



A Divided Britain?

Inequality Within and Between the Regions



Contents

Introduction	3
Key points	4
The pay gap - pay inequality across the UK	5
Where do the highest and lowest paid people live?	8
Average pay and income in the regions of the UK	11
How is wealth shared across the UK?	13
Income and health: how life expectancy differs across regions	20
Conclusion	23



Introduction

The UK economy has now surpassed its pre-recession peak, in absolute if not per-head terms, and is predicted by the IMF to grow faster than any other major developed nation. Doubts however linger as to the sustainability of our recovery. More importantly, questions have been raised as to the beneficiaries of this recovery – is it just Londoners and the super-rich who are pocketing the gains, or is it all people across all UK regions?

When economic growth and wealth is talked about, a simple story has taken root– London is rich, and our other regions are poor. But is this true?

Stories of ‘post-code’ lotteries in health and education will be familiar to all. But the story on economic inequality is far more complex. This briefing note sets out the facts on regional inequality to bring clarity and evidence to the debate. It sets out where income inequality is greatest, presents the data on which region has the highest median wage and which the lowest, looks in detail at the differing wealth of regions and addresses how this varies by financial and property wealth and how this relates to regional house prices. Finally, it examines where men and women can expect to live the longest and shortest number of years and explains how this is related to the income and wealth of the region.

Although on a number of measures there are significant inequalities between and within UK regions, this briefing note shows that this inequality is far less significant than inequality within the UK as a whole. In other words, the gap between rich and poor people within and between regions is far less than the gap between rich and poor when the whole of the UK is looked at. This highlights the need for inequality reduction policy to be targeted at the whole of the UK.



Key Points

- Rich-poor pay gap - London has the largest pay gap between the richest 1% and poorest 1%. The average pay of someone in the richest 1% is almost 15 times (14.8 times) that of someone in the poorest 1%. In most other UK regions, the pay of the very top ranges from 10 times that of the very bottom to 8 times.
- High and low pay - There are more highly paid people in London than there in any other region, even after adjusting for its size. The North West has the greatest proportion of low earners. Because it is so dominated by high earners, London has greater pay inequality than every other region.
- Average wage - London has the highest (at £15.84) median wage, and the East Midlands the lowest (£10.42).
- Wealth inequality - In general, people in regions in the south of the UK (South West, South East and London) have more wealth than those in the East and the North. London has the greatest wealth inequality. The picture changes when looking at financial and property wealth separately; property wealth in particular is clearly affected by differing house prices across the UK.
- Income inequality and health - Although inequality of average life expectancy across the UK does not directly mirror either wealth or income inequality, it does bear considerable similarities to wealth inequality. There is a gap of roughly 3 years between the region with the highest male life expectancy, the South East, and the region with the lowest, the North West.

The pay gap - pay inequality across the UK

There is a considerable pay gap between those at the top and those at the bottom in every region of the UK. Pay at the 90th percentile is in every region over six times larger than pay at the 10th percentile.

However London is a special case with both higher pay across the board and high levels of inequality.

If the total population of London was reduced to 100 people, and those people were lined up from 1-100, with the poorest person numbered 1, and the richest numbered 100, the person at number 90 (the richest 10th) would be paid over eight times the amount of the person numbered 10 (the poorest 10th). In other words, those on the 90th percentile in London are paid over eight times the amount of those at the 10th percentile.

The poor in London would still be considered poor in other regions. Pay at the 10th percentile in London is still under half that of the lowest regional median pay in the country (Wales).

Pay across regions other than London is fairly similar, with the poorest 10% paid around £6-7,000, median pay around £19-22,000 and the richest 10% paid between £40,000 and £50,000.

Figure 1: Annual pay at the 10th Percentile, Median and 90th Percentile by region (2013)

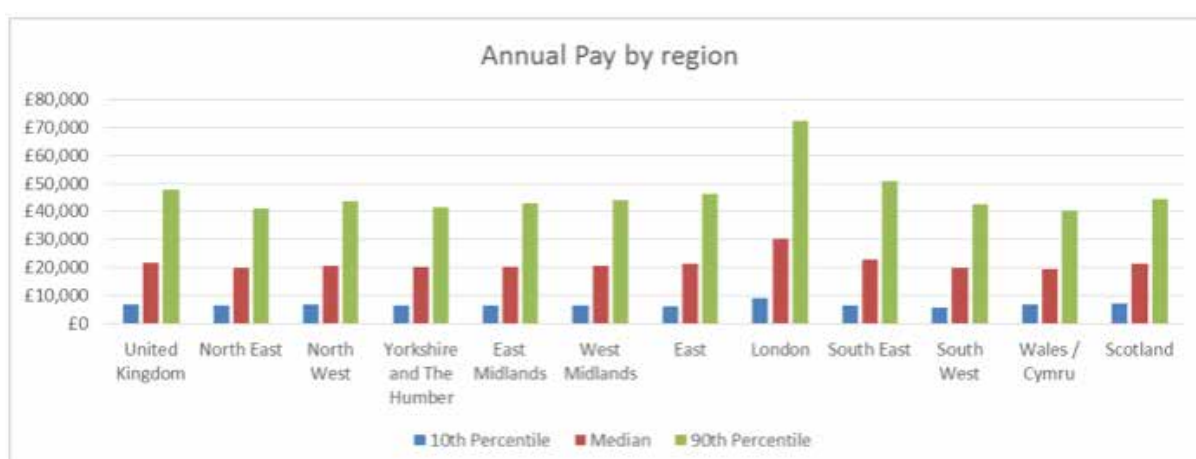




Figure 2: Annual pay at the 10th Percentile, Median and 90th Percentile by region (2013)

Region	10 th percentile	Median	90 th Percentile
UK	£6,824	£21,905	£47,913
North East	£6,665	£19,902	£40,981
North West	£6,824	£20,520	£43,619
Yorkshire and the Humber	£6,523	£20,208	£41,621
East Midlands	£6,655	£20,466	£43,120
West Midlands	£6,665	£20,634	£44,035
East	£6,244	£21,413	£46,200
London	£9,009	£30,479	£72,459
South East	£6,549	£22,743	£50,934
South West	£5,940	£19,978	£42,647
Wales	£6,792	£19,537	£40,349
Scotland	£7,187	£21,586	£44,291

The richest and poorest 1% - how large is the gap?

London has the largest pay gap between the top 1% and bottom 1%. The average pay of someone in the top 1% is 14.8 times that of someone in the bottom 1% (see Figure 1). In most other UK regions, the pay of the very top ranges from ten times that of the very bottom to eight times. The smallest gap is in Wales.

While the pay gap between rich and poor may be very large, it is smaller today than in 1998. Data from 1998, before the introduction of the National Minimum Wage, shows that the gap has reduced across the country, for instance from 18.2 to 14.8 in London. This suggests that the National Minimum Wage played an important role in reducing inequality between the very top and the very bottom.

Figure 3: Annual pay of the richest 1% as a multiple of average pay of the poorest 1%; 1998 and 2013, by UK region.

Region	99th and 1st percentile ratio	99th and 1st percentile ratio
	1998	2013
North East	10.5	8.9
North West	10.9	9.6
Yorkshire and the Humber	9.7	9
East Midlands	10.1	8.8
West Midlands	11.2	9.6
East	11.7	9.5
London	18.2	14.8
South East	12.6	10.2
South West	10.8	9.2
Wales	10.5	8
Scotland	11.1	10
Northern Ireland	9.3	9.1

Where do the highest and lowest paid people live?

London is also an outlier in terms of the proportion of highly paid people who live there (see Figure 4). Of those in the richest 10% of UK earners, 33% live in London; this is significantly higher than would be expected by London's share of all UK employees (14.9%). At only 7.9%, London also has fewer low earners (those in the poorest 10%) than would be expected from its share of UK employees.

No other region has as much of a disparity between its share of total employees and its share of either the richest or poorest 10% of earners as London. All other UK regions have a slightly larger proportion of workers in the poorest 10% of earners and a marginally smaller proportion of workers in the richest 10% than would be expected from their share of total UK employees.

Figure 4: Proportion of workers in the highest 10% of earners, by region (2013).

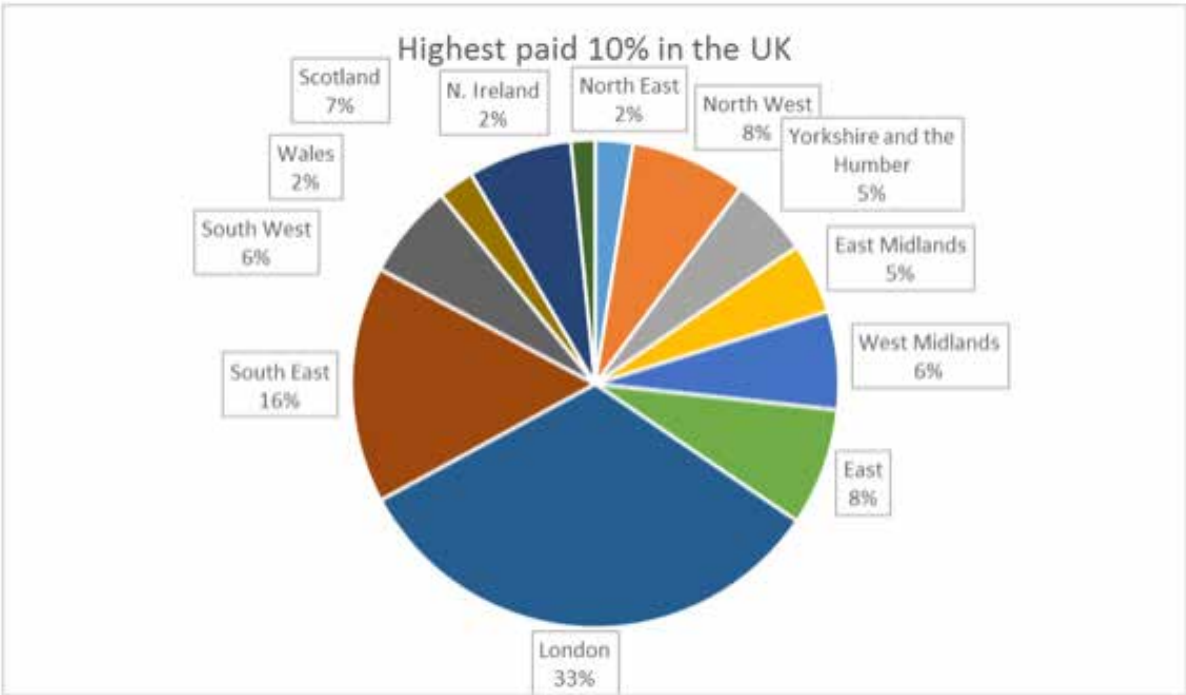




Figure 5: Proportion of workers in the bottom 10% of earners, by region (2013).

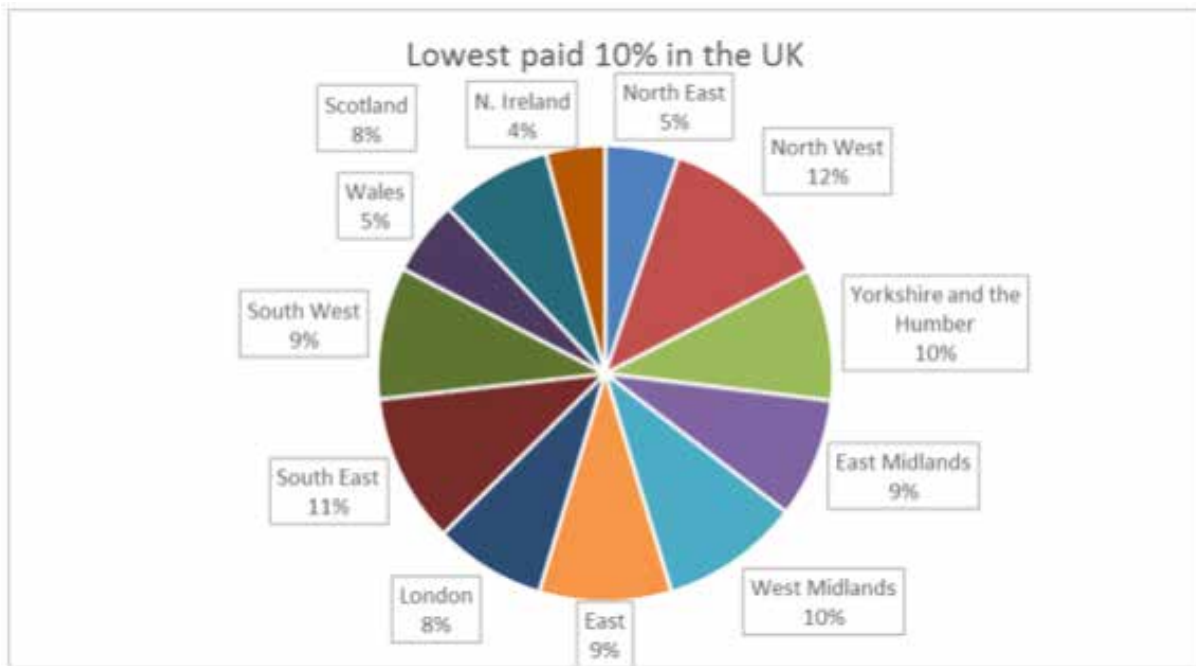


Figure 6: Proportion of UK earners in bottom 10% and top 10% of earners in each region (2013).

Region	Bottom 10% of UK earners	Top 10% of UK earners	Proportion of all UK employees in region
North East	5.20%	2.50%	3.90%
North West	12.30%	7.70%	10.60%
Yorkshire and the Humber	9.40%	5.30%	8%
East Midlands	8.50%	4.70%	6.90%
West Midlands	9.90%	6.50%	8.60%
East	9.40%	7.80%	9.20%
London	7.90%	32.60%	14.90%
South East	10.60%	15.70%	13.50%
South West	9.40%	6.30%	8.50%
Wales	5.30%	2.40%	4.40%
Scotland	7.90%	6.90%	8.80%
N. Ireland	4.20%	1.60%	2.80%

Average pay and income in the regions of the UK

Looking at the median wage across the UK, London is again an outlier. At £15.84 per hour London has the highest median wage of all UK regions (see Figure 7). The South East has the second highest median wage; however it is possible that this is mainly due to its proximity to London, as many of those who live in the South East may work in London. The median hourly wage in other regions is significantly lower than that in London, ranging from roughly £10 to £11.50 per hour.

Figure 7: Median hourly pay, by UK region (2013).

Region	Median Hourly Pay
North East	£10.56
North West	£10.75
Yorkshire and the Humber	£10.52
East Midlands	£10.42
West Midlands	£10.81
East	£11.29
London	£15.84
South East	£12.10
South West	£10.74
Wales	£10.50
Scotland	£11.54
Northern Ireland	£10.19
UK	£11.62

Disposal income in the middle

Disposable income is an important measure when considering incomes and wealth within and across regions, as it helps to build a more complete picture of living standards. The differing level of median income across UK regions does not necessarily reflect the disposable income of people in different parts of the UK. For example, accounting for differing housing costs across the UK lowers the median income of some regions considerably, particularly in London, where the median income falls from £538 per week to £417 due to high housing costs.

Figure 8: Median income per week before and after housing costs, by region (2013).

Region	Median income - Before Housing Costs	Median income - After Housing Costs
England	£487.00	£408.00
North East	£433.00	£372.00
North West	£451.00	£387.00
Yorkshire and the Humber	£446.00	£385.00
East Midlands	£460.00	£399.00
West Midlands	£441.00	£376.00
East of England	£517.00	£439.00
London	£538.00	£417.00
South East	£554.00	£461.00
South West	£490.00	£407.00
Wales	£442.00	£385.00
Scotland	£480.00	£418.00

How is wealth shared across the UK?

Total wealth

Wealth inequality provides more varied results than income inequality. The richest 25% in the South East of England have the most wealth when compared to the richest 25% in other regions. However the region does not have the greatest wealth inequality, as the bottom 25% in the South East have more wealth than the bottom 25% in other regions.

In most regions the wealth of the bottom and top 25% seem to move in tandem, rising and falling together; however in London the top 25% have relatively high levels of wealth compared to other UK regions, while the bottom 25% have amongst the least.

Figure 9: Total wealth of the household at the bottom 25% threshold, median and top 25%, by region (2010-12) Total wealth includes financial wealth, property wealth, physical wealth and pension wealth.

Region	Bottom 25%	Median	Top 25%
North East	£30,100	£142,700	£356,300
North West	£44,800	£179,100	£402,000
Yorkshire & the Humber	£58,900	£184,200	£407,100
East Midlands	£60,800	£207,200	£472,400
West Midlands	£48,500	£186,800	£414,100
East of England	£75,500	£259,900	£568,700
London	£30,200	£213,200	£546,200
South East	£99,400	£309,700	£647,200
South West	£85,500	£288,300	£566,500
All England Regions	£58,300	£224,300	£506,200
Wales	£58,300	£207,400	£410,900
Scotland	£40,900	£165,500	£407,600
Great Britain	£57,000	£218,400	£490,900

Financial wealth

Wealth inequality is much greater when looking at financial wealth (the value of savings and investment less outstanding non-mortgage debt) only, as opposed to total wealth. Compared to other UK regions, the South East has the largest amount of wealth in its top 25% and, on average, its middle 50% also have the highest amount of wealth (£12,300), compared to other UK regions.

Figure 10: Financial wealth of bottom 25%, median and top 25%, by region (2010-12)

Financial Wealth	Bottom 25%	Median	Top 25%
North East	-£400	£2,400	£21,000
North West	-£400	£3,400	£26,900
Yorkshire & the Humber	-£100	£5,500	£32,000
East Midlands	£100	£6,000	£38,500
West Midlands	£0	£4,200	£30,100
East of England	£200	£8,000	£50,000
London	£0	£5,900	£46,000
South East	£0	£12,300	£64,000
South West	£100	£9,100	£50,000
All England Regions	£0	£6,200	£40,500
Wales	£0	£4,600	£28,500
Scotland	£0	£3,300	£24,800
Great Britain	£0	£5,900	£38,500



Property wealth

In terms of property wealth, London outstrips the other regions, with the South East, South West and East of England following closely behind. Unsurprisingly, the variations in average property wealth across the UK reflect differing average regional UK property prices. This suggests that the price of someone's house is the main factor in their amount of property wealth, rather than the number of properties, or the percentage of property owned.

Figure 11: Property wealth of bottom 25%, median and top 25%, by region (2010-12).

Property Wealth	Bottom 25%	Median	Top 25%
North East	£55,000	£108,000	£170,000
North West	£65,000	£120,000	£194,000
Yorkshire & the Humber	£60,000	£119,000	£180,000
East Midlands	£72,000	£134,000	£200,000
West Midlands	£74,000	£130,000	£200,000
East of England	£104,000	£175,000	£275,000
London	£130,000	£239,000	£376,000
South East	£117,000	£200,000	£325,000
South West	£110,000	£180,000	£276,000
All England Regions	£84,000	£155,000	£250,000
Wales	£75,000	£125,000	£200,000
Scotland	£64,000	£108,000	£190,000
Great Britain	£80,000	£150,000	£250,000



Figure 12: Property wealth of bottom 25%, median and top 25%, by region (2010-12).

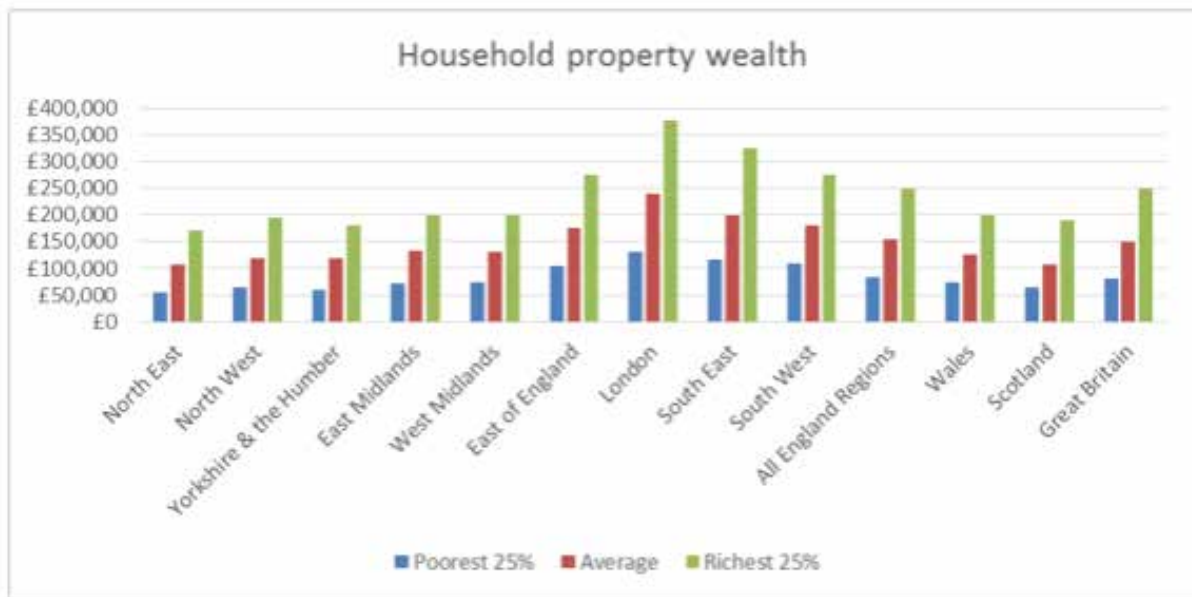




Figure 13: Average house prices, by region (2013)

Average House Price	
United Kingdom	£250,768
England	£260,850
North East	£154,384
North West	£174,657
Yorkshire and the Humber	£171,905
East Midlands	£177,702
West Midlands	£190,509
East	£258,066
London	£427,753
South East	£305,034
South West	£230,048
Wales	£168,734
Scotland	£181,289
Northern Ireland	£135,575



Figure 14: Average house prices, by region (2013).





Income and health: how life expectancy differs between UK regions

The link between income and health is well known, and in recent months has become a growing concern, with ONS statistics showing the richest people in England can expect to live 9 years longer than the poorest.

Although inequality of average life expectancy across the UK does not directly mirror either wealth or income inequality, it does bear considerable similarities to wealth. Regions in the south (South East, South West and London), in which the population broadly has more wealth, have a higher life expectancy than those in the midlands or the north, where the population as a whole has less wealth.

Interestingly, there appears to be a statistically significant correlation between wealth and male and female life expectancy between regions, although no significant correlation between regional life expectancy and income. This means that although both men and women live longer in wealthier regions, they do not live longer in regions with the highest average income.

Figure 15: Average life expectancy at birth for men.

Region	2010-2012
North East	77.8
North West	77.7
Yorkshire and The Humber	78.3
East Midlands	79.1
West Midlands	78.7
East	80.1
London	79.7
South East	80.3
South West	80.0
UK	78.85



Figure 16: Average life expectancy at birth for men (2013).

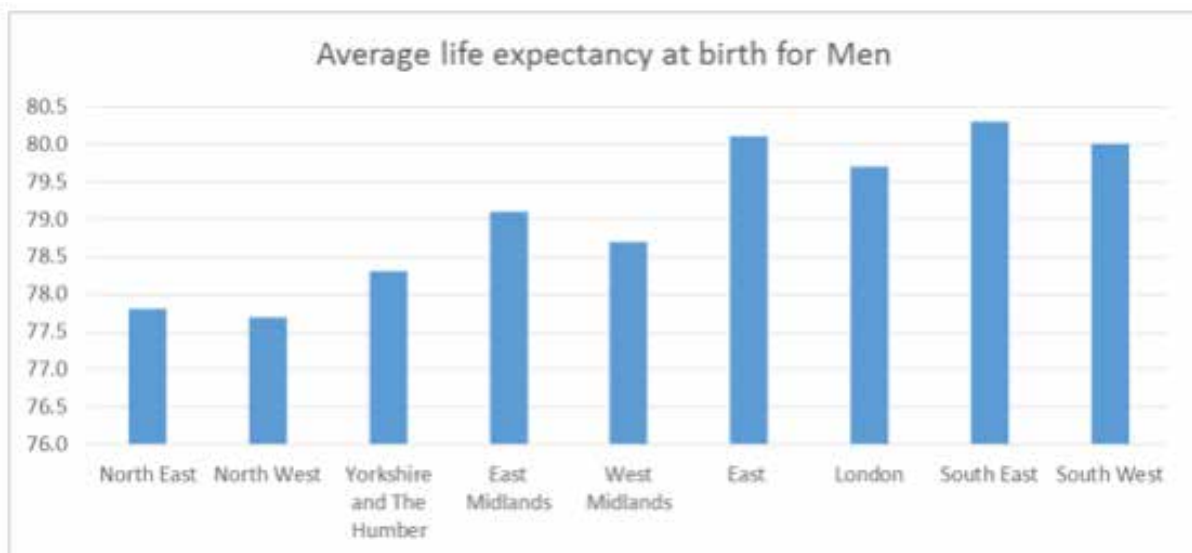
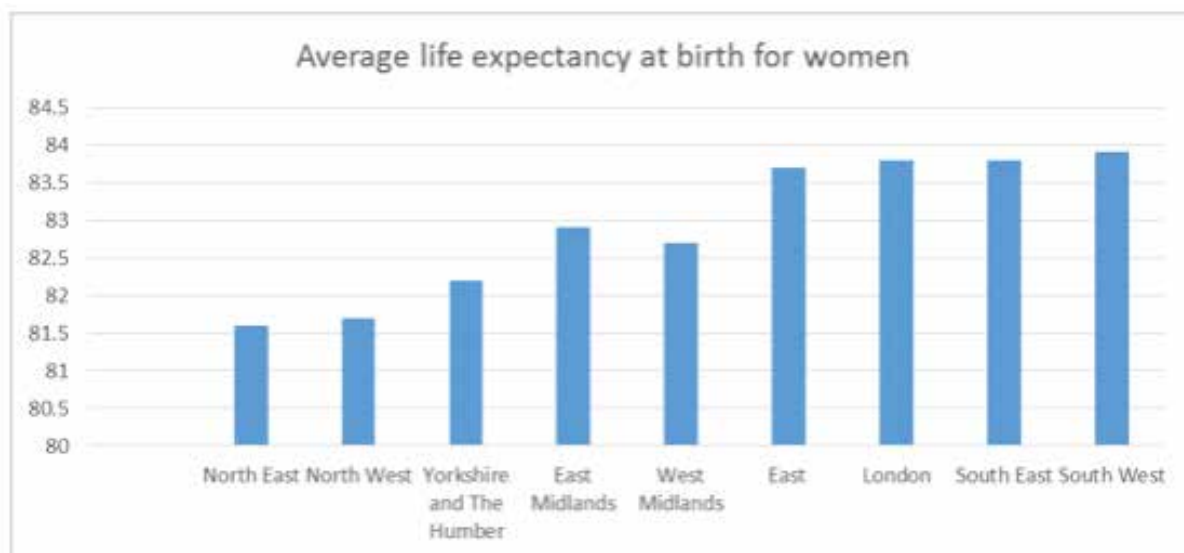


Figure 17: Average life expectancy at birth for women

Region	2010-2012
North East	81.6
North West	81.7
Yorkshire and The Humber	82.2
East Midlands	82.9
West Midlands	82.7
East	83.7
London	83.8
South East	83.8
South West	83.9
UK	82.72



Figure 18: Average life expectancy at birth for women (2013)





Conclusion

It is clear that the traditional view of regional inequality is no longer accurate; we do not simply see a wealthy London with everywhere else struggling to keep up. It is true that southern regions generally have higher incomes and wealth than our northern regions, but when high living costs such as housing are taken into account, many Londoners in particular appear far less well off.

In addition, although London has some of the highest earning and wealthiest people in the UK, it also has some of the poorest. So while London homeowners may see their property prices rocket, and higher earners see their pay packets swell, there is a disproportionate number at the bottom struggling to get by.

It is clear therefore that we cannot neatly divide our country into problem regions and success stories. We cannot tackle inequality by simply focusing on specific, ostensibly poorer, regions as to do so would ignore the large number of poorer people in our richer regions.

The UK is an increasingly divided country, but this division is seen most obviously between the richest in society and the rest of us, not between north and south, or London and the rest. The hugely different life experiences across the country are most keenly felt between those at top and the rest. It is this inequality that drives our health and social problems and our lack of trust and social cohesion. These must be tackled through a political commitment to nationwide inequality reduction.



About The Equality Trust

The Equality Trust is an independent organisation that works to improve the quality of life in the UK through reduced economic inequality.

We conduct robust research and analysis of the scale, drivers and effects of economic inequality in order to increase understanding of economic inequality among policy-makers, business and the public.

The Equality Trust was launched in 2009 by Bill Kerry, Richard Wilkinson and Kate Pickett. It is primarily funded by the Network for Social Change and the Joseph Rowntree Charitable Trust with additional support from many generous individuals, organisations and groups.

ⁱAnnual Survey of Hours and Earnings 2013, ONS

ⁱⁱⁱAnnual Survey of Hours and Earnings 2013, ONS

^vAnnual Survey of Hours and Earnings 2013, ONS

^{vi}Annual Survey of Hours and Earnings 2013, ONS

^{vii}Annual Survey of Hours and Earnings 2013, ONS

^{viii}Households Below Average Income, DWP 2014

^{ix}Wealth and Assets Survey, ONS 2014

^xWealth and Assets Survey, ONS 2014

^{xi}Wealth and Assets Survey, ONS 2014

^{xii}Wealth and Assets Survey, ONS 2014

^{xiii}House Price Index April 2014, ONS

^{xiv}House Price Index April 2014, ONS

^{xv}Life Expectancy, ONS 2014

^{xvi}Life Expectancy, ONS 2014

^{xvii}Life Expectancy, ONS 2014

^{xviii}Life Expectancy, ONS 2014



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