

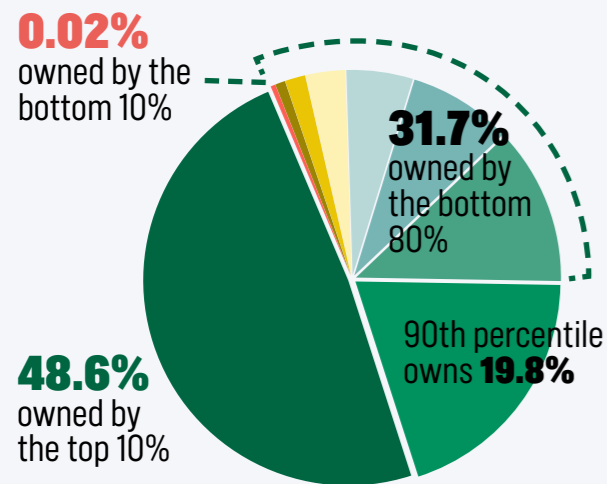
COST OF INEQUALITY 2023



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Introduction

Over the last few decades, inequality in the UK has increased rapidly. In particular, this has benefited the super-rich, to the point that the UK's 171 billionaires¹ now hold as much wealth as over 40 million of the rest of us:



Above: A pie chart showing the share of total UK wealth held by individual wealth decile, ONS Wealth & Assets Survey

While billionaire wealth sky-rocketed by over 1000% since 1990,² the rest of us have been left behind.

The consequences of structuring society to allow for massive profiteering for the richest at the expense of the rest of us have been enormous. We've always found that more equal societies work better for everyone, with longer healthy lives, better education systems, less crime, and happier societies. The UK's inequality has left us more unhealthy, unhappy, and unsafe than our more equal peers.

¹ Sunday Times Rich List, May 2023
² Billionaire Britain 2022, The Equality Trust
³ Department for Education budget was £81.4bn and Universal Credit £83bn for 2023-24 according to the OBR
⁴ Funding the maintenance backlog, increasing spending for inflation and increased demand, hiring new staff and increasing wages would cost around £66.7 billion over 15 years according to the NHS Long Term Staffing Plan and NHS Estates Reports

It's also causing huge damage to our economy. Over-reliance on the financial systems that allow for massive profits and wealth hoarding has hollowed out our infrastructure, encouraged massive regional disparities, and left us vulnerable to shocks and recessions.

Now we've found that there's also a direct financial cost to inequality. As well as hurting our economy and communities, the UK is effectively spending huge amounts every year to subsidise the costs of inequality.

Previous research in *The Spirit Level* indicated a correlation between equality and quality of life in several areas. In this report, we analysed 23 comparable OECD countries' inequality levels and their performance in key metrics (see overleaf) to calculate what UK's inequality is costing us.

We found that compared to the average for developed OECD countries, the consequences of the UK's greater inequality cost us:

£106.2 billion yearly

Compared to the top five most equal countries, the UK's inequality cost us:

£128.4 billion yearly

This is across just four outcomes. The true cost of our inequality will be much higher. This is an enormous sum of money spent each year; larger than the annual budget for the Department of Education or Universal Credit³ and dwarfing the cost required to fix the NHS crisis.⁴

CALCULATING THE COST

A regression model was used to calculate the levels of mental illness, homicide, imprisonment, and healthy life expectancy that would be expected in the UK if there was a lower level of inequality. The data was drawn from a collection of international databases and the outcomes were selected on the basis that they had a relationship to income inequality, were costly yet preventable and could be costed with good quality UK sources.

In this report, we examined two scenarios. In the first, the UK's level of inequality is decreased to the average for the 23 developed countries.³ Bringing inequality down to just "average" would be a huge improvement.

However, in the second scenario, the UK's equality level is compared with the five most equal countries according to the most recent World Income Inequality Database 80:20 ratio: Denmark, Finland, Belgium, Norway, and the Netherlands. The UK is the fifth richest country in the world, and this is what we should aspire to.

With huge thanks to Drs Kate Pickett and Richard Wilkinson for their help building these models.

Physical Health: £34.3bn-£47.8bn

The UK's healthy life expectancy was 70.1 years in 2019,⁵ ranking it 21st out of the 22 assessed countries.⁶

We found that in a more equal UK, we could expect to live longer and healthier lives.

If the UK were as equal as the **average for the developed OECD countries**, we would expect to live another:

12.8 months of healthy life

If the UK were as equal as the **top five most equal developed OECD countries**, we would expect to live another:

17.8 months

⁵ Databases used include World Income Inequality, World Health Organisation, Global Burden of Disease, World Prison Brief, and UNDOC.
⁶ Singapore was excluded from this data due to concerns about non-comparability.

NICE guidelines indicate that the UK health system will pay £20,000-30,000 for a drug that increases healthy life expectancy (Quality Adjusted Life Year). This cost-effectiveness threshold hasn't been updated with inflation since 2004; research in mid 2021 found that the range should be increased to £28,584-£42,786, although this won't take into account the rapid increase in inflation the UK has experienced since 2022. With that in mind, we've used the upper limit of £30,000 as our basis. Therefore, we estimate:

The cost of inequality for physical health, compared to the **average for the developed OECD countries**, is:

£34,337,869,367 yearly

The cost of inequality for physical health, compared to the **top five most equal developed OECD countries**, is:

£47,751,099,588 yearly

Mental Health: £70.2bn-77bn

Both the prevalence and cost of the UK's poor mental health are difficult to calculate. The LSE estimates that the wider impact costs at least £117.9bn each year,⁷ while Deloitte estimates that employers lose £56bn each year due to poor employee mental health.⁸

The NHS estimated a mental illness rate of 17% in the most recent survey,⁹ while around 5.8% of the UK population used NHS mental health services in 2021/22.

There's also a massive variation in spending on mental health per head across the UK, ranging from 13.8% of the total NHS budget in England to 5.7% in Northern Ireland.

However, using international data provided in an analysis published in the BMJ that measured prevalence of 8 combined mental illnesses from the Global Burden of Disease database in relation to income inequality, controlling for development and unemployment,¹⁰ we estimate that:

If the UK were as equal as the **average for the developed OECD countries**, we would expect the prevalence of mental illness to:

fall by 7.78%

If the UK were as equal as the **top five most equal developed OECD countries**, we would expect the prevalence of mental illness to:

fall by 8.75%

Multiplying the cost per incidence of each case of mental illness by the expected rate of mental illness in these two scenarios, we can estimate the cost of inequality in mental

⁷ 'The economic case for investing in the prevention of mental health conditions in the UK', LSE, March 2022

⁸ 'Mental health and employers', Deloitte, April 2022

⁹ 'Adult Psychiatric Morbidity Survey' NHS, Sept 2016

¹⁰ 'Ecological study of the association between mental illness with human development, income inequalities and unemployment across OECD countries', BMJ, 2020

¹¹ 'World Prison Brief', October 2023

¹² 'Costs per place and costs per prison by individual prison' HM Prison and Probation Service, March 2023

health.

The cost of inequality for mental health, compared to the **average for the developed OECD countries**, is:

£70,254,529,411 yearly

The cost of inequality for mental health, compared to the **top five most equal developed OECD countries**, is:

£76,981,764,705 yearly

Imprisonment: £1.6bn-£2.9bn

The World Prison Brief's 2023 data indicates that the UK's imprisonment rate is 143 per 100,000 people.¹¹ This ranks it 18th out of 23 in the assessed countries.

If the UK were as equal as the **average for the developed OECD countries**, we would expect the imprisonment rate to fall to:

108 per 100,000

If the UK were as equal as the **top five most equal developed OECD countries**, we would expect the imprisonment rate to fall to:

59 per 100,000

In 2021/22, the cost per prison place in the UK was £46,696 each year.¹²

The reduced imprisonment rate, and accordingly the reduced costs per year, gives us the cost of inequality for prisons.

The cost of inequality for imprisonment, compared to the **average for the developed**

OECD countries, is:

£1,637,075,106 yearly

The cost of inequality for imprisonment, compared to the **top five most equal developed OECD countries**, is:

£2,909,487,955 yearly

Homicide: £785.6mn

Inequality is strongly correlated with violence. In this case, the UK is already performing at the level of the average of the 23 countries for homicide rate.

However, we could still expect a reduction in murder by making the UK more equal. Using UNDOC data, the UK currently has a homicide rate of 1.2 per 100,000 people.¹³

If the UK were as equal as the **top five most equal developed OECD countries**, we would expect the homicide rate to fall to:

0.73 per 100,000

According to the UK Home Office, the total cost of homicide to society can be calculated at £3,217,740. Excluding the cost of imprisonment (which we've calculated separately), that leaves a cost of £2,899,500 per homicide.¹⁴

Accordingly, a reduction in our homicide rate gives us the cost of inequality.

The cost of inequality for homicide, compared to the **top five most equal developed OECD countries**, is:

£785,572,461 yearly

¹³ 'Global study on homicide', UN Office on Drugs and Crime, 2019

¹⁴ 'The economic and social costs of crime' UK Home Office, July 2018

Total Cost of Inequality

The overall cost of inequality, compared to the **average level of inequality for the developed OECD countries**, is:

£106,229,473,885

(or £106.2 billion)

The overall cost of inequality, compared to the **top five most equal developed OECD countries**, is:

£128,427,924,711

(or 128.4 billion)

The data necessary to calculate the true cost of inequality is not available, and it's impossible to put a price on the full consequences of a broken society. Our estimates only capture a tiny fraction of the impact across four outcomes among many.

Making the UK more equal wouldn't just save money; it would improve every part of our lives. The UK's current inequality is the result of a series of political choices, and we should aspire to be one of the most equal countries.

A more equal UK would have a stronger and more productive economy, working infrastructure nationwide, healthier and longer-lived lives, a better education system, less crime, and more control over our lives.