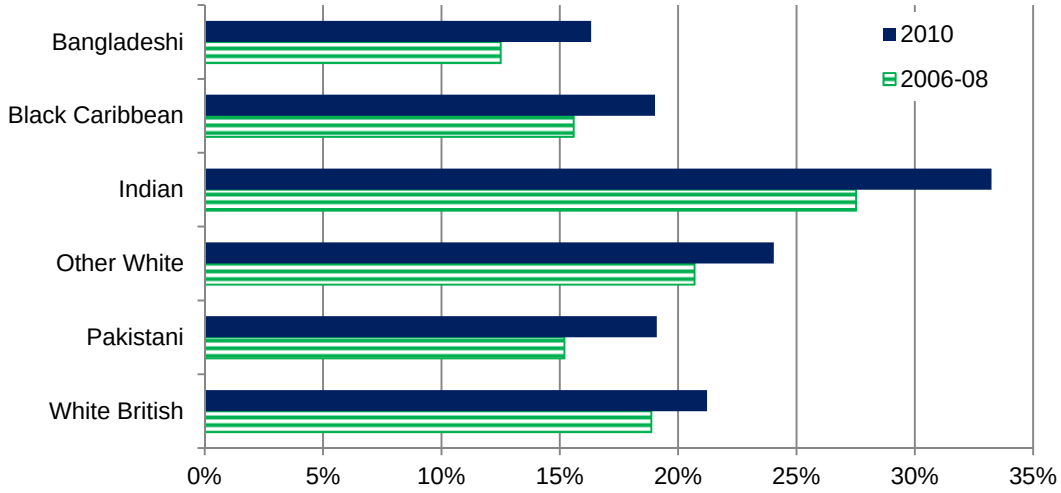
Labour Force Survey, 2006-08 and 2010.

As we discuss in more detail in Section 9, these changes are driven by rapid improvements for successive cohorts of younger adults, displacing the less qualified population reaching state pension age each year. By ethnicity, the upper panel of Figure 3.2 shows that the largest changes

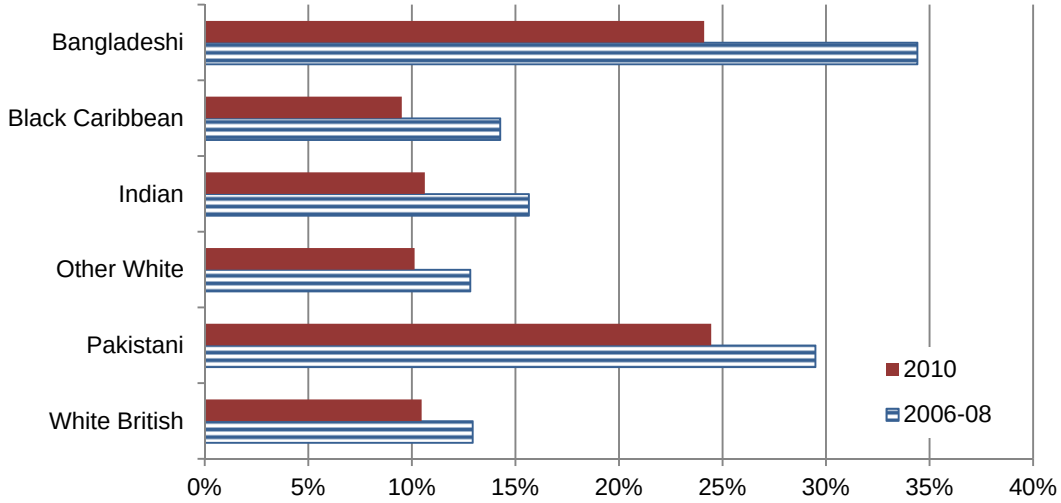
were for Indian and 'Other White' working age adults. By 2010 a third of Indian working age adults had degrees or higher degrees, 5.7 percentage points higher than in 2010, compared to 21 per cent of White British adults. The other groups shown also narrowed the gap with the White British population. At the same time the lower panel of the figure shows that the proportion of Bangladeshi adults with no qualifications at all fell from a third to a quarter. Substantially more Pakistani and Bangladeshi adults still have no qualifications than White British adults, but by 2010 the proportions were very similar for White British, Black Caribbean, Indian and Other White adults.

Figure 3.2: Working age population with degrees and above and with no qualifications by ethnicity, 2006-2008 and 2010 (%, UK)

a) Degrees and above



b) No qualification



Source: Labour Force Survey, 2006-08 and 2010.

Amongst other features of the pattern in 2010:

- Half of working age adults with Jewish religious affiliation now have a degree or higher degree (including 21 per cent with higher degrees), compared to 21 per cent of those with Christian and 19 per cent with Muslim affiliations.
- 60 per cent of those with higher managerial or professional occupations now have degrees or higher degrees, compared to only 3 per cent for those in routine occupations.
- Only 5 per cent of those in living in social housing have degrees or higher degrees, and 41 per cent have no or low qualifications, twice the proportion for the whole working age population.
- A third of those in London now have degrees or higher degrees, but 21 per cent of Londoners have only Level 1 or no qualifications, as many as in any other English region apart from the West Midlands and Yorkshire and Humberside, so London is more polarised than other parts of the country.

Summary

By 2010, 22 per cent of the working age population had degrees or higher degrees, 2.6 percentage points more than three years earlier (average for 2006-2008). Seven per cent had higher degrees. Fewer people now have only low level or no qualifications than have degrees. These changes are driven by rapid improvements for successive cohorts of younger adults, displacing the less qualified population reaching state pension age each year.

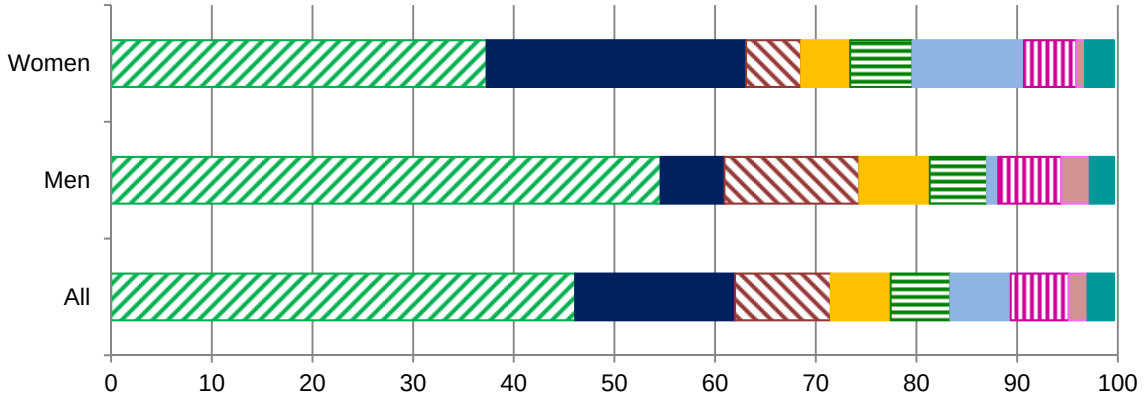
The rise in the proportion of working age women with degrees or higher degrees was 3.3 percentage points, so that by 2010 they had overtaken men in both respects for the first time. By 2010 a third of Indian working age adults and half of those with Jewish religious affiliation had a degree. But only 5 per cent of those in social housing had degrees, and 41 per cent had low or no qualifications, twice the national proportion. London is more polarised than other regions, with a third having degrees, but 21 per cent have only low or no qualifications.

4. Employment status

The rise in unemployment and fall in full-time employment are the most obvious changes between the pre-crisis situation described in the NEP report and 2010. Full-time employment fell from an average of 48.7 per cent in 2006-2008 to 46.1 per cent of the working age population. As Figure 4.1 shows, the changes in employment patterns were greatest for men. Male full-time employment fell from 58.7 to 54.6 per cent while male unemployment (using the International Labour Organisation, ILO, definition) rose from 4.6 to 7.0 per cent. For women the changes were a little less dramatic, from 38.6 to 37.3 per cent for full-time employment, and from 3.6 to 4.9 per cent ILO-unemployed.

Figure 4.1: Employment status of working age population, 2006-2008 and 2010 (%, UK)

(a) 2006-08

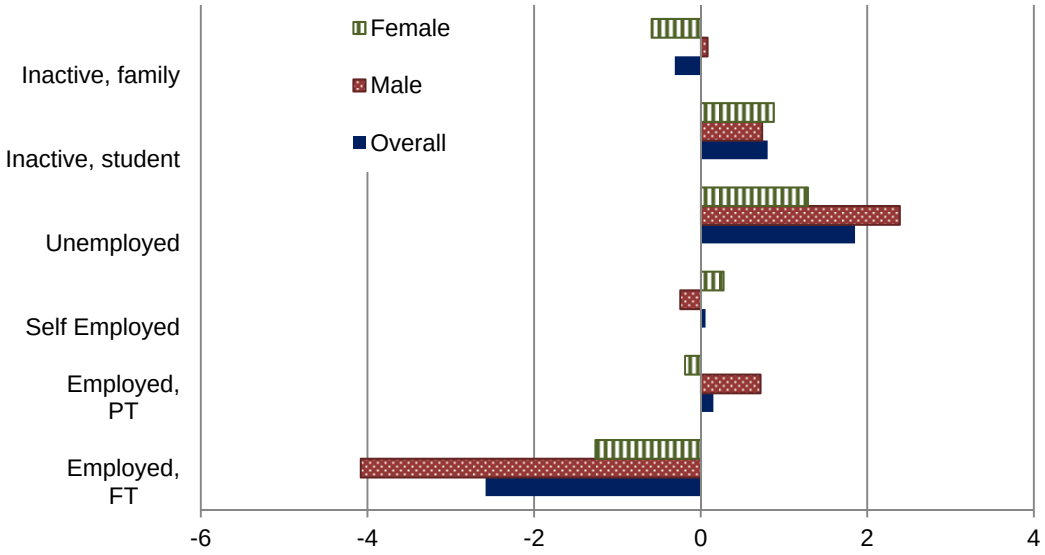


(b) 2010

Source: Labour Force Survey.

Figure 4.2 highlights the main changes over the onset of the crisis. As well as those highlighted above, there was a 0.7 percentage point rise in part-time employment for men, and increases of 0.7 (for men) and 0.9 (for women) percentage point increases in the numbers who were economically inactive as students. Changes in self-employment were statistically insignificant, as were those that were inactive because of disability or long-term sickness.

Figure 4.2: Change in employment status, 2006-2008 to 2010 (percentage points, UK)



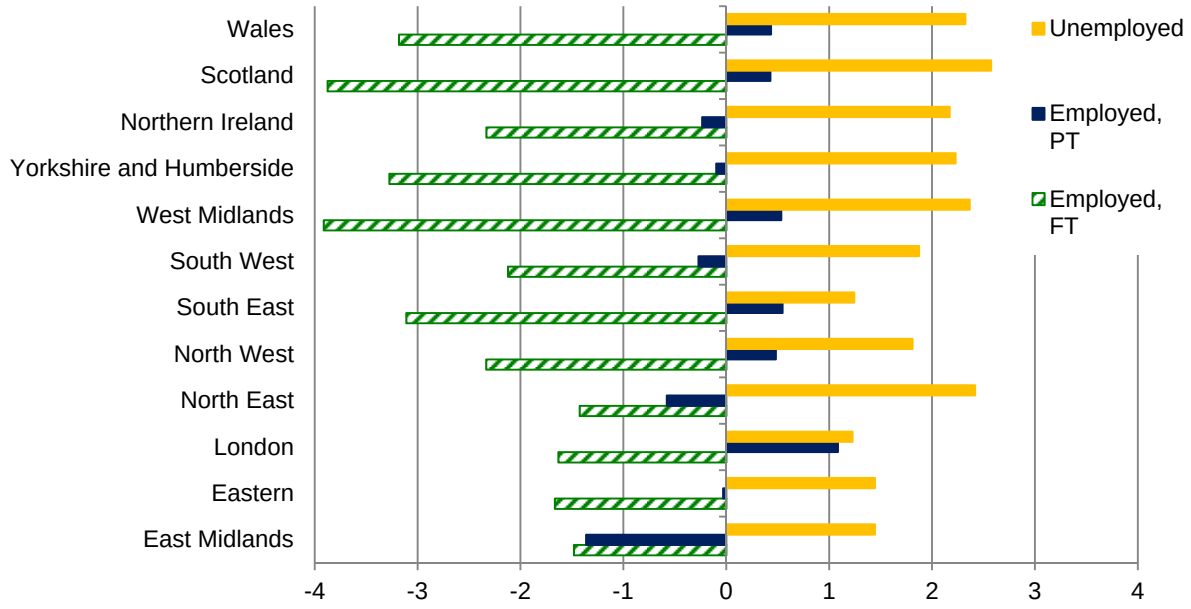
Source: Labour Force Survey.

These changes affected particular age groups very differently, as we discuss in Section 9. By far the largest falls in full-time employment and rises in ILO unemployment were for those aged 16-29. Other pronounced differences over the period included:

- By *ethnicity*, the small sample sizes of many of the groups we are comparing across the two years mean that quite large changes are needed to achieve statistical significance. Most notably of the changes that were significant, the fall in full-time employment was 4.2 percentage points for White British men and 1.3 percentage points for White British women, but was 7.9 points for Black African men and 6.1 points for Black African women.
- By *housing tenure*, while full-time employment was 2.0 percentage points lower for adults in a home with a mortgage and 2.4 percentage points lower for social tenants, it fell by 3.4 points for private tenants. By 2010 only 26 per cent of working age adults living in social housing were in full-time employment and only 14 per cent were employed part-time, giving a total of 40 per cent employed, down from 42 per cent in 2006-2008. 13 per cent of social tenants were ILO unemployed and 18 per cent were economically inactive because of disability or long-term sickness.
- There were sharp differences between *regions*, as can be seen in Figure 4.3. The fall in full-time employment was only 1.7 percentage points in London, and the same or slightly less in the Eastern region, East Midlands and North East. But it was 3.9 per cent in Scotland, Wales and in the West Midlands and more than 3 per cent in Yorkshire and

Humberside, Wales and the South East. The largest increases in unemployment were in Scotland, Wales and the North East (despite its relatively small fall in full-time employment). Most of the changes in part-time employment were too small to be statistically significant, except its growth by 1.1 percentage points in London.

Figure 4.3: Change in employment status by region, 2006-2008 to 2010 (percentage points, UK)



Source: Labour Force Survey.

Summary

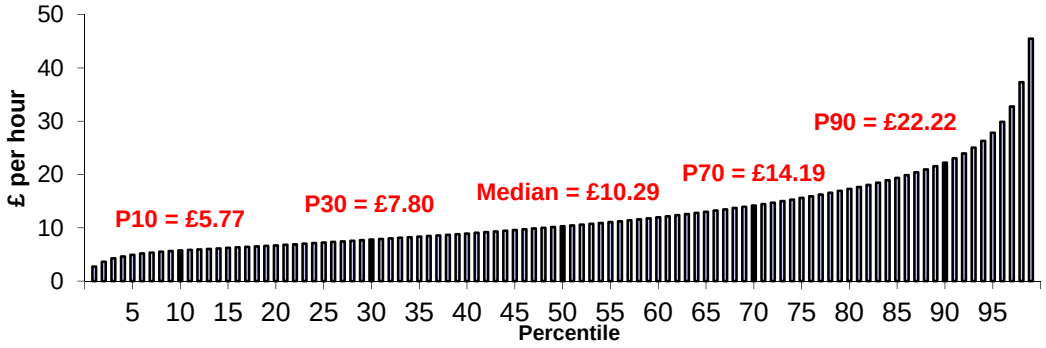
Comparing 2010 with the average for the period 2006-2008, male full-time employment fell by 4.1 percentage points, and unemployment grew by 2.4 percentage points (to 7 per cent). By far the largest falls in full-time employment and rise in unemployment were for those aged 16-29. Full-time employment fell by 7.9 percentage points for Black African men and 6.1 points for Black African women. By 2010 only 26 per cent of working age adults living in social housing were working full-time (and 14 per cent part-time). Full-time employment fell by only 1.7 percentage points in London, but by nearly 4 points in Scotland and the West Midlands.

5. Hourly wages

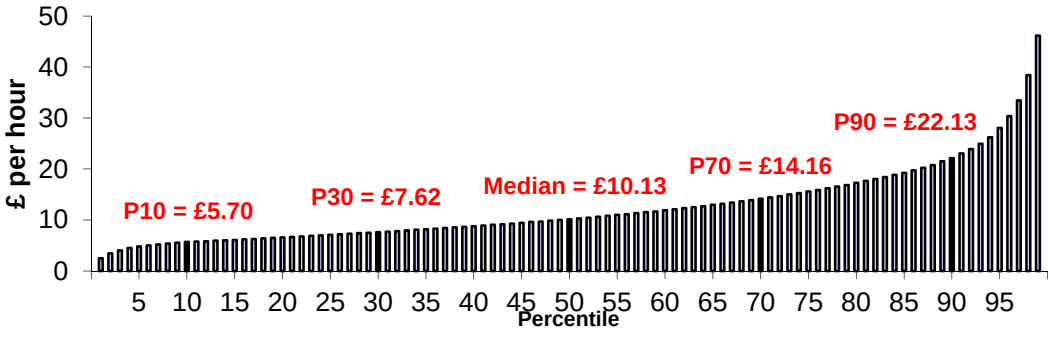
The data from the Labour Force Survey also allow us to look at the hourly wages of all those who are in full- or part-time employment (we do not cover self-employment in this section or the next). For those who are weekly or monthly paid, hourly wages are calculated by dividing total earnings by hours worked. On the surface, as Figure 5.1 shows, again in 'Pen's parade' form, not much changed, comparing real wages for all employees in 2010 with those in 2006-2008 (at 2010 prices, adjusted by the RPI). Median hourly wages fell by 1.6 per cent from £10.29 per hour to £10.13 per hour. At the 90th percentile, the fall was 9p per hour (0.4 per cent), at the 10th percentile it was 7p per hour (1.2 per cent). The higher percentage fall at the bottom meant a very small rise in wage dispersion as measured by the 90:10 ratio (but only from 3.85 to 3.88).[11]

Figure 5.1: Change in employment status by region, 2006-2008 to 2010 (percentage points, UK)

a) 2006-08



b) 2010



Source: Labour Force Survey.

[11] The Labour Force Survey is known to have somewhat less accurate data on wage rates than ONS's Annual Survey of Hours and Earnings (ASHE), but we use it here because it allows a more detailed breakdown between social groups in a form comparable with other data sources. In general the LFS shows somewhat lower *levels* of wages than ASHE, but over the period studied here the trends in wage inequality were similar. For instance, the 90:10 ratio for hourly wages for all employees was constant at 3.9 in the LFS (2006-08 to 2010), compared with the small rise from 3.95 to 3.96 in ASHE (over the shorter period from 2008 to 2010). Both sources show a very small rise in the ratio for women (from 3.5 to 3.6). LFS suggests a small rise for men from 4.1 to 4.2, but ASHE a very small fall (from 4.25 to 4.23)

This apparent stagnation in the real wage structure continued a pattern which started as early as 2003, well before the crisis.[12] But detailed analysis shows that this masks varying fortunes for different kinds of people. Table 5.1 contrasts the positions of men and women at different points in the distribution, and those working full- and part-time. First, overall wages for women fell by less than those for men – by 0.1 per cent at the mean, and 0.4 per cent at the median for women, compared to falls of 1.1 per cent and 1.6 per cent for men. The biggest drop – 2.7 per cent – was for the lowest paid men (at the tenth percentile), while there was actually a slight increase in real wages for the best paid women (at the ninetieth percentile).

The patterns were very different for full-timers and part-timers, with mean and median full-time wages falling for both men and women, but mean and median part-time wages rising. For the worst paid full-time men and women the fall was nearly 3 per cent, much more than for better paid full-timers. By contrast, part-time wages generally rose slightly, particularly for the best paid part-timers, whose hourly wage rose at the 90th percentile by 2.4 per cent to £17.61 (although this was still considerably lower than the 90th percentile for full-timers of £23.38). However, the wages for worst paid part-timers fell – by more than 4 per cent for men.[13]

Table 5.1: Changes in real hourly wages, 2006-2008 to 2010, UK (%)

		Mean	P10	Median	P90
All employees	All	-0.6*	-1.2	-1.6	-0.4
	Men	-1.1*	-2.7	-1.6	-0.4
	Women	-0.1	-0.9	-0.4	+0.4
Full-time	All	-0.8*	-3.1	-0.3	-0.7
	Men	-0.8	-2.7	-1.0	0.3
	Women	-0.9	-2.9	-0.3	-0.5
Part-time	All	+1.7*	0.0	+0.3	+2.4
	Men	+2.3	-4.6	+1.5	+0.1
	Women	+1.6*	-1.5	+1.0	+2.8

*Significant at least at 10 per cent level.

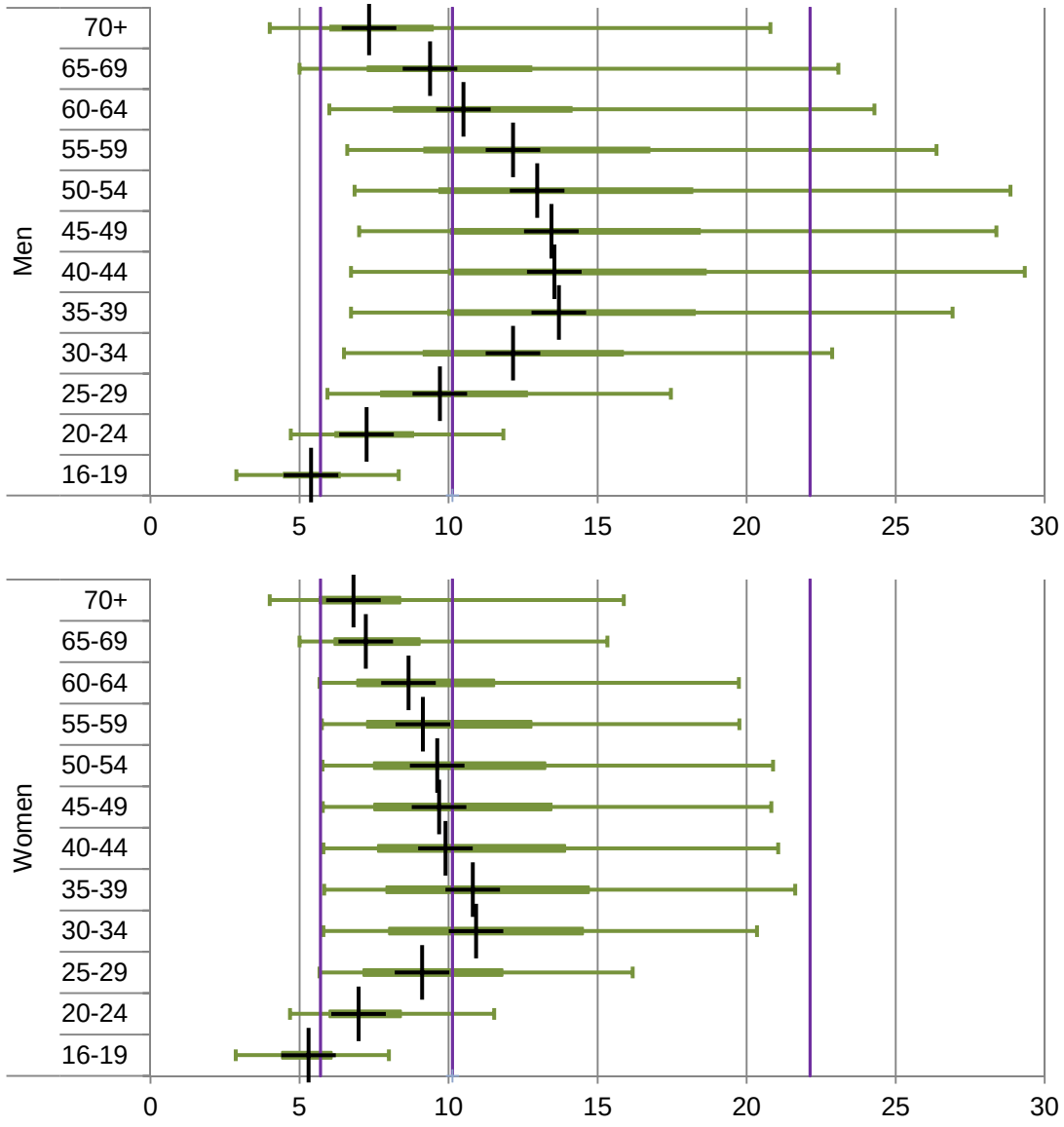
Source: Labour Force Survey.

[12] Hills (2013), table 8

[13] The composition change, with more men working part-time, as shown in Figure 4.2, accounts for there being no change in the value of the tenth percentile overall at the same time as the tenth percentile fell for both men and women looked at separately.

Figure 5.2 shows how wage patterns are heavily age-related, especially for men. In this diagram and the similar ones below, the black cross in the middle of each bar gives median wages for that age group. The ends of the thicker bars correspond to wages at the 30th and 70th percentiles STET, and the end of the thin bars to the wages at the 10th and 90th percentiles. The vertical lines across the diagram show the overall 10th and 90th percentiles for those of all ages. Median wages for those in their early 20s were £7.25 per hour for men and £6.98 for women in 2010, but peaked at £13.70 and for men in their late 30s and £10.92 for women in their early 30s. This is more steeply-graded than in 2006-08. Section 9 discusses these age-related differences in wage growth and decline in more detail.

Figure 5.2: Hourly wages by gender and age, all employees, 2010, UK (£)



Source: Labour Force Survey.

Small sample sizes again mean that it is hard to identify statistically significant changes between and within population subgroups. In terms of percentage changes over the period, real median

wages for White British men fell by 2.4 per cent, but by more than 4 per cent for Pakistani, Bangladeshi, Black Caribbean, and "Other White" men. Median wages for White British women fell by 0.1 per cent, but by more than 3 per cent for Black African and Black Caribbean women and "Other White" women. Median wages reported in 2010 by Bangladeshi women were more than 10 per cent *higher* than in 2006-2008. However, the changes – when evaluated at the mean – were only statistically significant for the White British men and "Other White" women, so it is difficult to read too much into the differences between groups.

The sizes of groups defined by occupational social class (using the National Statistics Socio-economic Classification, NS-SEC) are larger. Nearly all of the differences evaluated at the mean shown in Table 5.2 are statistically significant. Looking at the changes at both the mean and the median for each social class, real wages for all the groups fell, and by most for those in routine occupations. There was, however, no clear gradient, with mean and median wages for higher managerial and professional occupations also falling by more than 2 per cent. Within most of the groups wages fell most for the lowest paid (which may be related to age differences), except for intermediate and routine workers, where the falls were also large for the highest paid.

Table 5.2: Changes in real hourly wages by occupational social class, 2006-2008 to 2010, all employees, men and women, UK (%)

	Mean	P10	Median	P90
Higher managerial/ professional	-2.2*	-2.4	-2.2	-1.6
Lower managerial/ professional	-1.0*	-4.2	-0.9	-0.2
Intermediate	-2.5*	-3.3	-1.7	-3.0
Lower supervisory/technical	-0.7	-0.7	-1.9	-1.6
Semi-routine	-1.2*	-2.2	-1.7	-1.5
Routine	-3.2*	-2.4	-3.5	-3.2

*Significant at least at 10 per cent level.

Source: Labour Force Survey.

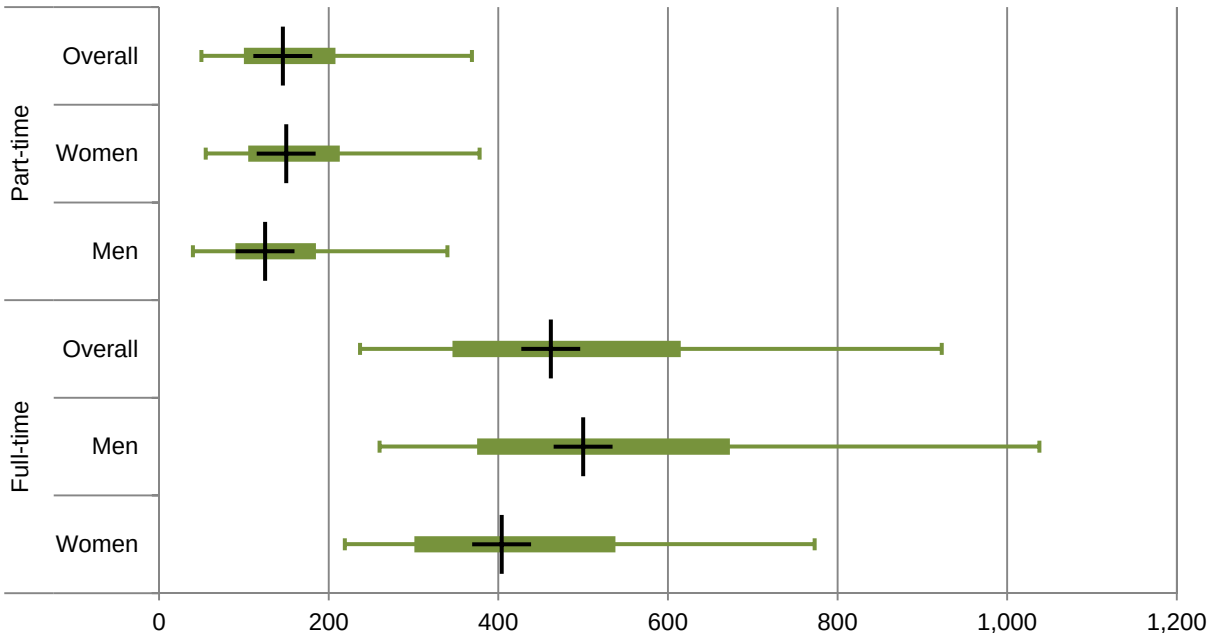
Summary

Median hourly wages for all employees fell by 1.6 per cent in real terms between 2006-2008 and 2010. For women the fall was only 0.4 per cent at the median. However, wages for the worst paid men and women working full-time (at the tenth percentile) fell by nearly 3 per cent (and by more than 4 per cent for the worst paid male part-timers), while those for the best paid women part-timers *rose* by nearly 3 per cent. In other words, the start of the recession hit the lowest-paid hardest. Wages became more steeply graded by age than three years earlier. By social class the largest falls were generally for routine workers, but also at the other end of the scale for higher managerial and professional workers.

6. Weekly full-time earnings

Many of the differences between social groups in weekly earnings mirror those in hourly wages. However, there are of course major differences between full-time and part-time earnings, and those differences have substantial gender effects, given that more women do paid work part-time. Figure 6.1 shows the range of gross weekly earnings for men and women working full-time and part-time. For men, median full-time earnings were £500 (a fall of 2.9 per cent) and for women £404 (a rise of 0.5 per cent). This gender earnings gap was thus a little smaller than in 2006-2008. A tenth of men working full-time earned more than £1,038 per week, but a tenth less than £260, giving a 90:10 ratio for men of 3.9. For women the range was from £219 to £773, giving a smaller 90:10 ratio of 3.5. For part-timers the amounts at each point in the distributions are much lower, particularly at the bottom end, and so dispersion of earnings within the part-time population is much greater, with a 90:10 ratio of 7.4 overall.

Figure 6.1: Distribution of real weekly earnings, 2010, UK

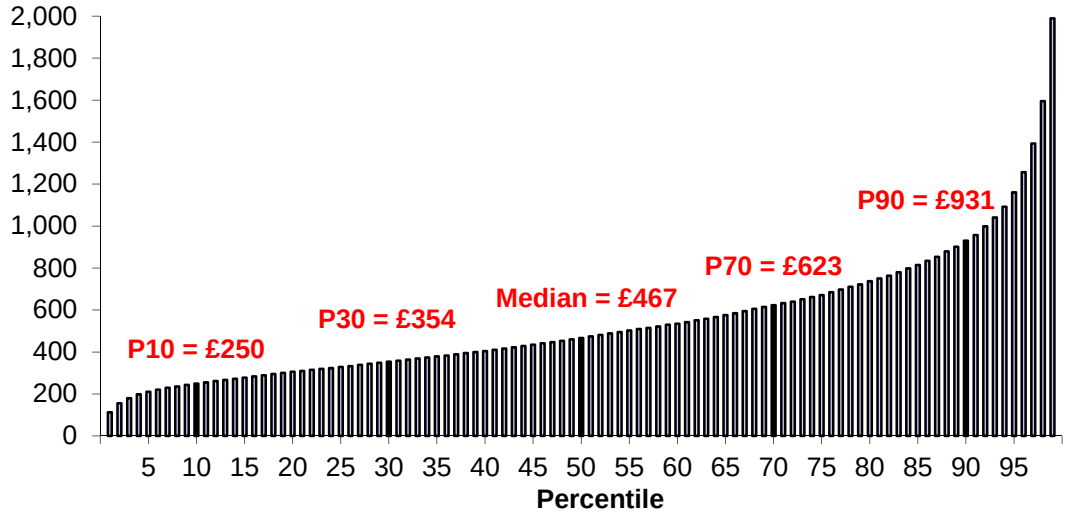


Source: Labour Force Survey.

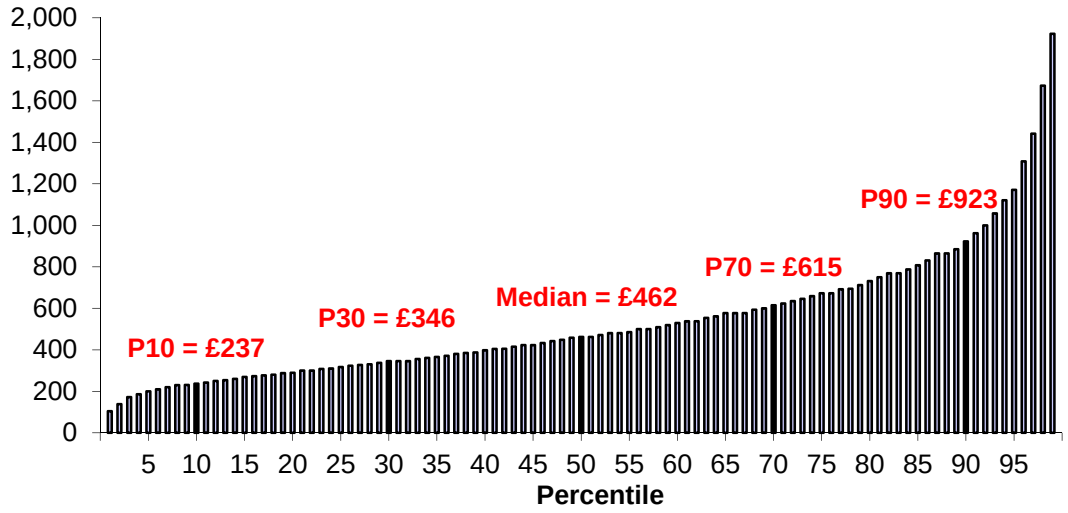
In the rest of this section we concentrate on those working full-time only. Figure 6.2 shows the distribution of weekly earnings for those working full-time (men and women together). In 2010 median full-time earnings were £462, 1 per cent less than in 2006-08. Ten per cent of full-timers earned less than £237, down by 5.1 per cent over the period. Ten per cent earned more than £923 per week, only 0.8 per cent less than in 2006-2008. This larger fall at the bottom than the top meant that the overall distribution became more unequal, with the 90:10 ratio (between those near the top and near the bottom) growing from 3.7 to 3.9.

Figure 6.2: Distribution of real weekly earnings, full-time employees, 2006-2008 and 2010 (£/week, 2010 prices), UK

a) 2006-08



b) 2010



Source: Labour Force Survey

Table 6.1 confirms that there have been changes at the bottom of the distribution for both men and women beyond those one would have expected just from those in hourly wages, which it will be recalled fell by 1.2 per cent at the 10th percentile. Real median full-time weekly earnings fell by 1.0 per cent for men and women together, but by 5.1 per cent at the 10th percentile. For women the fall at the 10th percentile was 3.6 per cent and for men it was 4.8 per cent. This big drop reflects one of the features of the labour market in the recession – reduced hours even for some of those still working 'full-time'. At the top, falls were much smaller – indeed the weekly earnings of men at the 90th percentile rose. While overall earnings dispersion rose as described above, it was only between male full-timers that dispersion increased – the 90:10 ratio rising from 3.7 in 2006-08 to 4.0 in 2010, while remaining constant at 3.5 for women.

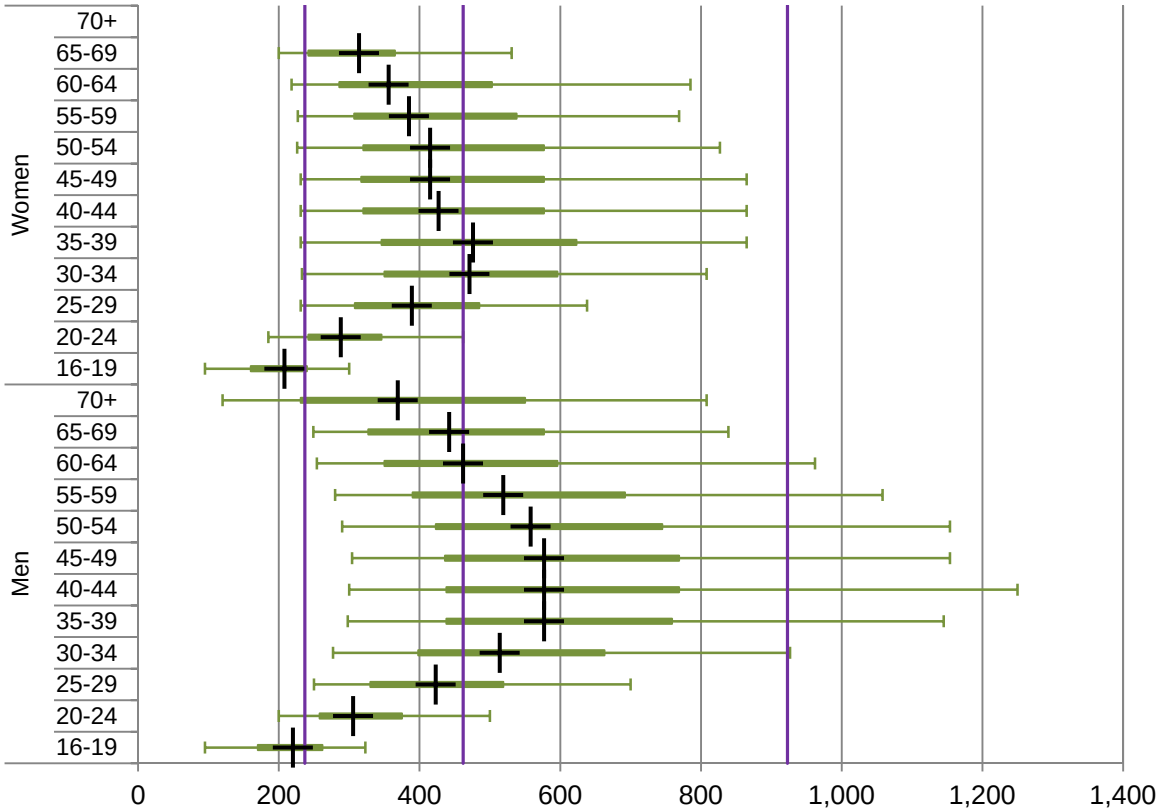
Table 6.1: Changes in real weekly earnings of full-time employees, 2006-2008 to 2010, UK (%)

	Mean	P10	Median	P90
All	-0.3	-5.1	-1.0	-0.8
Men	0.1	-4.8	-2.9	+1.6
Women	-1.0*	-3.6	+0.5	-1.6

*Significant at least at 10 per cent level.

Source: Labour Force Survey.

Figure 6.3: Weekly earnings by gender and age, all employees, 2010, UK (£)



Source: Labour Force Survey.

Figure 6.3 shows the equivalent picture for weekly full-time earnings by age in 2010 to that for hourly earnings shown in Figure 5.2. Again, it illustrates the strong age-related gradients in earnings – particularly for the best paid men. Median full-time earnings for men in their early 20s in 2010 were £306 per week, but £577 for those aged 35-49. A tenth of men aged 20-24 were paid more than £500, but a tenth of those aged 40-44 were paid more than £1,250. These age-related gradients were much greater than in 2006-08 reflecting the much greater fall in weekly earnings for those in their 20s than those in their 40s and 50s that we discuss in Section 9.

Apart from the age-related variations in earnings growth and decline, other notable changes over the period include:

- By *ethnicity*, median earnings fell for all groups, except the residual 'other' category and for Indian full-time employees, where they rose by 2.4 per cent. With a fall for the 10th percentile but rise for the 90th percentile, the figures suggest a large rise in wage dispersion for Indian workers (but sample sizes leave uncertainty as to its extent). Sample sizes limit what can be said about other ethnic groups, but it is notable that the median earnings of the "Other White" group fell by more than 5 per cent.
- By *tenure*, reinforcing the differences in employment patterns described in Section 4, median weekly earnings for the quarter of social tenants working full-time fell by more than By *region*, mean full-time earnings grew by 2.4 per cent in London, although they fell at the median by 0.4 per cent. The largest falls in median earnings were by nearly 5 per cent in Wales and the West Midlands, and by more than 6 per cent in Northern Ireland.
- 4 per cent. They also fell by nearly 3 per cent for private tenants, but only 1.3 per cent for mortgagors (and 0.4 per cent for outright owners).
- By *occupational social class*, and in some contrast to hourly wages, there was a fairly clear gradient, with those in lower social classes seeing the greatest falls in real earnings, as can be seen in Table 6.2. Median weekly earnings for those in routine occupations fell by more than 8 per cent, compared to less than 2 per cent for those in the two professional groups. For all except the top group, the largest falls *within* each group was for the lowest paid (possibly related to age differences).

Table 6.2: Changes in weekly earnings of full-time employees by occupational social class, 2006-2008 to 2010, men and women, UK (%)

	Mean	P10	Median	P90
Higher managerial/ professional	-0.2	-1.0	-1.2	-0.6
Lower managerial/ professional	-0.5	-5.4	-1.9	-1.1
Intermediate	-2.4*	-6.4	-3.9	-3.6
Lower supervisory/technical	-1.8*	-4.5	-2.9	-1.9
Semi-routine	-3.3*	-5.8	-5.8	-3.8
Routine	-6.4*	-4.6	-8.3	-6.6

*Significant at least at 10 per cent level.

Source: Labour Force Survey.

Summary

Median full-time weekly earnings were 1.0 per cent lower in real terms in 2010 than three years earlier (average for 2006-2008). But the fall was much greater for the lowest paid – by 5.1 per cent at the tenth percentile overall. This was faster than the equivalent fall for hourly wages – hours were falling as well as wages for the lowest paid. Median full-time earnings grew slightly for women but fell by 2.9 per cent for men, so this gender wage gap narrowed. Earnings increased by 1.6 per cent in real terms for the best-paid men, however, so earnings dispersion increased for men. Age-related gradients were much greater in 2010 than in 2006-08, reflecting a much greater fall in weekly earnings for those in their 20s than those in their 40s and 50s – by more than 6 per cent for men and women in their early 20s. Median earnings fell by nearly 4 per cent in Wales and the West Midlands, and by more than 6 per cent in Northern Ireland. Median earnings for the quarter of social tenants who were in full-time work fell by 4 per cent. Median earnings fell by more than 8 per cent for those in routine occupations but less than 2 per cent for managerial and professional workers. The smallest fall in weekly earnings was for the best paid tenth of higher managerial and professional workers. Overall then, the detailed pattern of changes in earnings showed the biggest falls for many of the groups that started in the weakest positions.

7. Net household incomes

While changes in earnings patterns have a very important role in determining the overall distribution of incomes, they are by no means the only factor. Whether couples have two, one or no earners makes a big difference to the total gross income going to each household, and other income sources of matter too – including social security benefits, pensions, and investment income. The direct tax system moderates the inequality of net income by comparison with gross incomes. If we are interested in the living standards made possible by a given amount of net household income, we need to allow for the way in which the needs of a larger household will be greater than those of a smaller household. The way this is done conventionally is to adjust household income by a factor that varies with household size, to rescale it to the amount of "equivalent net income" that is deemed to allow the same standard of living as a couple with no children would have with income at that level.

Incomes measured in this way are at the core of the UK's main income distribution series, the Department for Work and Pensions' annual *Households Below Average Income* (HBAI) analysis, based on the Family Resources Survey. The overall picture of income distribution in 2010-11 given by HBAI (before housing costs) is presented in Figure 7.1 in the form of Pen's parade, with the height of each bar proportional to the incomes of each percentile of the distribution. Thus, a tenth of households had equivalent net incomes of £216 per week or less in 2010-11 and half of £419 or less (the median), while 10 per cent had incomes above £846 per week. One per cent of households had weekly incomes above £2,090.[14] It was only for the bottom third of the distribution that incomes were higher in real terms in 2010-11 than they had been in 2007-08; for the top two-thirds they were lower.

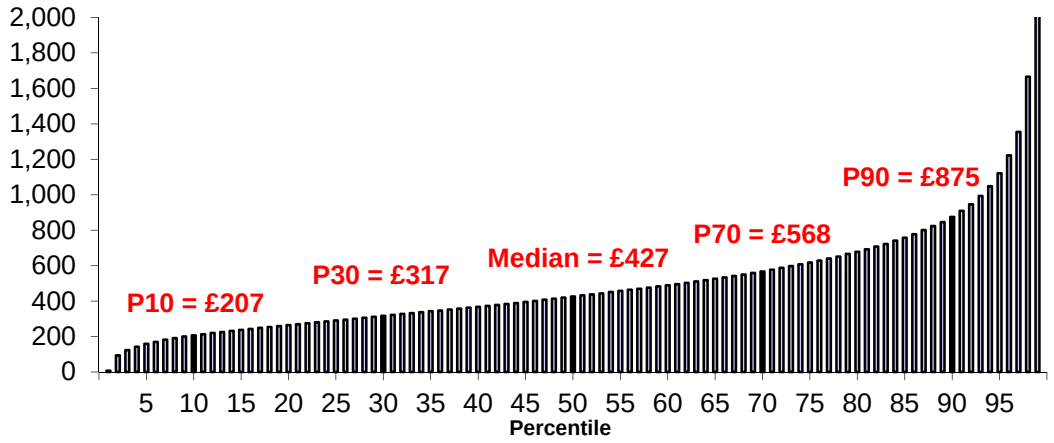
Longer-term trends in two of the main measures of inequality derived from the HBAI series – the Gini coefficient and the 90:10 ratio for the whole population – are illustrated in Figure 7.2 (again looking at incomes before deducting housing costs). The long-term patterns have been extensively analysed elsewhere.[15] The context for the detailed comparison we can make here for the position of and differences within and between different groups in 2007-08 and 2010-11 is that there was a sharp *fall* in overall household income inequality over that period, if measured before housing costs (although not after housing costs – see Table 7.1 below). The 90:10 ratio fell, for instance from 4.2 in 2007-08 to 3.9 in 2010-11, taking it to (marginally) its lowest level since the late 1980s before housing costs, but it rose slightly after housing costs from 5.0 to 5.1.

[14] The incomes reported to HMRC for the top 1 per cent (which are used to adjust the HBAI statistics for this group) in 2010-11 may have been affected by 'forestalling' by arranging for receipts to come in the previous year, when the top tax rate was lower.

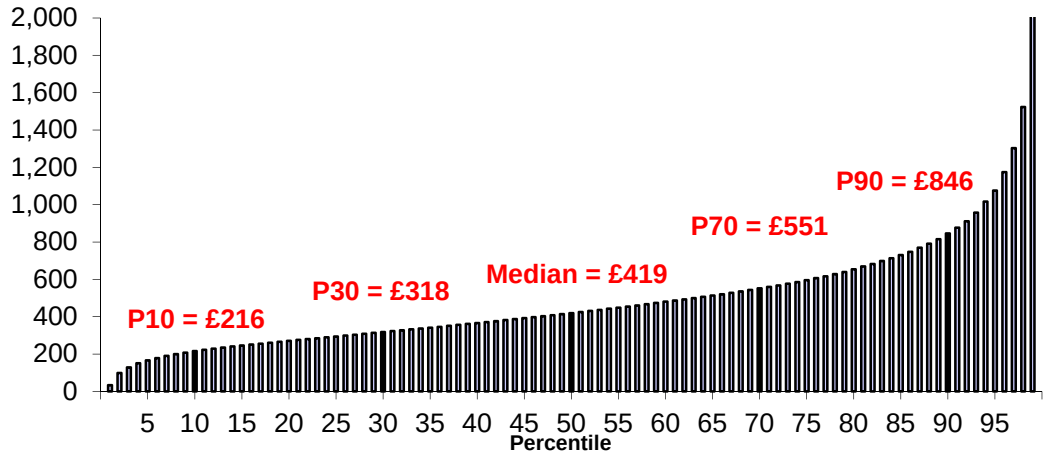
[15] See, for instance, DWP (2012), Cribb, Joyce and Phillips (2012), Joyce and Sibieta (2013) and Hills (2013) in this series.

Figure 7.1: Distribution of real equivalent net income (before housing costs), 2007-08 and 2010-11, UK (2010-11 prices, £/week)

a) 2007-08

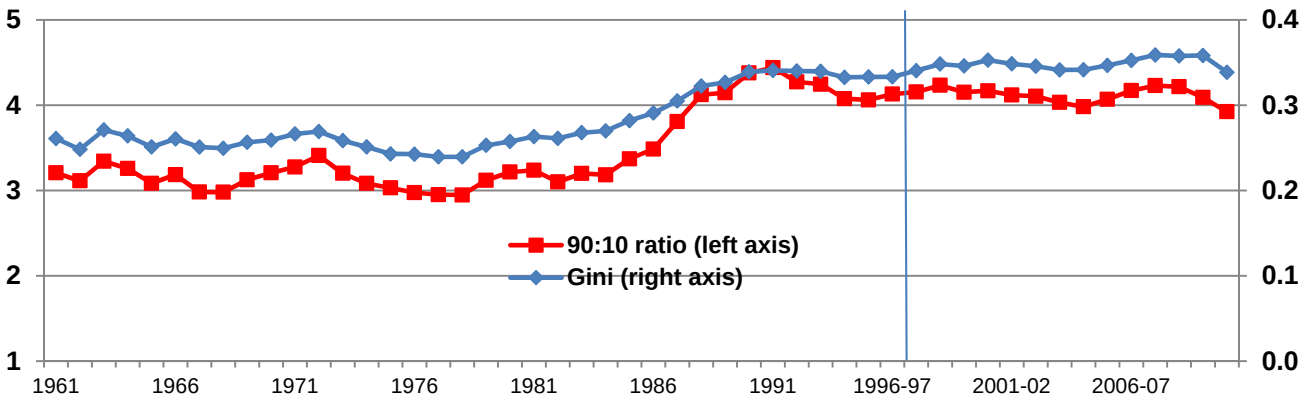


b) 2010-11



Source: Derived from DWP analysis of HBAI dataset based on Family Resources Survey.

Figure 7.2: Trends in income inequality, 1960 to 2010-11 (before housing costs, GB)



Source: Institute for Fiscal Studies poverty and inequality spreadsheet, 2012. Figures are for distribution of equivalent net income before housing costs.

As we have seen, over that period full-time employment fell and the dispersion of full-time earnings increased, factors that might have been expected to increase income inequality. The reason that household income inequality fell was that the real incomes of those in work were falling – affecting households with middle and higher incomes most – while most social security benefits and pensions were protected from real falls – of most importance to those in the bottom half of the distribution.

Table 7.1: Changes in real household equivalent net income, 2007-08 to 2009-10, all and for men, women and children, UK (%)

	Mean	P10	Median	P90
(a) Before Housing Costs				
All	-3.3	+4.1	-1.8	-3.4
Men	-5.0	+0.4	-3.6	-4.5
Women	-3.0	+5.2	-1.3	-3.7
Children	-1.1	+6.7	+1.0	-2.1
(b) After Housing Costs				
All	-6.0	-2.0	-4.8	-5.0
Men	-7.9	-7.8	-6.0	-5.6
Women	-5.8	-1.1	-4.3	-5.0
Children	-2.7	+2.0	-1.7	-0.7

Source: Derived from DWP analysis of HBAI dataset based on Family Resources Survey

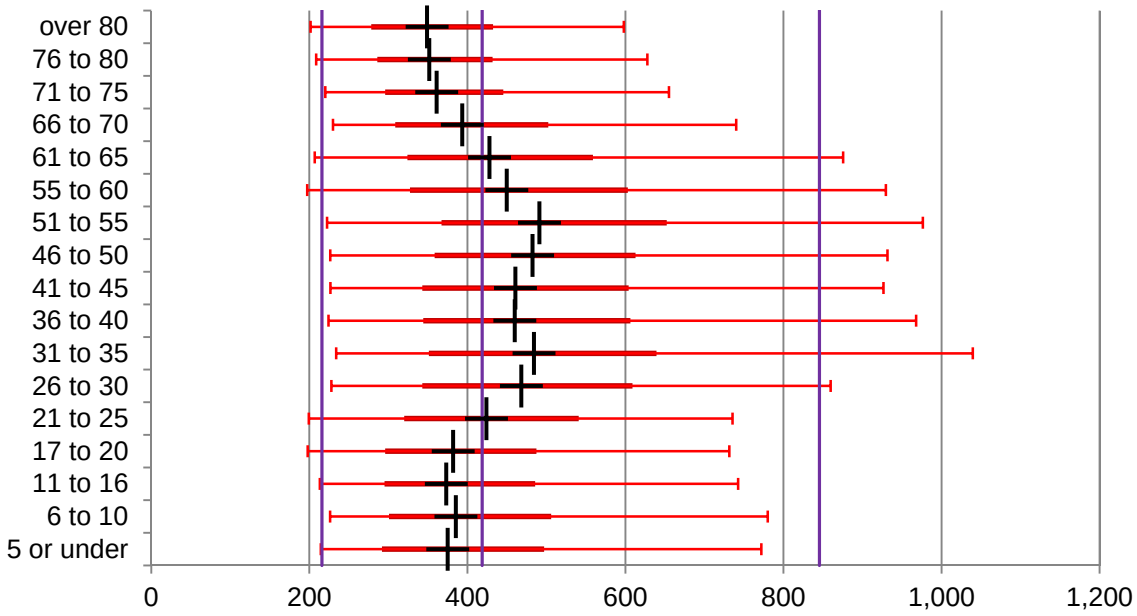
Table 7.1 shows how real net household incomes changed across the distribution for all individuals and separately for men, women and children (in each case allocated the equivalent net income of the household in which they live).[16] It shows the changes both before and after deducting housing costs. There is a significant difference between the two, particularly at the bottom of the distribution. Before housing costs, mean incomes fell by 3.3 per cent and median incomes by 1.8 per cent. After allowing for housing costs, the mean fell by 6.0 per cent and the median by 4.8 per cent. In nearly all of the comparisons shown – with the exception of the poorest men after housing costs – the fall was smallest (or the gain largest) for those with the lowest incomes. Indeed, before deducting housing costs, the real value of the 10th percentile for women and for children rose by more than 5 per cent. At a time of rising rents, such incomes would, however, include the resultant increase in Housing Benefit, even though tenants were not actually better off than they had been.

[16] This implicitly assumes 'equal sharing' within each household. This is, of course, a controversial assumption. See Hills, *et al.* (2010), box 7.1 for further discussion.

For tenant households, the After Housing Costs numbers may give a better guide to changing living standards. These show a fall at the 10th percentile for women, and a smaller rise, 2 per cent, for children. In each case, the outcomes for those higher up the distributions remain worse. However, the fall for the poorest men, nearly 8 per cent, was greater than that for the richest men, 6 per cent. The result of all this was that income inequality measured by the 90:10 ratio fell for all individuals and for the separate groups before housing costs, but it *rose* slightly after housing costs for all individuals and for men looked at separately.

Given how much weekly earnings vary across the life cycle, it is no surprise that equivalent net household incomes do as well. However, the variation between age groups is moderated by taxation, benefits, pensions, variations in household size by age, and (assumed) sharing within the household. Figure 7.3 shows both the variation in household incomes (before housing costs) by age (of the 'household reference person') and the variation in incomes within each age group. The picture is one of a double peak – when people are in their early 30s (before families are at their largest) and in their early 50s (when some children have left home and earnings for some are still at their highest). Compared with an equivalent diagram for 2007-08,[17] the overall shape is flatter – children and pensioners are generally better-off than they were, while those of working age – particularly those in their 20s – are generally worse off. We discuss this further in Section 9.

Figure 7.3: Equivalent net income (BHC) by age, UK, 2010 (£/week)



Source: Derived from DWP analysis of HBAI dataset based on Family Resources Survey.

Table 7.2 shows how income changes varied between adults from different ethnic groups, as classified by DWP. Because the sample size of the FRS is smaller than that of the Labour Force Survey, these are much broader groups than used in earlier sections. We also pool results for three years in each case, so the comparison is the three years to 2007-08 and the three years to

[17] Hills et al. (2010) figure 7.2

2010-11. This means that the differences being compared are for a period on average a year earlier the other comparisons in this section (and so reflect less of the impact of the recession).

For White individuals (both adults and children), the difference over this period produces some small differences from the position for the population as a whole shown in Table 7.1, and with no apparent fall in incomes for those at the top of the distribution before or after housing costs. The other rows show the position for adults from particular ethnic groups. These suggest that Indian and Black non-Caribbean adults did particularly badly over this period, with median incomes falling by 15 per cent after housing costs (and more than 10 per cent for Indian adults before housing costs). By contrast, median incomes rose for Pakistani and Bangladeshi adults and Black Caribbean adults before housing costs (and for Pakistani and Bangladeshi adults after housing costs). The figures suggest particularly large falls at the tenth percentiles of the groups of non-white adults identified after housing costs, but small sample sizes make the scale of these changes uncertain.

Table 7.2: Changes in real household equivalent net income, three years ending 2007-08 to three years ending 2010-11, by ethnicity, UK (%)

	Mean	P10	Median	P90
(a) Before Housing Costs				
White	+1	*+3*	-	-
Indian adult	-10	*-7*	-12	*-4*
Bangladeshi/Pakistani adult	+5	*-7*	+6	*+8*
Black Caribbean adult	+7	-	+1	*+5*
Black non-Caribbean adult	-11	*-14*	-6	*-3*
(b) After Housing Costs				
White	-1	*-3*	-2	-
Indian adult	-14	*-19*	-15	*-7*
Bangladeshi/Pakistani adult	-1	*-32*	+1	*+10*
Black Caribbean adult	+5	*-10*	-3	*+7*
Black non-Caribbean adult	-16	*-27*	-15	*-6*

Source: Derived from DWP analysis of HBAI dataset based on Family Resources Survey. For sample size reasons, this uses pooled data from three years, comparing results from 2005-06 to 2007-08 with those for 2008-09 to 2010-11. The figures in italics for the tenth and 90th percentiles remain subject to considerable uncertainty, however.

Other notable variations from the overall pattern of income changes comparing 2010-11 with 2007-08 (single years) include:

- By *region*, mean incomes fell most in London both before (5 per cent) and after housing costs (8 per cent). At the median London incomes fell by the second greatest amount (by more than 3 per cent, compared to 4 per cent in the South East), and by the most (7 per cent) after housing costs. After housing costs, the poorest Londoners did worst, with the tenth percentile for London incomes falling by a startling 24 per cent. Incomes in the North

East held up best, with gains at most points in the distribution, both before and after housing costs.

- Incomes of those who were *not* classified as *disabled* (in terms of the Disability Discrimination Act) fell by less than those of others, or even rose. For instance, median before housing incomes *rose* by 1.6 per cent for "DDA-disabled" working-age adults, but fell by 3.9 per cent for other working-age adults. This will partly reflect the more favourable position of older adults, but also the protection of benefits from real cuts in this period.

Table 7.3 shows income changes before housing costs between the two years by *occupational social class* (of the household reference person). The fall in income at the median was similar across all of these classes, except for there being 'no change' for 'lower-supervisory' households and there being a rise for those classified as having never worked (although incomes for this group fell as well after housing costs). The greatest falls – by 7 per cent or more – were for the 90th percentiles of higher managerial and professional households, small employers and own-account workers, and those in routine occupations. Some of these will have been affected by falls in profits and bonuses in the immediate impact of the crisis. There was also a large fall for the least well-paid of lower managerial staff (again possibly age-related).

Table 7.3: Changes in real household equivalent net income by occupational social class, 2007-08 to 2010-11, UK (%)

	Mean	P10	Median	P90
(a) Before housing costs				
Higher managerial/ professional	-6.5	-3.0	-4.1	-7.3
Lower managerial/ professional	-4.2	-8.2	-4.4	-3.4
Intermediate	-5.5	-6.5	-3.0	-4.6
Small employers/ own account	*-5.6*	*+10.3*	*-4.3*	*-7.3*
Lower supervisory/technical	-0.8	-0.5	0.0	+1.6
Semi-routine	-4.7	+0.7	-3.6	-5.3
Routine	-3.7	+2.5	-2.4	-7.4
(b) After housing costs				
Higher managerial/ professional	-7.9	-4.9	-3.8	-8.6
Lower managerial/ professional	-5.9	-12.8	-5.8	-4.1
Intermediate	-6.8	-8.3	-2.9	-6.5
Small employers/ own account	*-7.5*	*+40.1*	*-6.3*	*-8.1*
Lower supervisory/technical	-3.3	-2.8	-4.2	+0.4
Semi-routine	-8.0	-3.6	-6.8	-7.2
Routine	-7.3	-3.3	-7.1	-7.6

Source: Derived from DWP analysis of HBAI dataset based on Family Resources Survey. Figures in italics for small employers and own account workers are more uncertain than other groups as a result of difficulties in assessing incomes for this group.

Table 7.4 shows changes by *tenure*. Here the trends before and after housing costs differ greatly. For instance, the poorest social tenants were 5 per cent better off before allowing for housing costs, but 6 per cent worse off after allowing for them. By contrast the losses for mortgagors were smaller after allowing for housing costs (and the poorest mortgagors were 4 per cent better off). After housing costs, private tenants generally did much worse than the other groups – with falls of

8 per cent at the median and 14 per cent at the 90th percentile. There were, however, gains for the lowest income outright owners and mortgagors.

Table 7.4: Changes in real household equivalent net income, by housing tenure, 2007-08 to 2010-11, UK (%)

	Mean	P10	Median	P90
(a) Before housing costs				
Social rented	+2.6	+5.0	+3.1	+1.7
Private rented	-3.7	+1.8	-2.6	-9.2
Owned outright	-1.6	+8.7	+2.3	-1.2
Owned with mortgage	-3.1	+0.3	-2.0	-2.2
(b) After housing costs				
Social rented	-2.4	-5.7	-0.6	-3.7
Private rented	-10.5	-4.6	-7.6	-14.1
Owned outright	-5.8	+5.2	-1.8	-6.5
Owned with mortgage	-2.2	+4.3	-0.6	-1.2

Source: Derived from DWP analysis of HBAI dataset based on Family Resources Survey.

Table 7.5: Changes in real household equivalent net income (after housing costs), by area deprivation (IMD), 2007-08 to 2010-11, England (%)

	Mean	P10	Median	P90
Lowest tenth	-5.8	-12.8	-0.5	-8.1
2nd	-10.8	-11.7	-11.2	-6.1
3rd	-5.0	-10.5	-5.1	-3.8
4th	-9.0	0.7	-4.8	-8.9
5th	-8.2	2.9	-4.1	-8.1
6th	-7.5	-5.6	-7.2	-5.9
7th	-3.9	1.6	-2.3	+0.9
8th	-3.0	8.1	-1.5	+1.8
9th	-1.0	-7.5	-3.0	+1.0
10th	-6.9	-2.0	-6.0	-5.8

Source: Derived from DWP analysis of HBAI dataset based on Family Resources Survey.

Finally, Table 7.5 shows a very mixed picture by the deprivation level of the neighbourhood where people live (after housing costs). Generally at the mean and median, households in the most deprived half of neighbourhoods did worse than those in less deprived areas, but those in the most deprived tenth did not lose so much, while median incomes of those in the least deprived tenth fell by 6 per cent. A general picture of a gradient in the impacts of recession being most severe for more deprived areas appears to be being overlaid by protection of real benefit levels for the

poorest neighbourhoods, but other factors resulting in income falls in the most prosperous ones. However, the largest drop was for the poorest households in the poorest neighbourhoods, who were 13 per cent worse off.

Summary

Comparing net equivalent incomes in 2007-08 and 2010-11 there were major differences depending on whether or not housing costs are allowed for. *Before housing costs*, mean incomes fell by 3 per cent and median incomes by nearly 2 per cent. But they fell more at the top, and actually *rose* by 4 per cent at the bottom, so income inequality fell sharply, despite the growing inequalities in earnings. For women and children, the lowest incomes rose by more than 5 per cent. These figures suggest that policy succeeded in protecting the poorest from the initial impacts of the recession. But this can be misleading – when rents rise, Housing Benefit goes up, increasing tenants' incomes measured this way, even though they are not actually better off.

After allowing for housing costs, incomes fell faster – mean incomes by 6 per cent, and by 5 per cent at the median and top of the distribution. And the poorest as a whole were less well protected – with real incomes falling by 2 per cent, although still not by as much as others. But within this, some groups did better than others – the poorest children were *better off* than three years before, but men did worse than others, particularly at the bottom.

Within this, some groups did particularly badly. After housing costs, the poorest Londoners did worst, with the tenth percentile for London incomes falling by a startling 24 per cent. The poorest social tenants were 5 per cent better off before housing costs, but 6 per cent worse off after allowing for them. And after housing costs, incomes fell by more than 10 per cent for the poorest households in the poorest three tenths of neighbourhoods.

8. Personal wealth and assets[18]

We can examine changes in wealth distribution using data from the first and second waves of the ONS Wealth and Asset Survey (WAS), collected between July 2006 and June 2008, and July 2008 to June 2010 respectively.[19] This effectively gives a comparison between periods centred in 2007 (pre-crisis) and two years later, 2009 (so a year earlier than most of the comparisons in this paper). In this section, we report nominal changes, rather than those in real terms presented elsewhere. This is because an appropriate price adjustment for wealth would depend on the purpose for which a comparison was being made. Adjusting by a general price index, such as the RPI, would only be appropriate if the question was about people's command over other resources if they ran down or liquidated their assets. Adjusting by an earnings index might instead be appropriate, if one was interested in, say, how many years of income (and hence saving) a given amount of wealth would represent. For reference, the RPI rose by 3.4 per cent between 2007 and 2009 and average earnings by 7 per cent.

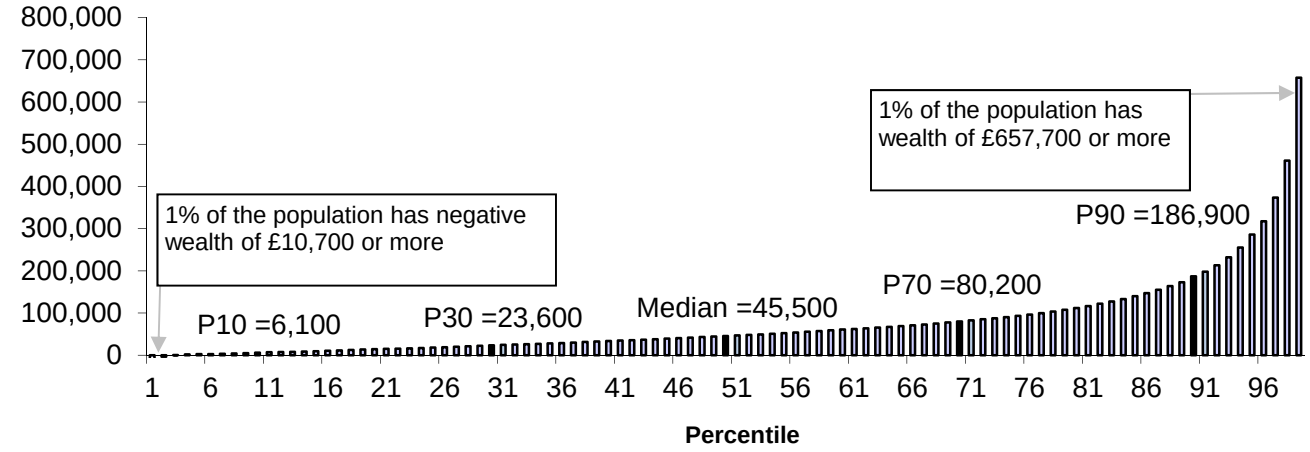
For other purposes, though, the appropriate index might be of asset prices themselves – what has happened to house prices nationally or to the capital sum needed to generate a particular level of pension. In fact, most of the changes between the first and second waves of WAS represent asset price changes, particularly house prices, stock market prices, and in particular the rise in the present value that ONS puts on future defined pension rights (reflecting the fall in interest rates over the period). One should not therefore necessarily put too much weight on the changes between the two waves in terms of immediate living standards. People were mainly living in the same houses in the same way, even if some had a lower paper value, and some were looking forward to exactly the same future pensions, but these had now become more valuable in terms of the equivalent pension pot that would be needed to finance them. Only in the longer-run would some gainers have more opportunity to benefit from more valuable property through trading down (or inheritance) and losers less opportunity, for instance.

Against that background, Figure 8.1 shows the distribution of wealth reported to the second wave of WAS. The survey covers Great Britain, rather than the whole of the UK, and shows totals of wealth for each household (with no adjustment for household size), rather than for individuals. The top panel shows the distribution of *financial and physical wealth* (net financial assets, excluding mortgages, and items such as cars and household possessions). Median household assets on this narrow basis were £46,000 (£4,000 higher than in 2006-08). A tenth of households had assets of more than £187,000 (up by £10,000) and one per cent more than £650,000.[20] A tenth of households had less than £6,000, however. The second panel adds in people's net housing assets. These take the median to £145,000 (unchanged from 2006-08) and the 90th percentile to £489,000 (slightly down on 2006-08). The top 1 per cent of households had more than £1.4 million, but the bottom 10 per cent less than £7,500.

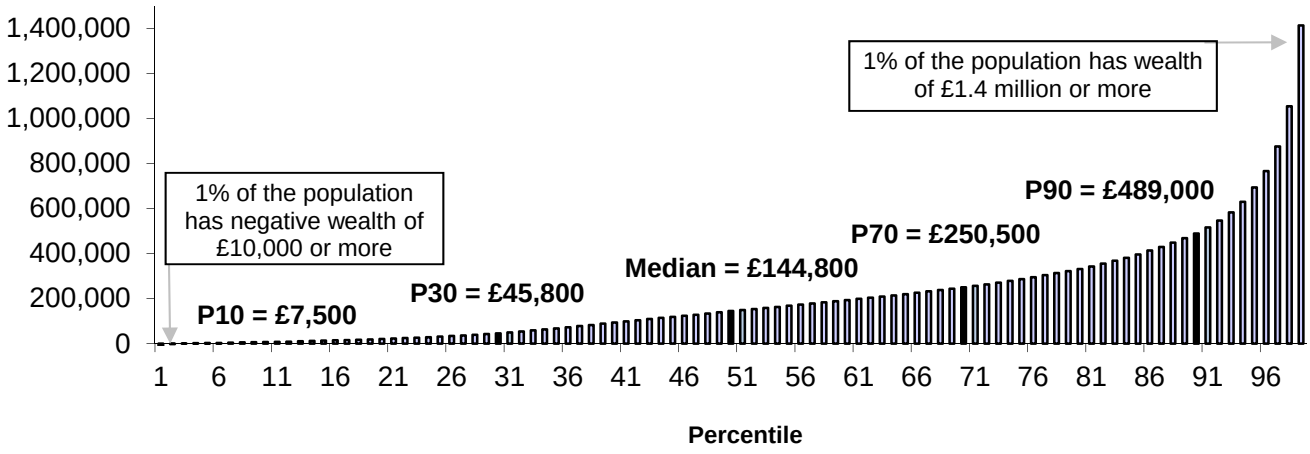
[18] See ONS's report on the second wave of WAS for more discussion of its results (ONS, 2012) and Hills and Bastagli (2013) for discussion of trends in wealth distribution from different sources including WAS.
[19] ONS collect the data throughout the two-year periods and analyse the results in nominal terms. A part of the variation within the data will therefore reflect changes in asset prices *within* the two years – such as the fall in share values after the Autumn of 2008 and the subsequent recovery.
[20] This is £8,000 higher than the equivalent figure originally published for 2006-08, but there have been estimation changes since then, so these figures are not directly comparable.

Figure 8.1: Distribution of wealth by definition, 2008-2010 (£, GB)

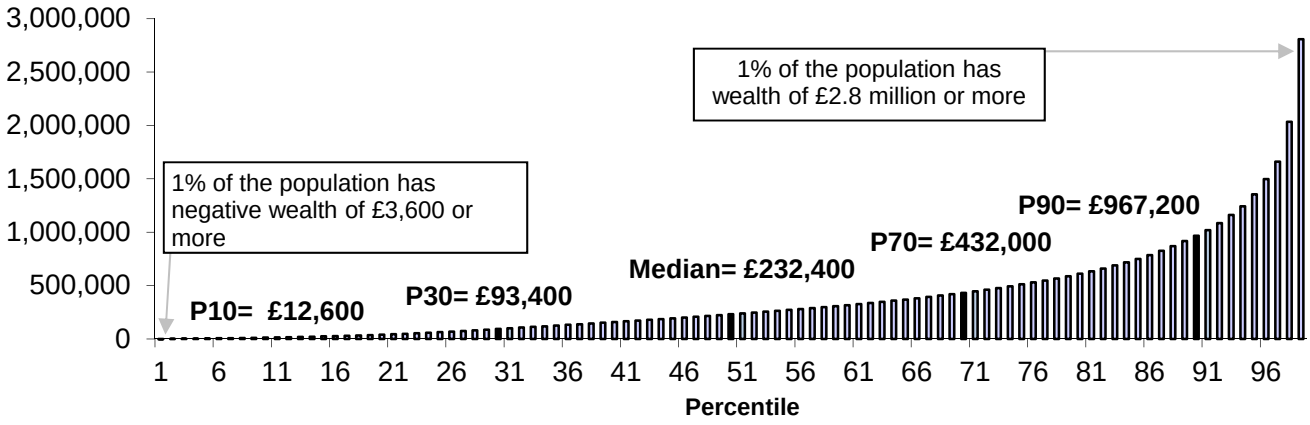
(a) Net financial and physical wealth



(b Net non-pension wealth



(c) Total wealth (including private pension rights)

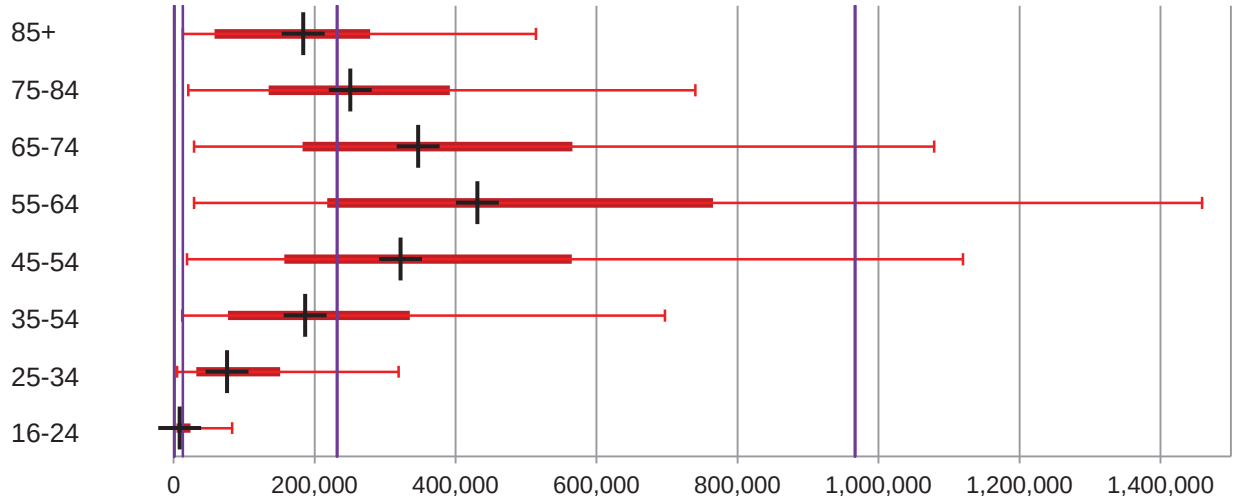


Source: Hills and Bastagli (2013), based on ONS analysis of Wealth and Assets Survey.

Finally, the bottom panel shows total household wealth, including people's private pension rights.[21]It is this definition of wealth where things changed most between the two waves of WAS. Median total wealth rose by £22,000 to £232,000, and the 90th percentile to by £107,000 to £967,000. One per cent of households had total wealth above £2.8 million.[22] The cut off for the bottom tenth was £13,000, which was £4,000 higher than in 2006-08. Wealth inequality is thus far greater than that of the income flows we have examined. For instance, inequality in total wealth as measured by the 90:10 ratio was more than 75. However, because the proportionate rise in wealth was fastest at the bottom, this was *lower* than the ratio of nearly 100 in 2006-08.

Even more than the other outcomes we analyse here, wealth distribution is strongly affected by life cycle factors, as people first build up during their working lives and then run down their savings in retirement. However, there are still considerable inequalities within each age group. Figure 8.2 shows the distribution of total wealth by age (of household reference person) in 2008-10. While households aged 25-34 had median wealth of £76,000, those aged 55-64 had median wealth of £431,000. A tenth of households aged 55-64 had total wealth of more than £1.46 million, but a tenth less than £29,000. The 90:10 ratio focussing just on this wealthiest age group was thus still 50, showing the extent to which considerable wealth inequality exists even after removing most life-cycle related factors.

Figure 8.2: Total wealth by age group, 2008-2010 (£, GB)



Source: Derived from ONS analysis of 2008-10 Wealth and Assets Survey. The vertical lines at £13,000, £235,000 and £970,000 mark the tenth, fiftieth and ninetieth percentiles for all households.

Table 8.1 shows the changes between 2006-08 and 2008-10 in absolute and percentage terms across the distribution of wealth measured in three different ways. The differences – even in nominal terms with no inflation adjustment – for financial and physical wealth and in non-pension wealth (which also includes net housing assets) were relatively small overall. It was only when

[21] See Hills and Bastagli (2013), section 2.6 for discussion of the effects of adding in state pension rights.
[22] Compared with the original figure of £2.6 million for 2006-08, but again on a basis that is not directly comparable

non-state pension rights were also included that there were substantial changes, which meant that total wealth grew faster than either prices or earnings. Other changes tended to offset one-another, but the higher valuations now put on future pension rights (resulting from lower long-term interest rates) meant that median total wealth was £22,000 higher (10 per cent), and it was £107,000 higher at the ninetieth percentile.

Table 8.1: Changes in total wealth under different definitions, 2006-08 to 2008-10, GB, nominal (£) and %

	Mean	P10	Median	P90
Absolute change (£)				
Financial and physical	+3,000	0	+4,000	+10,000
Non-pension	-5,000	+1,000	-1,000	-2,000
Total wealth	+42,000	+4,000	+22,000	+107,000
Percentage change				
Financial and physical	+4	0	+10	+6
Non-pension	-2	+14	-1	0
Total wealth	+11	+44	+10	+12

Source: Derived from ONS analysis of Wealth and Assets Survey.

The patterns shown in Figure 8.1 and Table 8.1 result from a complex pattern for those of different ages of change from the first wave of WAS. In absolute terms, the increase in median wealth was greatest for those aged 55-64 at £37,000, compared to an increase of only £9,000 for those aged 25-34. However, this represented a rise of 13 per cent for the younger group, compared to 12 per cent for the older one. Both were faster percentage increases than for the other age groups. At the top, for the 90th percentile, the greatest absolute increase was for those aged 55-64 (£141,000). This was an 11 per cent rise, slightly smaller than the 13 per cent rise for the wealthiest 65-74 year-old households (£122,000). The ONS analysis does not look separately at those aged in their 20s as we can for other outcomes, but does show that median wealth for the relatively small number of households aged 16-24 *fell* over the period – by £4,000 to only £9,000.

Table 8.2 shows changes in total wealth by region in both absolute and percentage terms. In absolute terms, apart from in the North East and West Midlands, median total wealth rose in all regions, again by most – £39,000 – in the South East, and by £36,000 in London, reflecting falls in house prices in the early part of the recession being greatest outside the capital. In percentage terms, the rise in total wealth was largest in London, at 21 per cent. This contrasts with the change in real *incomes* between 2007-08 and 2010-11 described in Section 7, where the largest *fall* was in London.

Because some of the starting numbers were very low, even the absolute changes of a few thousand pounds in the total wealth of the least wealthy (at the 10th percentiles) corresponded to large percentage changes in some regions, but the more significant differences came for the wealthiest in each region. In London the cut-off for the top tenth of households rose by £166,000,

or by 18 per cent. The best off households here were not losing so much from falling house prices, but had much higher valuations put on their pension rights (reflecting the fall in long-run interest rates). The increase in total wealth was more than £100,000 for the richest in nearly all regions and 12 per cent or more in most of them.

Table 8.2: Changes in total wealth by region, 2006-08 to 2008-10, GB, nominal (£) and %

	Mean	10th	Median	90th
Absolute Change (£)				
Great Britain	42,000	4,000	22,000	107,000
England	45,000	4,000	24,000	108,000
East Midlands	36,000	1,000	1,000	94,000
East of England	34,000	7,000	26,000	78,000
London	71,000	3,000	36,000	166,000
North East	11,000	0	-6,000	146,000
North West	40,000	2,000	29,000	79,000
South East	52,000	6,000	39,000	153,000
South West	37,000	5,000	12,000	133,000
West Midlands	37,000	6,000	0	139,000
Yorkshire & Humberside	64,000	5,000	24,000	118,000
Scotland	15,000	0	21,000	97,000
Wales	23,000	5,000	20,000	109,000
Percentage change				
Great Britain	11	44	10	12
England	12	44	11	12
East Midlands	10	7	0	12
East of England	8	47	11	8
London	19	100	21	18
North East	4	0	-3	21
North West	13	25	17	10
South East	10	40	13	14
South West	9	33	4	15
West Midlands	11	67	0	18
Yorkshire & Humberside	22	50	14	17
Scotland	4	0	13	14
Wales	6	56	9	15

Source: Derived from ONS analysis of Wealth and Assets Survey.

Table 8.3: Changes in wealth by housing tenure type, 2006-08 to 2008-10, GB, nominal (£) and %

	Mean	10th	Median	90th
Absolute Change (£)				
Own main residence outright	70,000	8,000	41,000	128,000
Buying with mortgage/loan	27,000	-2,000	12,000	87,000
Renting from LA or HA	15,000	0	7,000	47,000
Privately renting	17,000	0	9,000	35,000
Percentage				
Own main residence outright	11	5	10	10
Buying with mortgage/loan	6	-3	4	10
Renting from LA or HA	29	0	39	42
Privately renting	16	0	35	16

Source: Derived from ONS analysis of Wealth and Assets Survey. Those living rent free and shared owners omitted.

Examined by occupational social class, there were gains for all groups, but these were largest in absolute terms for the wealthiest in the highest two groups. Total wealth for large employers, higher managerial and higher professional workers rose by more than £160,000 over the period (more than 11 per cent). There were, however, significant gains for the wealthiest in most other occupational groups too however, especially as those with longest service in defined benefit pension schemes had a higher value put on their pension rights.

The interaction between house price changes and pension valuations produced some strong differences between households with different housing tenures, as shown in Table 8.3. At the median, the largest absolute growth – £41,000 – was for outright owners, although the much smaller increase for tenants represented bigger percentage changes, given their very low starting points. Again, though, it was the wealthiest in each group who wealth rose most in absolute terms. The wealthiest outright owners saw gains of £128,000, and mortgagors ones of £87,000. However, there were also gains of £35,000 or more for the wealthiest tenant households – representing a 42 per cent increase for social tenants. Where tenant households did have pension rights that were given a higher value, this made a big proportionate difference to their wealth.

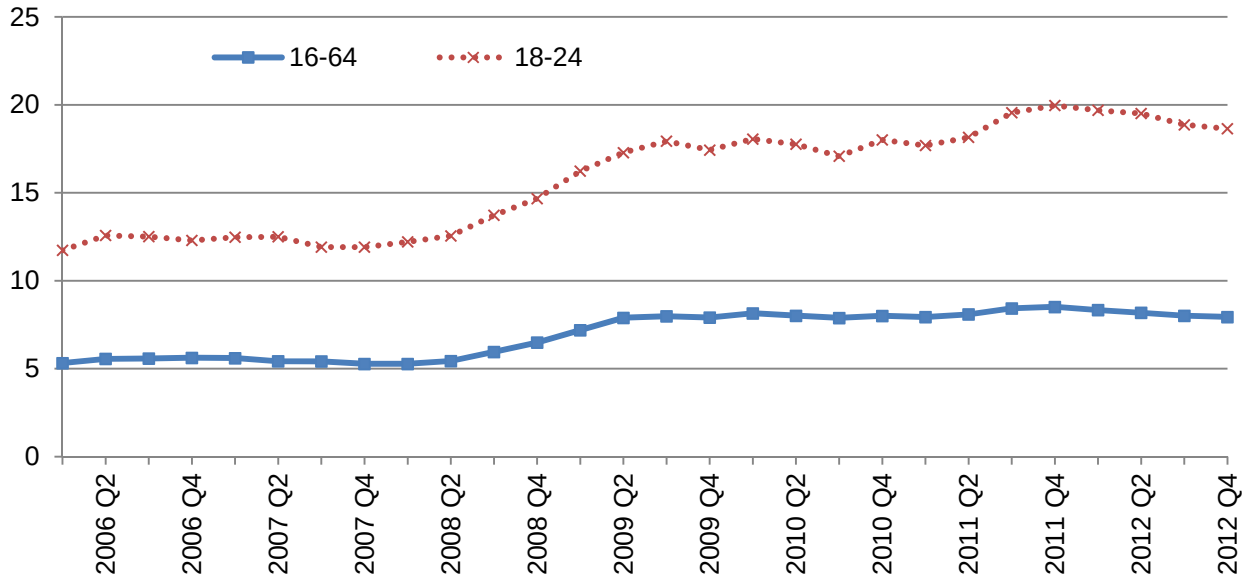
Summary

The data for wealth cover a different period from the other variables, allowing us to look at differences between a period around 2007 and a second period around 2009. The patterns this shows are rather different from the other outcomes examined here. Total wealth – including the value put on private pension rights as well as housing and financial assets – rose by 10 per cent in nominal terms over the two years, faster than either general prices (3.4 per cent) or earnings (7 per cent). In absolute terms, the 90th percentile for total wealth grew by £107,000, or by 12 per cent. The increase at the 10th percentile was only £4,000, but this was actually 44 per cent of the initial value. Overall therefore wealth inequality as measured by the '90:10' ratio between the two fell from nearly 100 to one in 2006-08 to just over 75:1 in 2006-08, even though the absolute gaps widened across the distribution considerably. The largest increases in wealth in both absolute and percentage terms were in London (and South East in absolute terms). In absolute terms, the increase in median wealth was greatest for those aged 55-64 at £37,000, compared to an increase of only £9,000 for those aged 25-34. However, this represented a rise of 13 per cent for the younger group, compared to 12 per cent for the older one. Both were faster percentage increases than for the other age groups.

9. Bearing the brunt of the recession: Born in the 1980s

The three year period over which we make most of the comparisons discussed in earlier sections is a very short one for there to have been structural changes in the patterns of inequality, even when it covers the onset of such a major recession. But it is already well-known that youth unemployment has grown much more rapidly than unemployment generally. Figure 9.1 shows ONS's series for unemployment (using the ILO definition) in the UK for the working age population as a whole and for those aged 18-24 from the first quarter of 2006 to the last quarter of 2012. In the main period we examine here – from 2007 to 2010 – overall unemployment rose from 5 to 8 per cent. But for those aged 16-24 it rose twice as fast, from 12 per cent to 18 per cent. The latest figures show a further rise for young people to 19 per cent in the last quarter of 2012, widening the gap again so the relative deterioration of the position of young people in the labour market for 2010 we describe has, if anything, worsened.

Figure 9.1: ILO unemployment rate, 16-64 and 18-24 year-olds, 2006-2012, UK (%)



Source: Data from ONS, Labour Market Statistics, April 2013, table A05.

Qualifications

While the rise in unemployment for young people is well-known, what is new in this paper is how pervasive the deterioration has been in the economic position of those in their twenties in 2010, and so born in the 1980s. This is all the more striking because on paper they are the best qualified generation ever. Table 9.1 shows the changes between 2006-2008 and 2010 in the percentage of selected five year age groups of men and women with degrees or higher degrees and with no qualifications. The pattern is very clear – each age group has more of its members with degrees than its predecessors even just three years before, and fewer with no qualifications. The biggest increases in those with degrees were those in their early thirties, particularly women, but those in their twenties improved further on that. For instance, 31 per cent of those in their late 20s in 2010 had a degree or higher degree, compared to only 17 per cent of those in their late 50s. At the other end of the working age population, those in their fifties were much less likely to have no

qualifications than their predecessors, again particularly women, and this improvement is built on for each succeeding generation, again including those in their twenties. Again, fewer than 8 per cent of those in their 20s in 2010 had no qualifications, compared to 19 per cent of those in their late 50s.

Table 9.1: Changes in highest qualifications, by selected age groups, 2006-2008 to 2010, UK (percentage points)

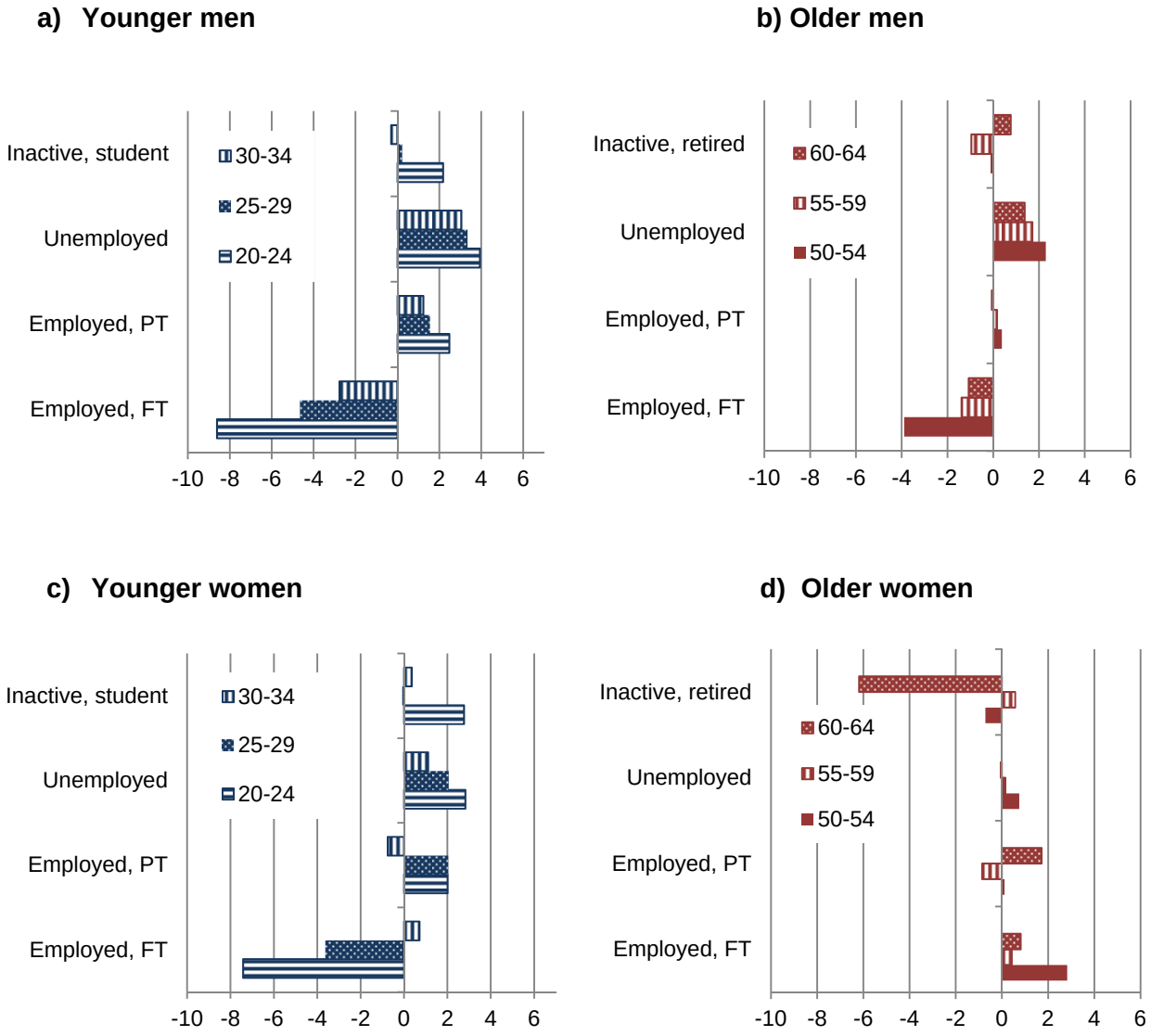
	Men	Women
(a) Degree/Higher degree		
20-24	+1.5	+1.9
25-29	+2.2	+2.4
30-34	+2.9	+6.0
50-54	+1.1	+2.3
55-59	+1.7	+3.3
60-64	+2.4	na
(b) No qualifications		
20-24	-1.2	-2.0
25-29	-0.7	-1.3
30-34	-1.3	-1.4
50-54	-3.5	-5.5
55-59	-2.4	-6.1
60-64	-4.6	na

Source: Labour Force Survey.

Employment

Figure 9.2 (a)-(d) contrast the change in the labour market position of those aged from 20-34 with that of people aged 50-64. The differences are stark. For men aged 20-24 in 2010, full-time employment was nearly 9 percentage points lower than for people of the same age three years before; for those in their late 20s, it was nearly 5 points lower. For younger women the falls were almost as large. But full-time employment actually *rose* for women in their late fifties.

Figure 9.2: Change in employment status, by age and gender, 2006-2008 to 2010 (percentage points, UK)



Source: Labour Force Survey.

Hourly wages

It was not just the employment of younger people that fell. Their real wages also fell dramatically. While the fall in median real wages overall was 1.6 per cent, Table 9.2 shows that median wages for all employees in their 20s fell by between 5 and 8 per cent for both men and women. For the worst-paid men in their early 20s, the fall was nearly 10 per cent, and for the worst-paid women nearly 8 per cent. Even for the best-paid in their 20s, the fall was 4-7 per cent. By contrast, median real wages grew by 2 per cent for men and women in their late 50s, and for the best paid men in their late 50s. As a result, while in 2006-2008 median wages for men in their early 20s were 64.5 per cent of wages for men in their late 50s, by 2010 the ratio had fallen to 59.6 per cent. For women the equivalent fall was from 82.1 to 76.4 per cent.

Table 9.2: Changes in real hourly wages, all employees, by selected age groups, 2006-2008 to 2010, UK (%)

	Mean	P10	Median	P90
Men				
20-24	-5.1*	-9.7	-5.5	-6.1
25-29	-5.7*	-5.8	-7.1	-5.6
30-34	-4.3*	-4.2	-3.9	-4.7
50-54	-1.7	-2.5	-2.5	+1.1
55-59	+1.8	-0.6	+2.2	+2.7
60-64	+3.8*	-2.5	+1.4	+8.2
Women				
20-24	-5.3*	-7.6	-5.3	-4.4
25-29	-7.3*	-3.2	-8.3	-6.9
30-34	-0.7	-1.5	1.1	-1.9
50-54	+0.7	-1.5	-0.8	-0.2
55-59	+2.3*	-0.3	+1.8	+0.1
60-64	+5.7*	+2.9	+4.4	+8.1

**Change in mean is significant at least at 10 per cent level.*

Source: Labour Force Survey.

Full-time weekly earnings

As we saw in Sections 5 and 6, median full-time earnings fell by 1.0 per cent, which was less than the 1.6 per cent fall in median hourly earnings for all employees. But even where they were working 'full-time', weekly earnings for both men and women in their early twenties fell slightly faster than their hourly wages – by 6.1 per cent for both men and women. For the worst-paid men and women in their early twenties the fall was more than 9 per cent (and 4-6 per cent for the best paid). The other changes shown in Table 9.3 follow a fairly similar pattern to the changes in hourly wages in Table 9.2, with growth in median wages for men in their late 50s and early 60s, and especially fast growth – by more than 7 per cent in each case for the best-paid men and women in their early 60s.

Table 9.3: Changes in real weekly earnings, full-time employees, by selected age groups, 2006-2008 to 2010, UK (%)

	Mean	P10	Median	P90
Men				
20-24	-4.2*	-9.3	-6.1	-5.8
25-29	-6.1*	-7.1	-5.5	-7.7
30-34	-2.1	-7.4	-3.8	-4.0
50-54	+1.1	-5.9	-1.5	+1.4
55-59	+3.0	-3.2	+0.6	+3.6
60-64	+3.6*	-5.2	+2.8	+7.1
Women				
20-24	-6.1*	-9.5	-6.1	-3.6
25-29	-7.1*	-7.1	-6.8	-6.4
30-34	-2.6*	-6.8	-1.2	-2.4
50-54	-0.9	-6.2	-1.0	-0.9
55-59	-0.9	-1.2	-0.6	-3.7
60-64	+3.1	+2.6	-4.0	+8.5

**Change in mean is significant at least at 10 per cent level.*

Source: Labour Force Survey.

Household net incomes

As we discussed in Section 7, the operation of the tax and benefit system tends to reduce the effect of labour market inequalities on net household incomes, and one might expect it to dampen some of the most severe differences in experiences between groups. However, Table 9.4 suggests this was not the case for the deteriorating position of people in their twenties between 2007-08 and 2010-11. This is despite the fact that more of them were likely to be living with their parents at the later date,[23] and so part of a larger household in calculating equivalent incomes. Noting the slight difference in the age groups shown from those used above, median net incomes before housing costs fell by nearly 11 per cent for those aged 21-25 and nearly 10 per cent for those aged 26-30. After housing costs, the medians fell by more than 16 and 12 per cent respectively. The first of those is quite startling – median household net incomes (whatever household they were in) for those in their early twenties were a sixth lower than for their equivalents just three years before. These falls were far greater than even for those in their early thirties, while equivalent net incomes actually grew for those in their early 60s. Before housing costs, real incomes of the poorest 21-25 year-olds fell by 8 per cent, but after allowing for them they fell by 17 per cent. This left the tenth percentile of net income for 21-25 year-olds after

[23] ONS figures show that that shows that total number of adults (20-34) living with parents increased by roughly 200,000 between 2008 and 2010. (http://www.ons.gov.uk/ons/dcp171776_266357.pdf)

housing costs at £113 per week (for a couple), less than a third of overall median income (and only just over half the conventional poverty line).

Table 9.4: Changes in real household equivalent net income, by selected age groups, 2007-08 to 2010-11, UK (%)

	Mean	P10	Median	P90
(a) Before housing costs				
21-25	-8.6	-8.2	-10.8	-13.0
26-30	-12.6	0.0	-9.6	-8.9
31-35	-1.3	+1.7	-3.0	-0.7
51-55	-2.9	+3.5	-4.5	-5.2
56-60	-0.9	+9.5	-2.0	-2.0
61-65	4.0	+7.1	+6.0	+3.9
(b) After housing costs				
21-25	-13.3	-16.9	-16.5	-14.0
26-30	-14.8	-12.3	-12.3	-7.8
31-35	-2.1	-3.5	-4.4	-5.3
51-55	-6.3	-3.1	-7.8	-9.0
56-60	-5.5	-1.8	-5.0	-6.1
61-65	-0.5	+3.1	+1.4	-2.1

Source: Derived from DWP analysis of HBAI dataset based on Family Resources Survey.

Wealth

As we discussed in Section 8, what has happened to the wealth of people in their twenties is not as clear as for the other outcomes. This is partly because the age groups available for analysis are for households with household reference people aged 16-24 and 25-34. The former group is relatively small, as many of that age will not yet be in independent households, and the latter includes those in their early 30s, whose outcomes discussed above have not been affected by the recession in the same way as those in their 20s. Table 9.5 shows both absolute and percentage changes in total wealth between 2006-08 and 2008-10. Households aged 16-24 did badly on this definition and on narrower ones. In absolute terms they were the only age group with consistent losses in total wealth. By contrast, those aged 25-34 had the largest percentage increase (13 per cent) in median total wealth. In absolute terms, it was the richest 55-64 year-olds who gained most, £141,000.

Table 9.5: Changes in total wealth, 2006-08 to 2008-10, GB, nominal (£) and %, selected age groups

	Mean	P10	Median	P90
Absolute change (£)				
16-24	-10,000	-2,000	-4,000	-8,000
25-34	+6,000	+2,000	+9,000	+29,000
55-64	+73,000	-1,000	+13,000	+141,000
Percentage change				
16-24	-26	-100	-31	-9
25-34	+5	+67	+13	+10
55-64	+11	-3	+3	+11

Source: Derived from ONS analysis of Wealth and Assets Survey.

10. Summary and conclusions

The recession hit people in different ways. Looking at the whole population, Table 10.1 shows the sharp contrasts between what was happening to market incomes and what happened to incomes after allowing for taxes and benefits. Hourly wages and weekly earnings fell in real terms – by most at the bottom and least at the top – so labour market inequality grew, as well as unemployment. But the operation of direct taxes and benefits meant that household incomes became less unequal after allowing for them – partly because pensions and other benefits were protected against inflation (and also with some lags in adjustment for past inflation). At the bottom, before allowing for housing costs, real incomes grew. But the system was less successful in insulating the poorest from the recession once housing costs are allowed for – if this is done, the poorest were 2 per cent worse off, although this was a smaller fall than in the middle or at the top.

And looking in more detail, some groups were better protected than others. Children were protected, and so were pensioners. But – as we show below – young people were not. And some of the poorest groups looked at more narrowly were sharply worse off – after allowing for their housing costs by 24 per cent for the poorest Londoners, and by more than 10 per cent for the poorest people in the poorest three-tenths of neighbourhoods .

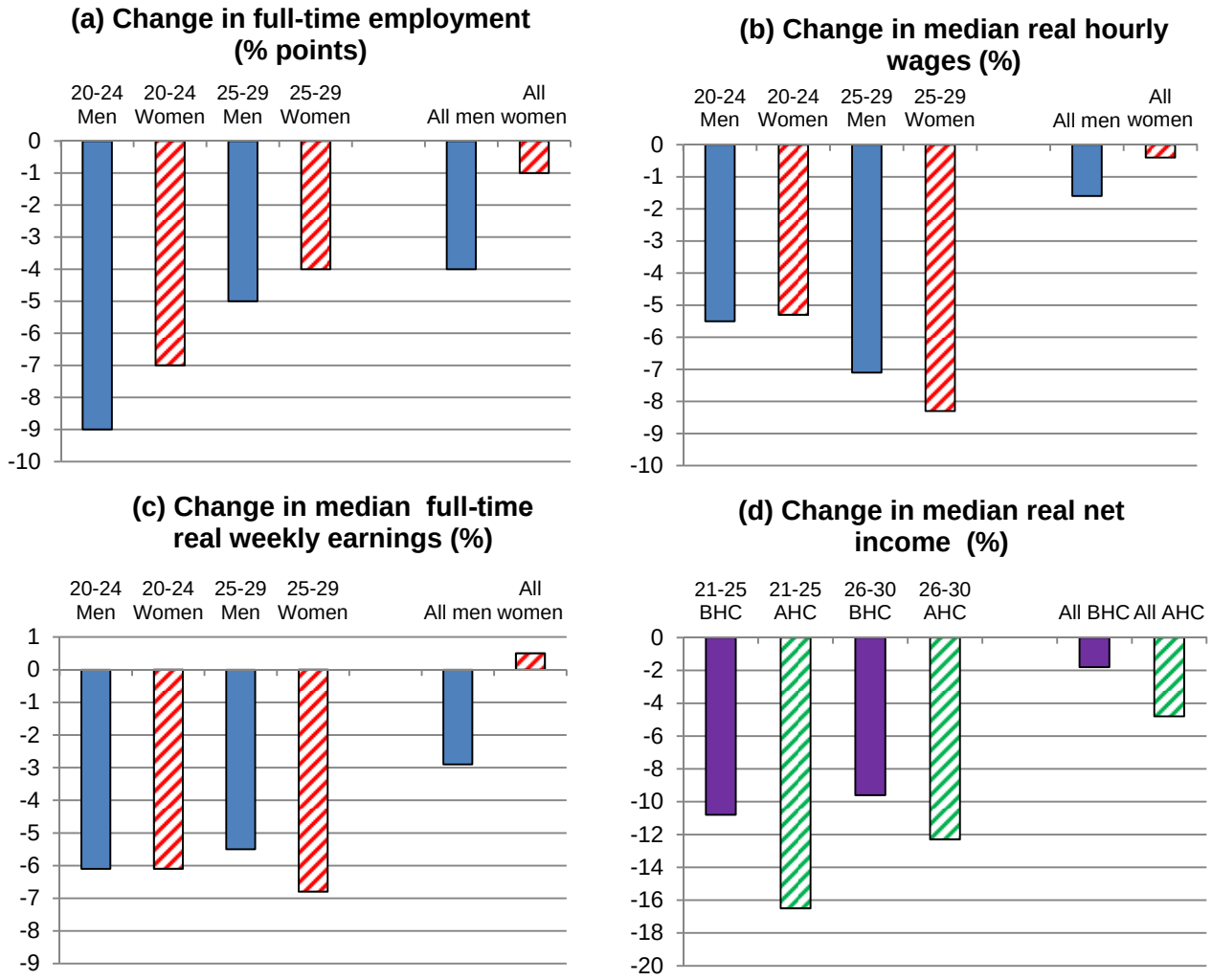
Table 10.1: Changes in economic outcomes by position in distribution, various years (UK and GB, %)

	Mean	P10	Median	P90
Hourly wages (all employees, 2006-2008 to 2010, UK)	-0.6	-1.2	-1.6	-0.4
Weekly earnings (full-time employees, 2006-2008 to 2010,UK)	-0.3	-5.1	-1.0	-0.8
Equivalent net income (2007-08 to 2010-11, UK)				
- Before housing costs	-3.3	+4.1	-1.8	-3.4
- After housing costs	-6.0	-2.0	-4.8	-5.0
Total wealth (2006-08 to 2008-10, GB)	+11	+44	+10	+12

Source: Earlier tables and analysis. Wages, earnings and incomes are real change; wealth is nominal change.

The biggest change comparing the two periods analysed here, within what was generally just the first three years of the economic crisis, was the deterioration in the position of young adults, which is summarised in Figure 10.1.

Figure 10.1: Changes in economic outcomes, selected ages, various years



Source: Earlier figures and tables. Employment, wages and earnings are the change from 2006-2008 to 2010. Median net incomes all change from 2007-08 to 20120-11 (equivalent household income).

Focusing just on those in their early 20s:

- Proportion in full-time employment: down 9 percentage points for men and down 7 points for women.
- Median hourly wages: down 5.5 per cent for men and down 5.3 per cent for women.
- Median weekly full-time earnings: down 6.1 per cent for men and women.
- Median household equivalent net income was down 10.8 per cent before housing costs and 16.5 per cent after housing costs.

Most of the losses were only slightly less severe for those in their late 20s, and they generally affected both better-off and worse-off people in their twenties, not just those at the bottom of the distributions. They came despite the higher levels of qualifications of this age group than their predecessors of the same age, with 31 per cent of those in their late twenties having a degree or higher degree.

Across Europe the effect of the crisis on young people has been severe. While some of the overall effects have not been so great in the UK as in, say, Southern Europe, the way in which young adults have been disproportionately affected here has been similar. There is some irony that those who have been worst affected are those born in the decade – the 1980s – when financial liberalisation was set in train, ultimately contributing the financial crash that precipitated the crisis.

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