



Inclusive Growth

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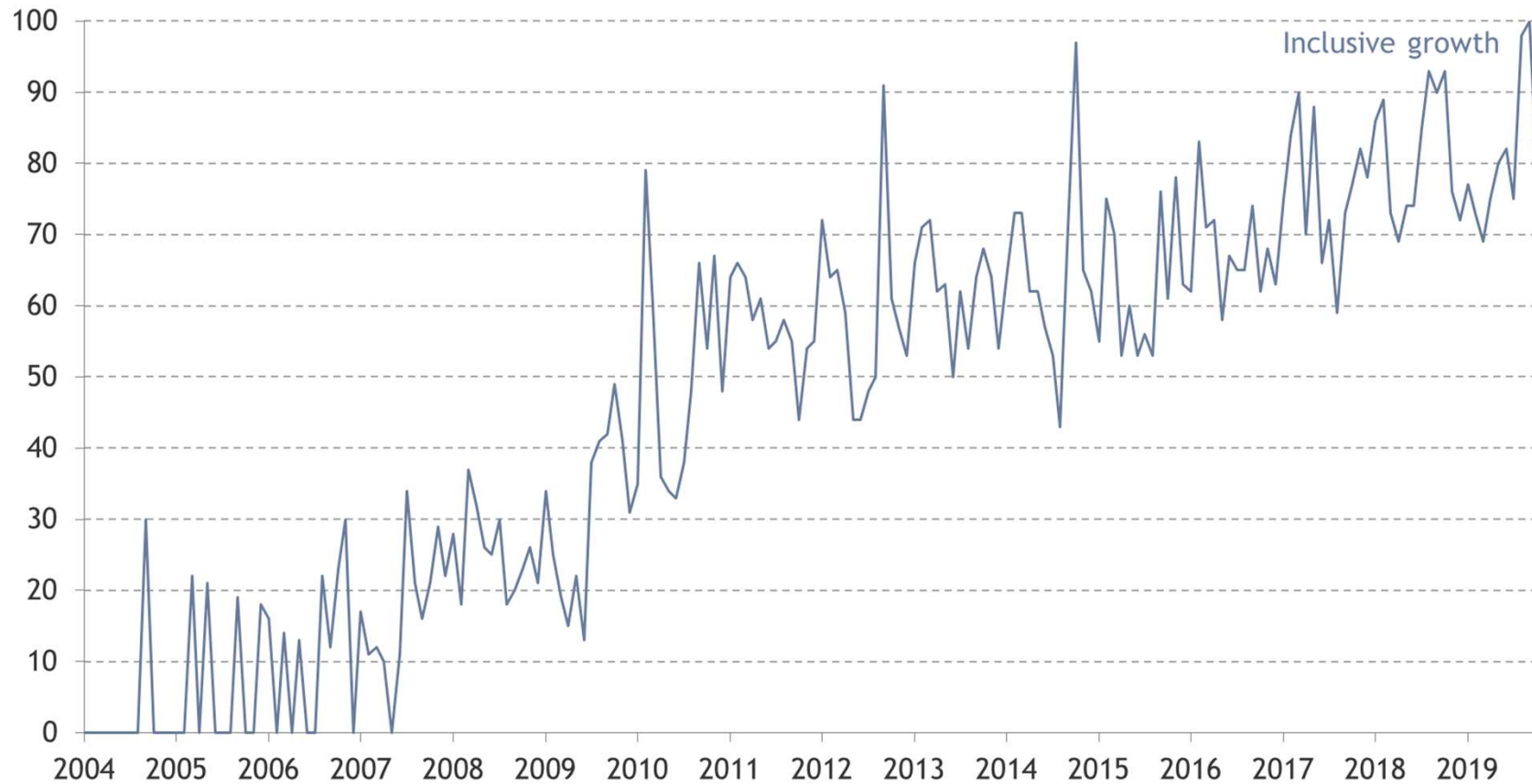


Everyone's talking about
inclusive growth

They're even googling it

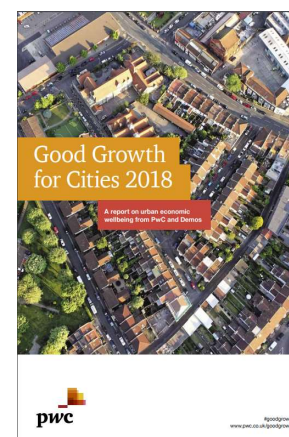
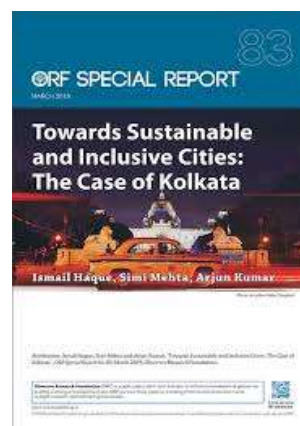
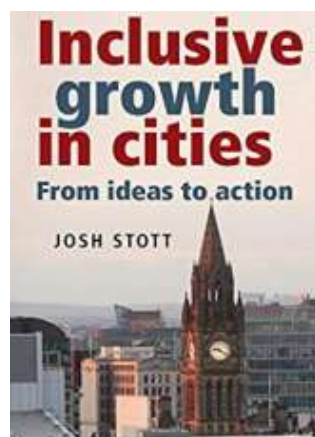
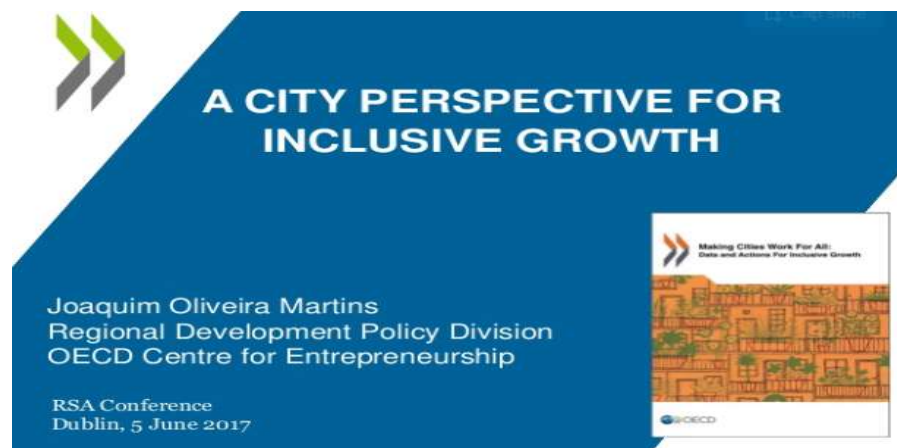


Google searches for Inclusive Growth: Worldwide



Notes: The height of each line gives an indication of the share of searches containing each term.
Source: Google Trends.

Policy makers are in on it



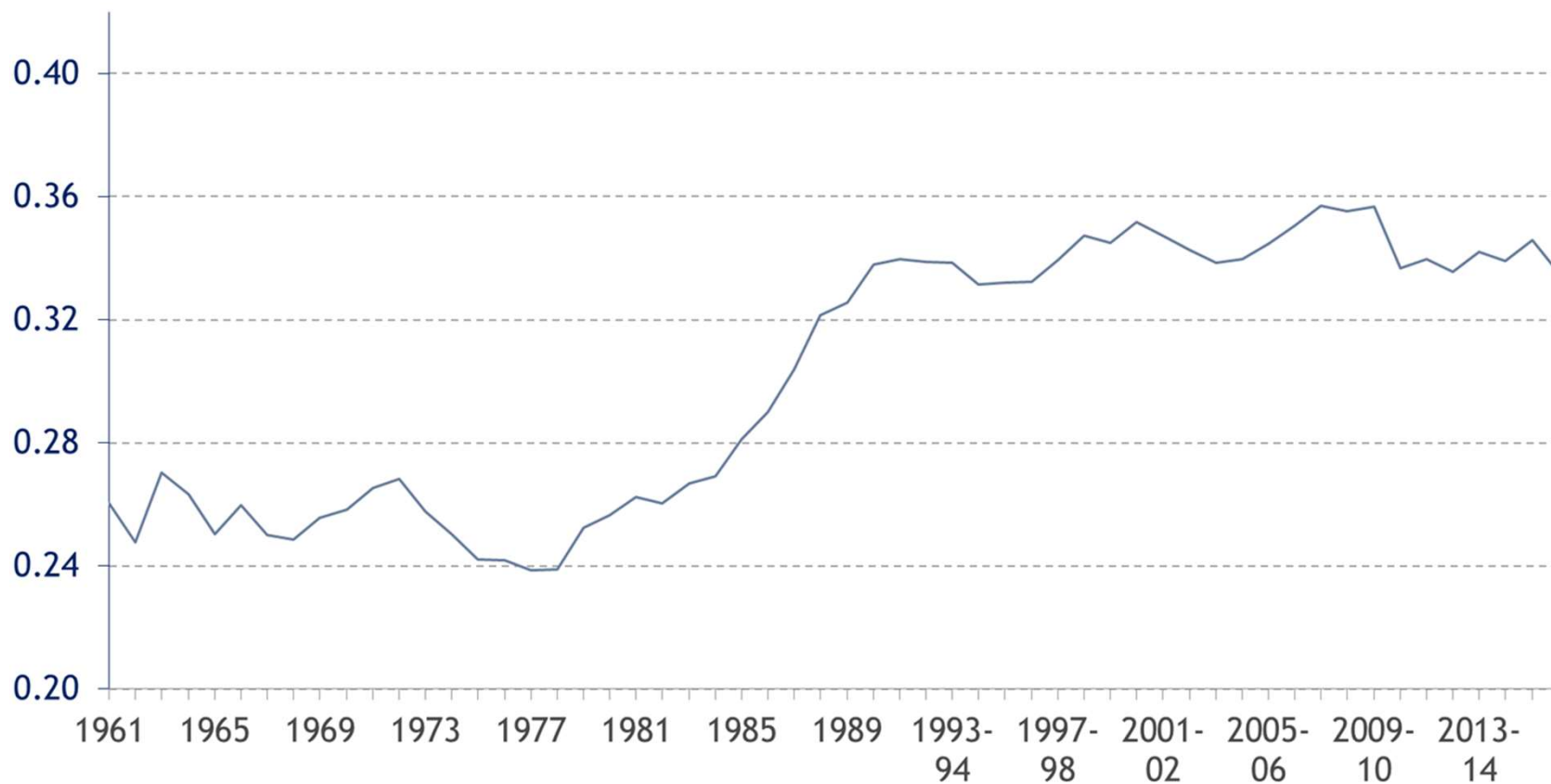


Why?

The 1980s gave us high inequality...



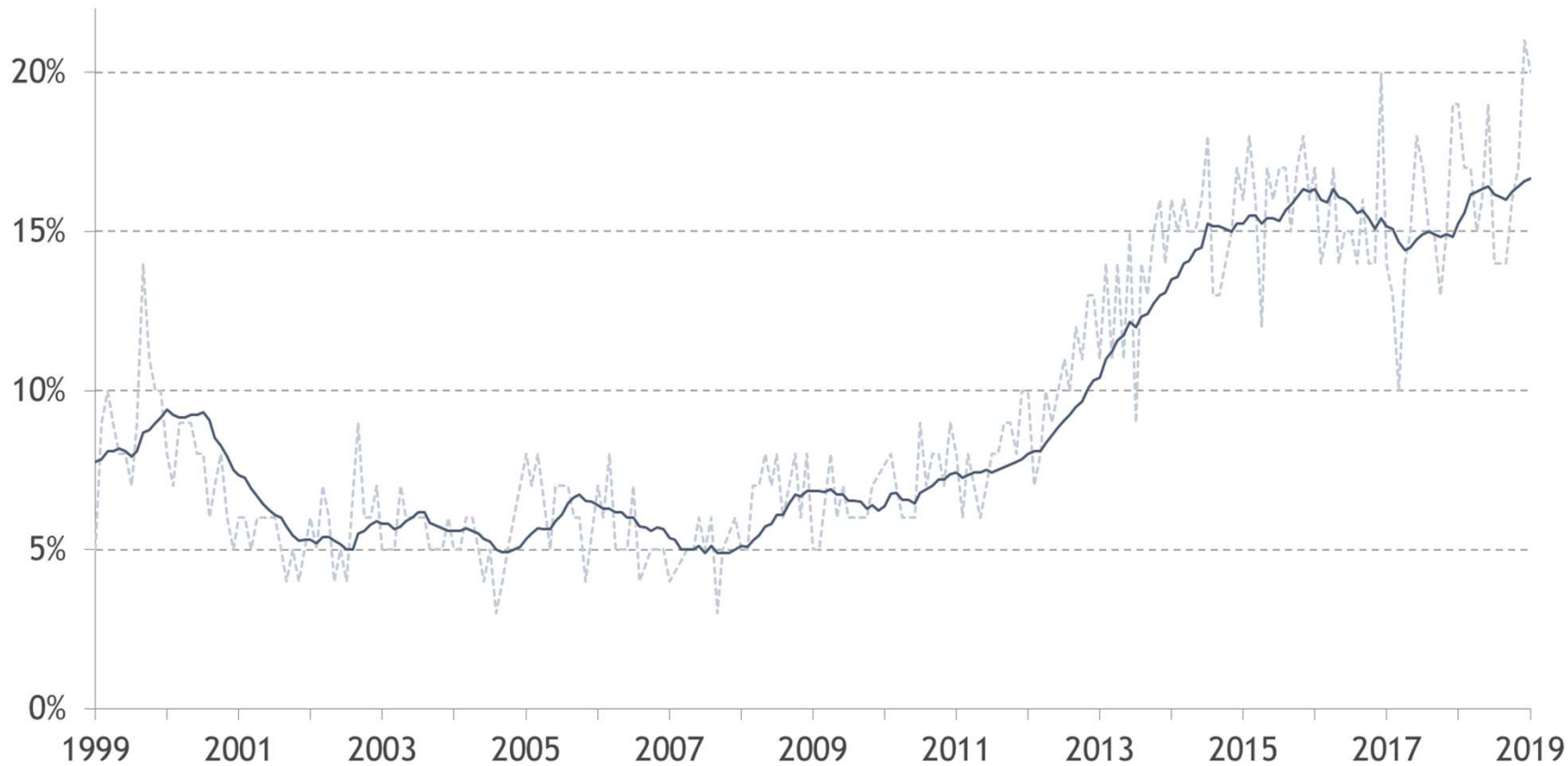
Gini coefficient (1 = perfect inequality, 0 = perfect equality) before housing costs, UK



Notes: Years refer to calendar years up to and including 1992 and to financial years from 1993–94 onwards. Figures relate to UK households from 2002–03 onwards and to GB households for earlier years.
Source: Institute for Fiscal Studies

...but discontent is a post-crisis phenomenon...

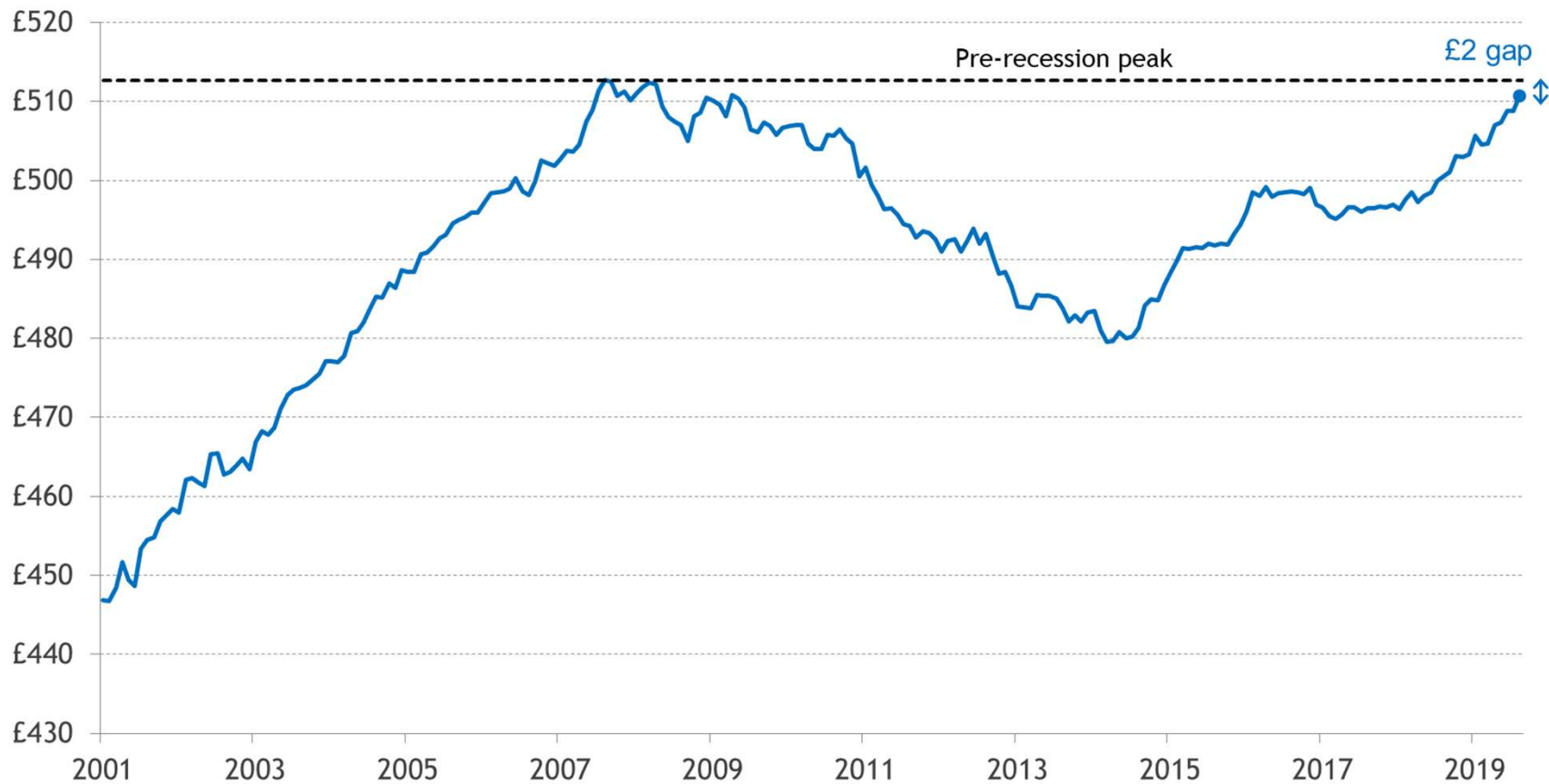
Proportion of respondents declaring poverty/inequality to be one of the most important issues facing Britain today, UK



Base: representative sample of c.1,000 British adults age 18+ each month, interviewed face-to-face in home.
Source: Ipsos MORI Issues Index

...as high inequality levels met an earning catastrophe

Average weekly earnings (regular pay) adjusted for CPIH inflation

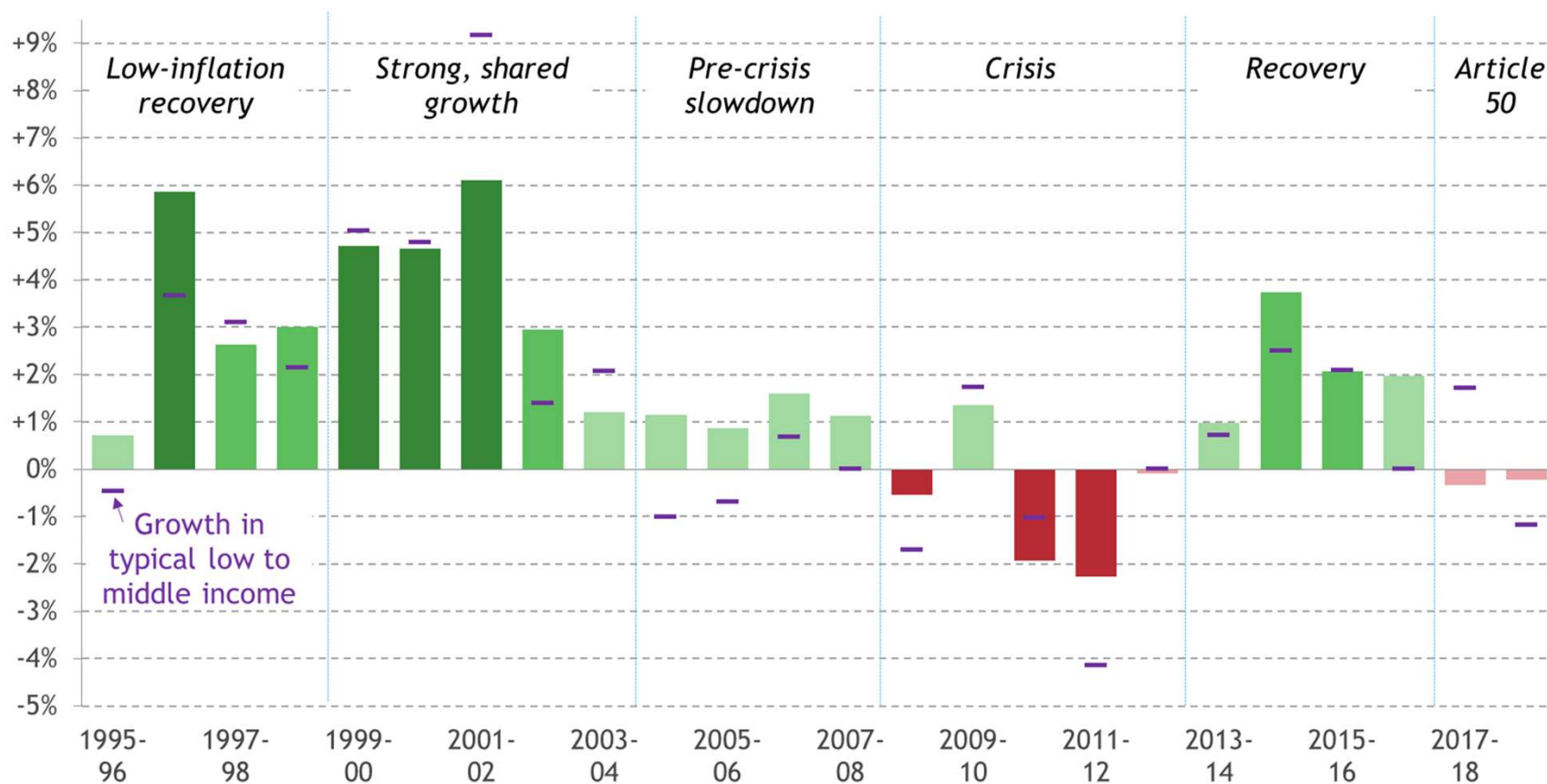


Source: RF analysis of ONS

The income slowdown predates the crisis...



Annual real growth (CPI-adjusted) in median equivalised disposable household income (after housing costs), overall and for low to middle income non-pensioners



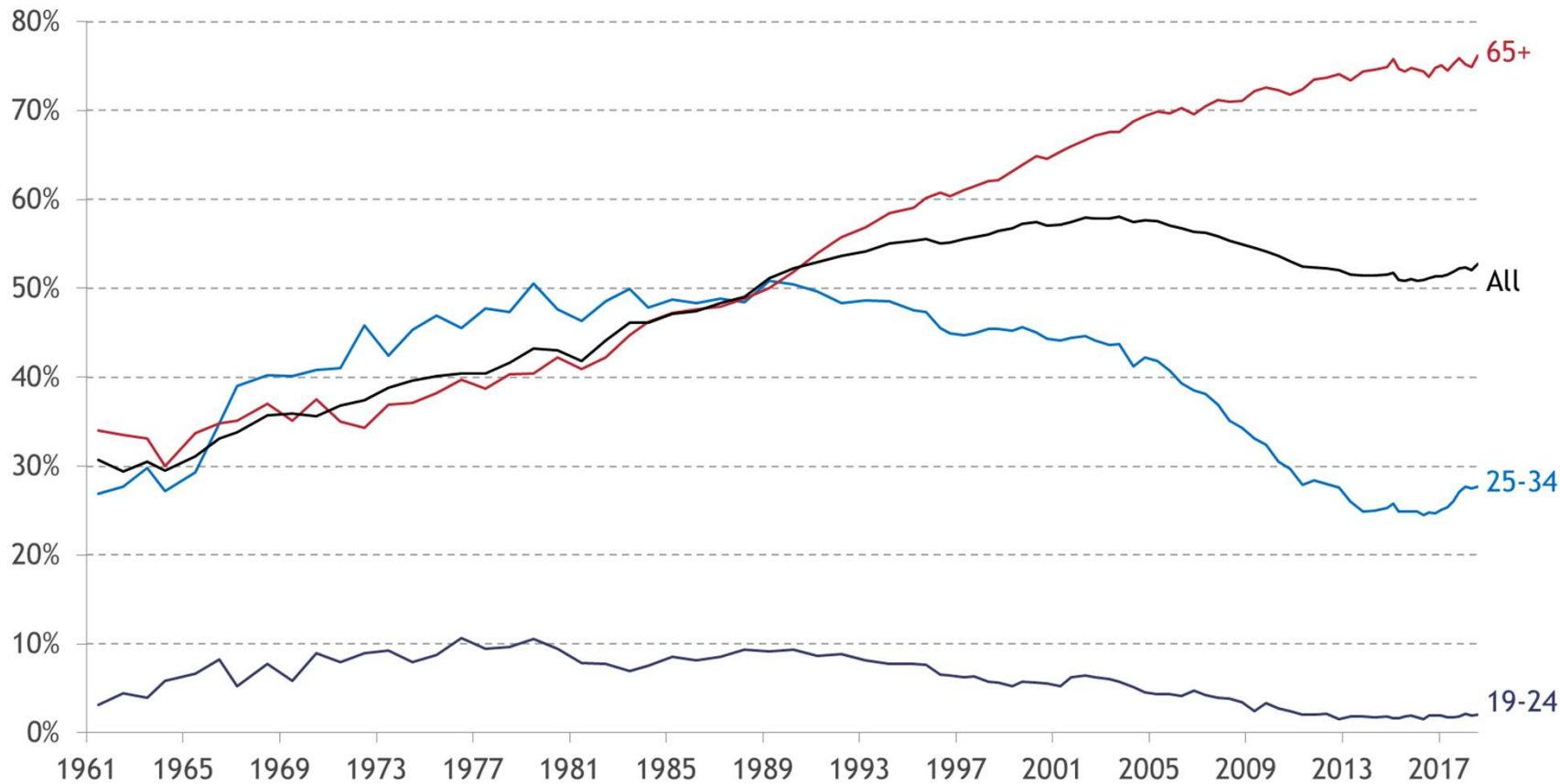
Notes: 2018-19 values are nowcasts. UK from 2002-03, GB before.

Source: RF analysis of DWP, *Households Below Average Income*; IFS, *Living Standards, Inequality and Poverty*; and RF nowcast

...and so does the growth in wealth gaps between generations



Proportion of families (singles or couples) owning their own home, UK



Source: RF analysis of Household Labour Force Survey; and IFS, Households Below Average Income 1961-1991



Many inclusive growths

Many 'inclusive growths'



1. Reduce national inequality and/or poverty
2. Ensure cities growth is inclusive
3. Ensure places aren't left behind, by cities/the south

Many 'inclusive growths' – three contributions



1. Predistribution vs redistribution
2. Housing costs: hero or villain
3. Output vs income

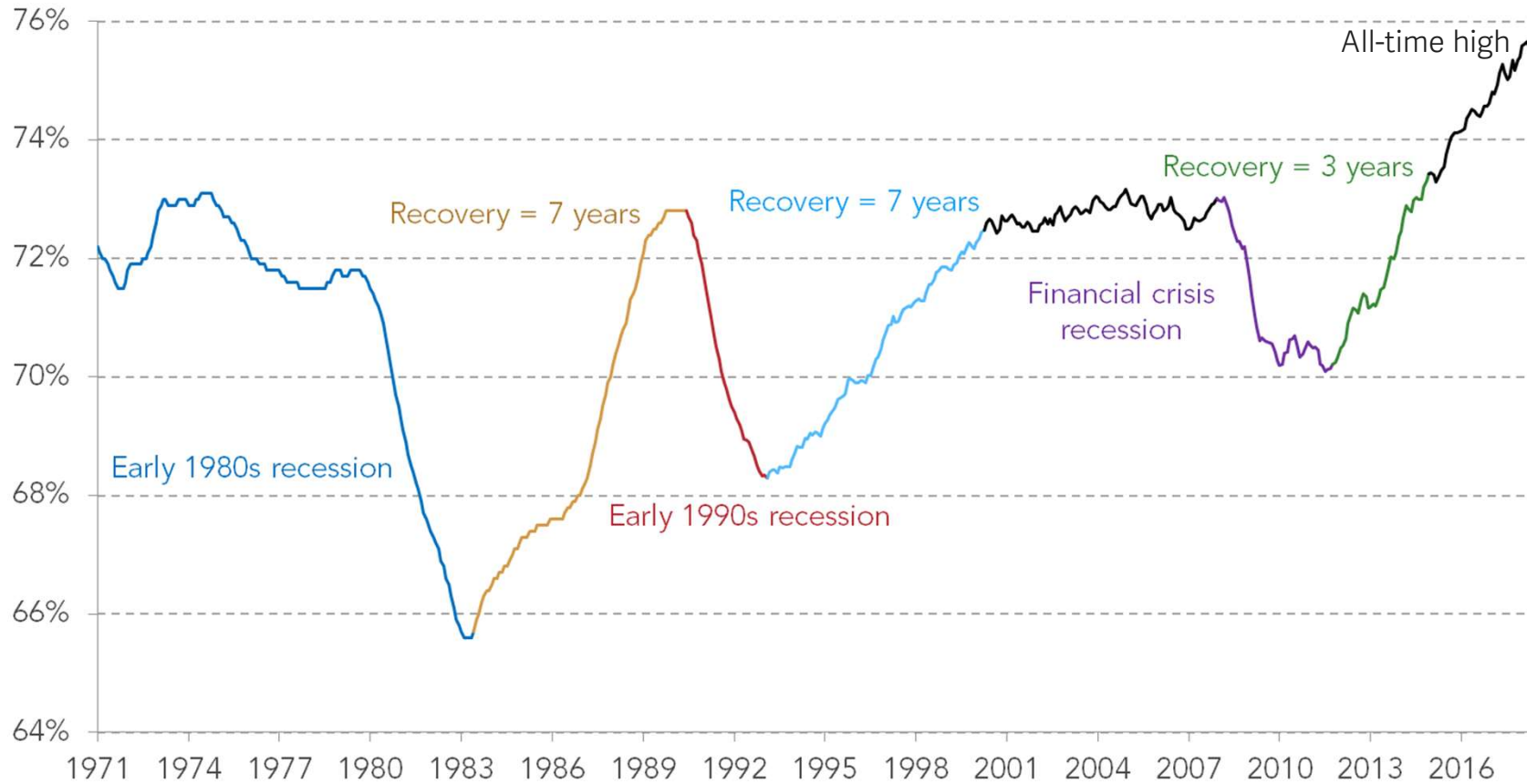
Predistribution vs redistribution

The national story

Employment is at record levels...



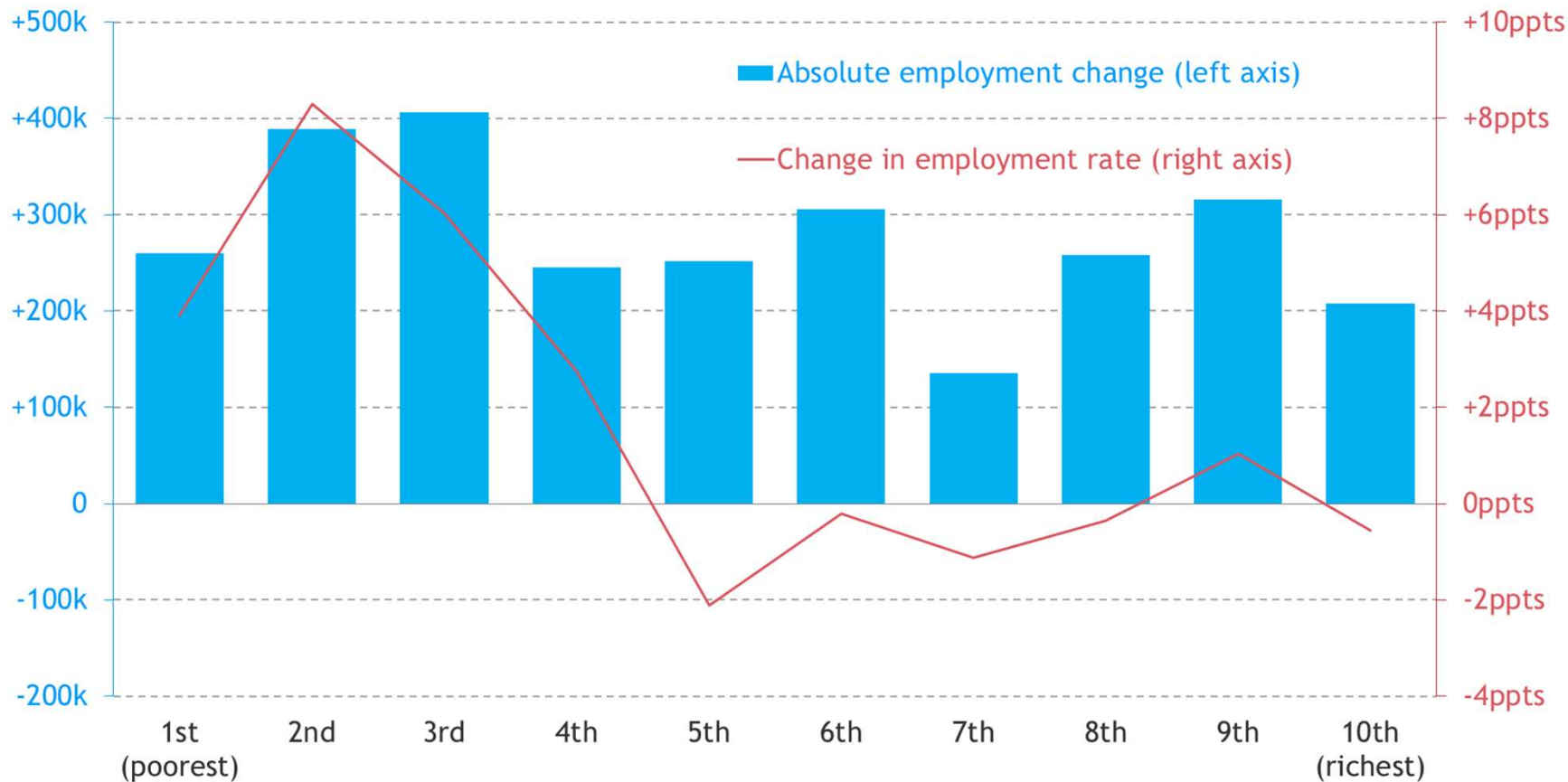
Employment rate (16–64): UK



Source: RF analysis of ONS, Labour Force Survey

...and job gains have gone to poorer families

Change in employment among 16-64 year olds, by decile of the working age equivalised net household income distribution: UK, 2007-08–2017-18



Notes: Distribution calculated on the basis of income after housing costs.
Source: RF analysis of DWP, Households Below Average Income

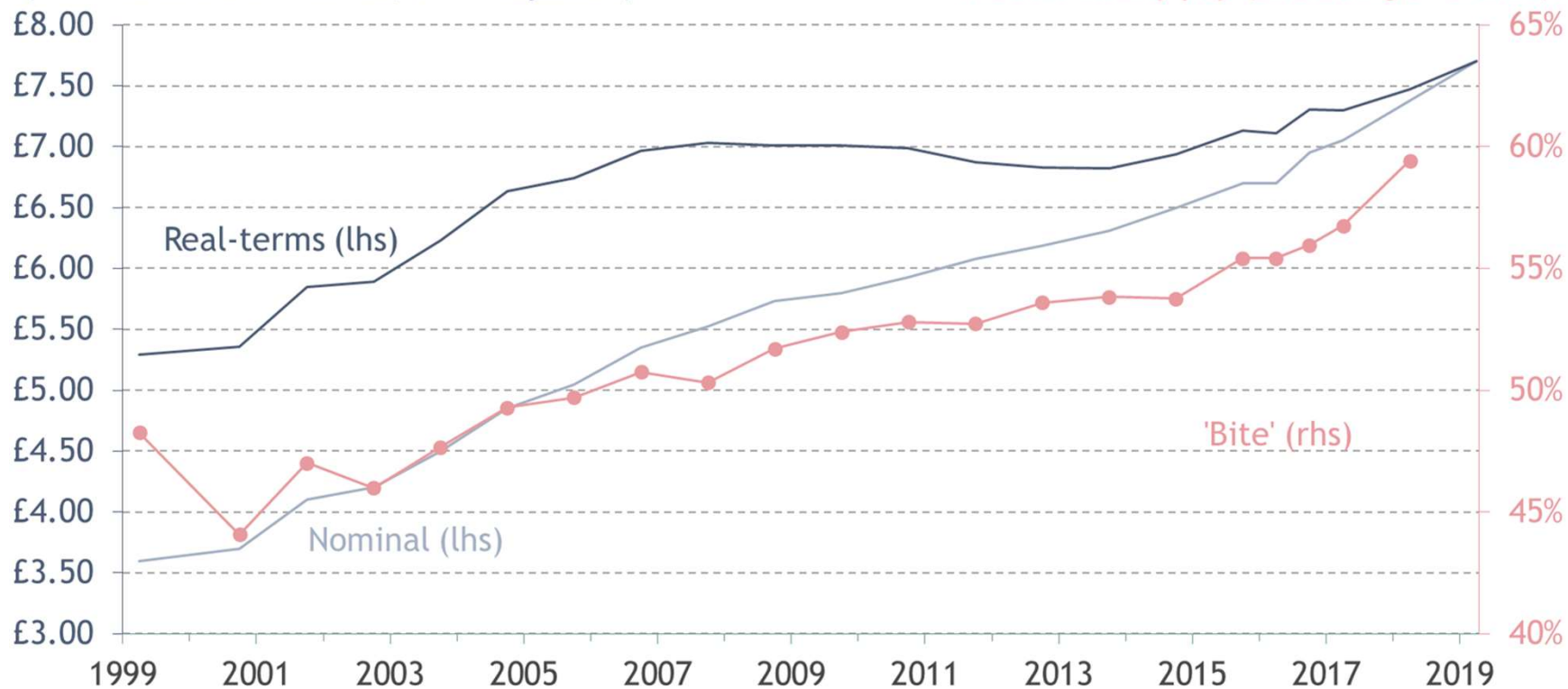
A fast rising minimum wage is THE story on earnings...



The history of the wage floor in nominal, real and relative terms

National Minimum Wage
(nominal and 2019 terms, CPIH-adjusted)

National Minimum Wage as a share of
median hourly pay (excluding overtime)

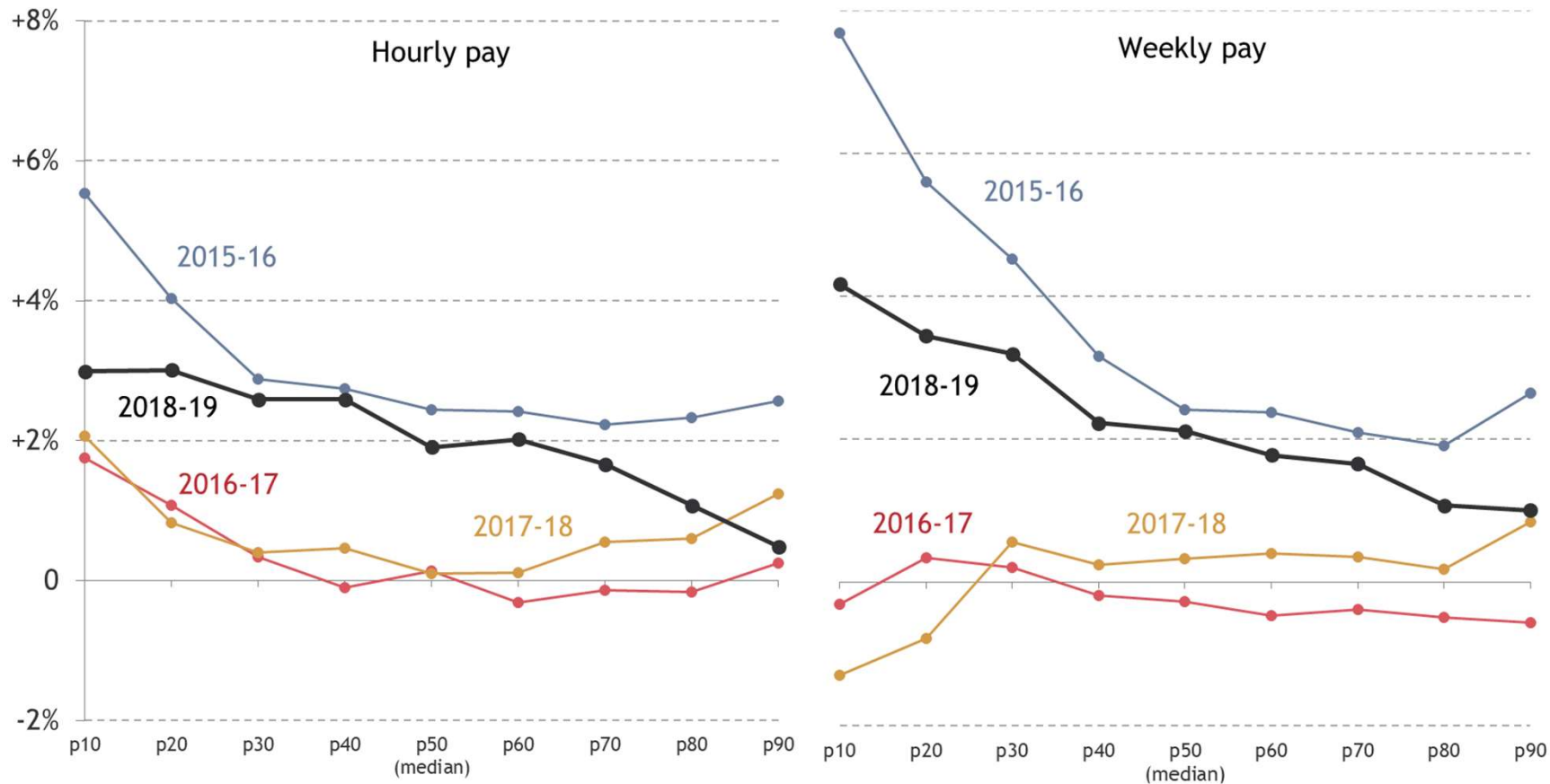


Notes: Across most of the period, the NMW was increased in October but median pay data relates to April. In these instances, the 'bite' is calculated by comparing the October NMW with the following April's median. Median pay measure excludes overtime. Prices are deflated to February 2019. Source: RF analysis of ONS, Annual Survey of Hours and Earnings & CPIH deflator

...progressive (but slow) pay growth is the result



Growth in real (CPIH adjusted) typical hourly and weekly earnings across the distribution: UK

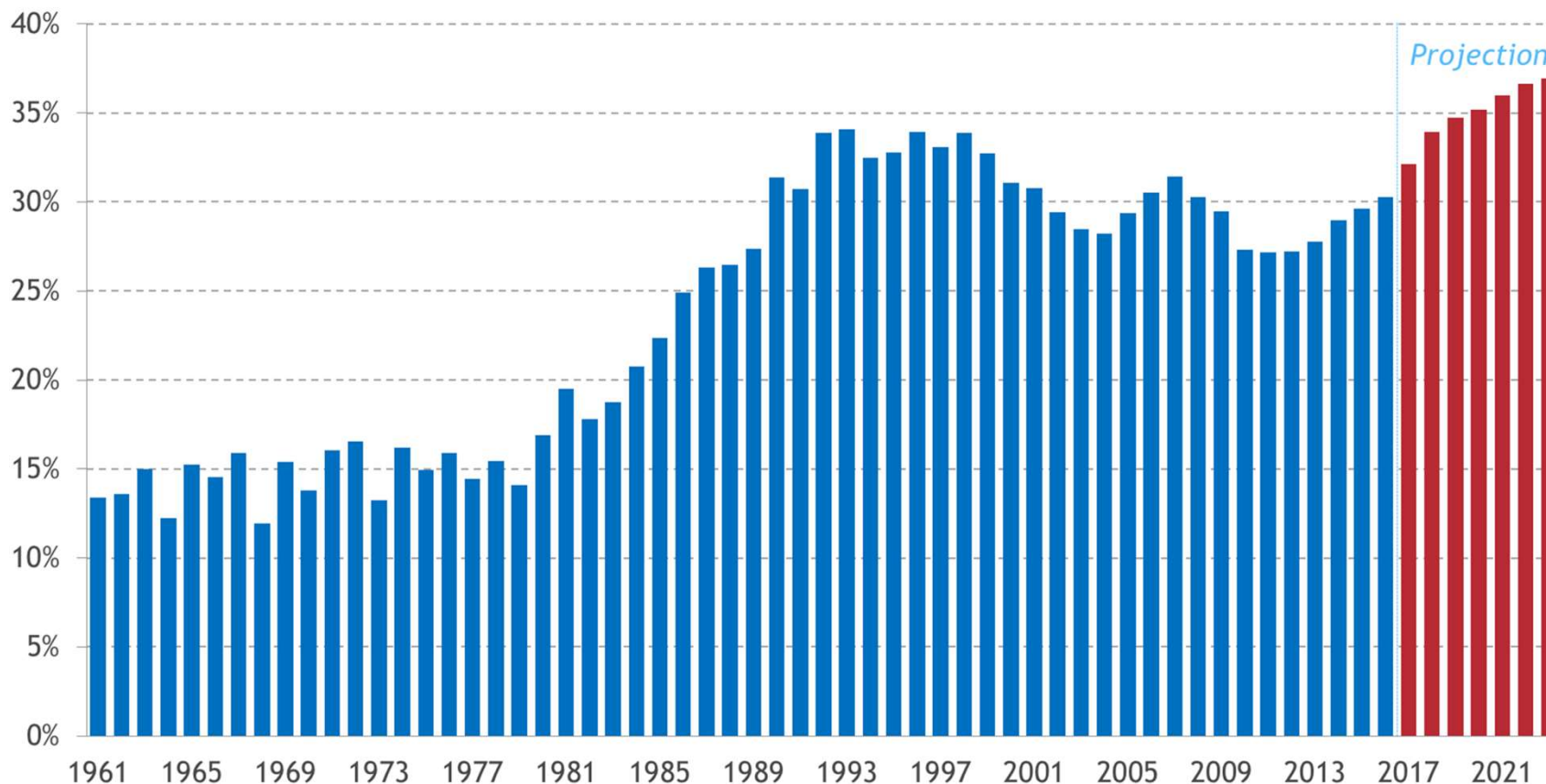


Source: RF analysis of ONS, Annual Survey of Hours and Earnings

The bad news: child poverty is rising and risks record highs



Proportion of children living in relative poverty (after housing costs)



Notes: Financial years after 1993. GB only before 2002-03.

Source: RF analysis of DWP, Households Below Average Income; RF projection; and IFS, Living Standards, Inequality and Poverty

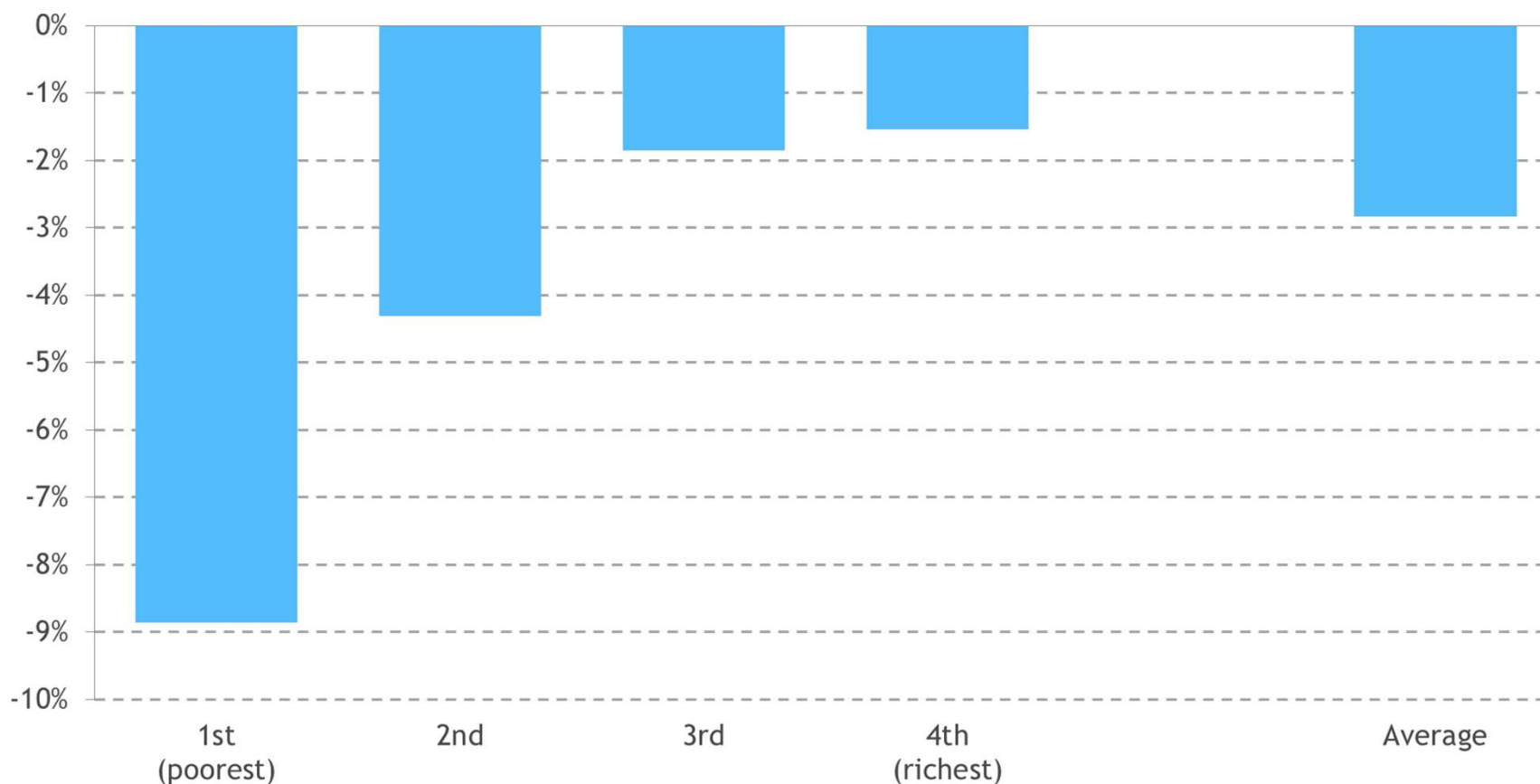
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Why? Benefit cuts



Change in weekly incomes resulting from changes to the benefit system since 2010, by quartile of the working-age equivalised net household income distribution: UK



Notes: Distribution calculated on the basis of income after housing costs. Full details of the modelling approach are provided in Annex 1 of: J Smith et al., *Recession ready? Assessing the UK's macroeconomic framework*, Resolution Foundation, September 2019
Source: RF analysis of DWP, Households Below Average Income using the IPPR tax-benefit model

The national story



Against the backdrop of a living standards disaster...

...predistribution is doing it's bit...

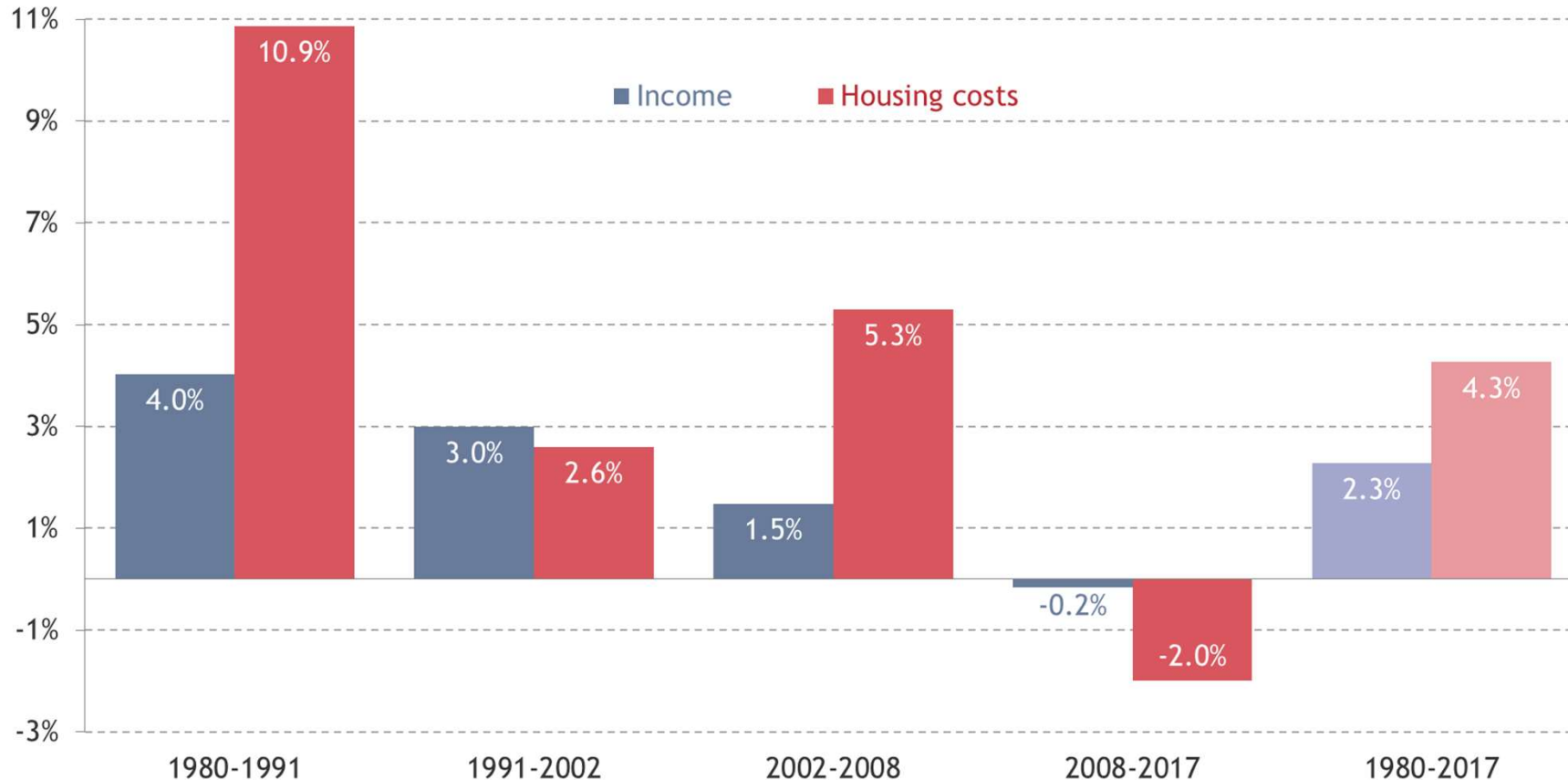
...but redistribution in reverse is leaving the bottom behind



Housing

Alongside falling ownership sits a housing costs disaster

Average annual change in average income and housing costs, working-age family units: UK



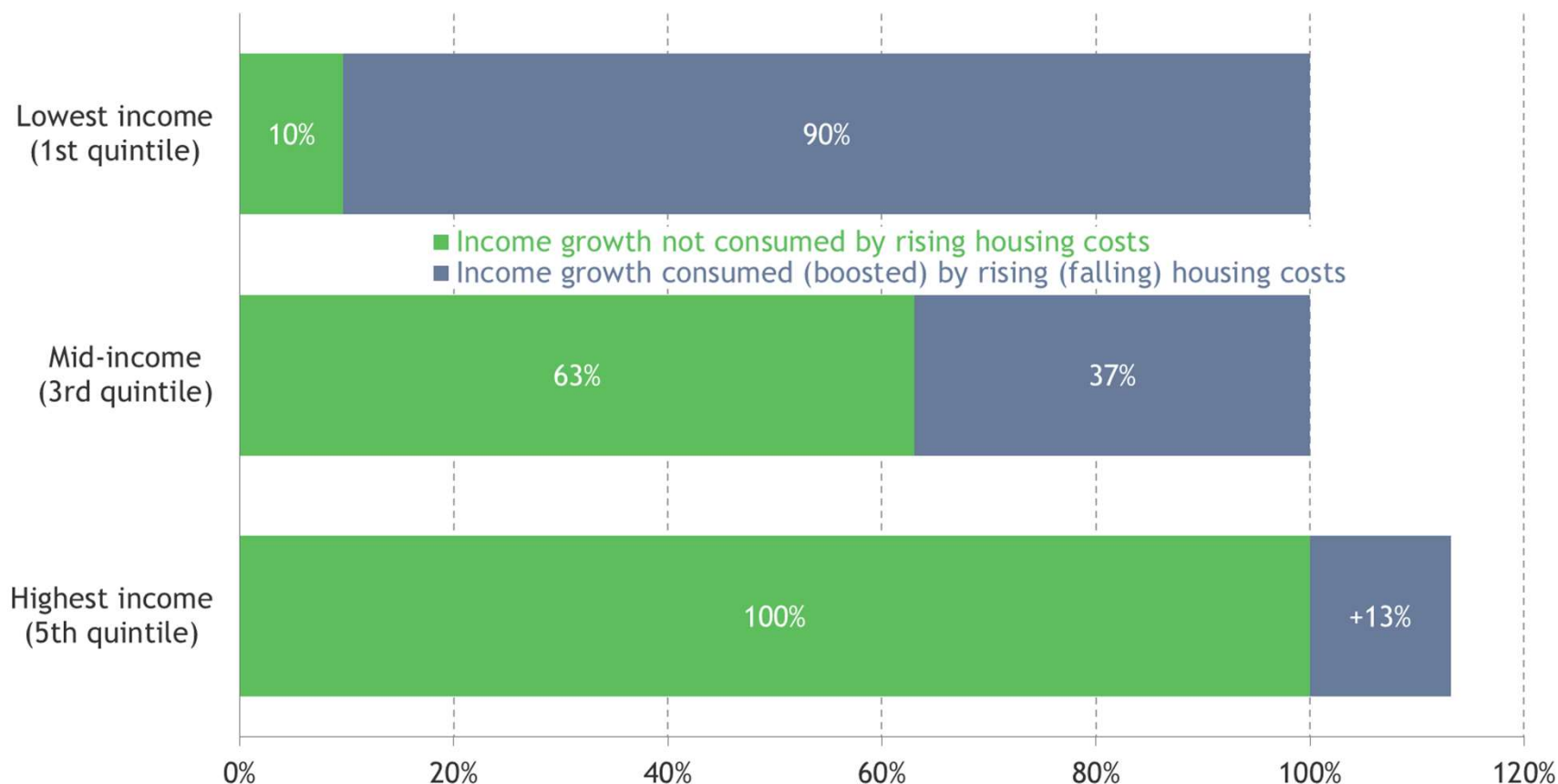
Notes: Working-age defined as all family units in which the head of the family unit is less than 60 years old. Housing costs are calculated gross of housing benefit such that housing benefit is included in both income and housing costs. Income is net income before housing benefit is deducted. Income and housing costs assumed to be shared equally between family units within each household. There is no data for 1992 and 1993, changes between 1991 and 1994 are linearly interpolated. Data is for Great Britain only between 1994 and 2001. Where shown, quintiles are calculated on a family unit basis.

Source: RF analysis of IFS, Households Below Average Income; DWP, Family Resources Survey

But recent disaster is only for poorer families



Share of net income growth consumed by housing costs, by quintile: 2002-2017, UK



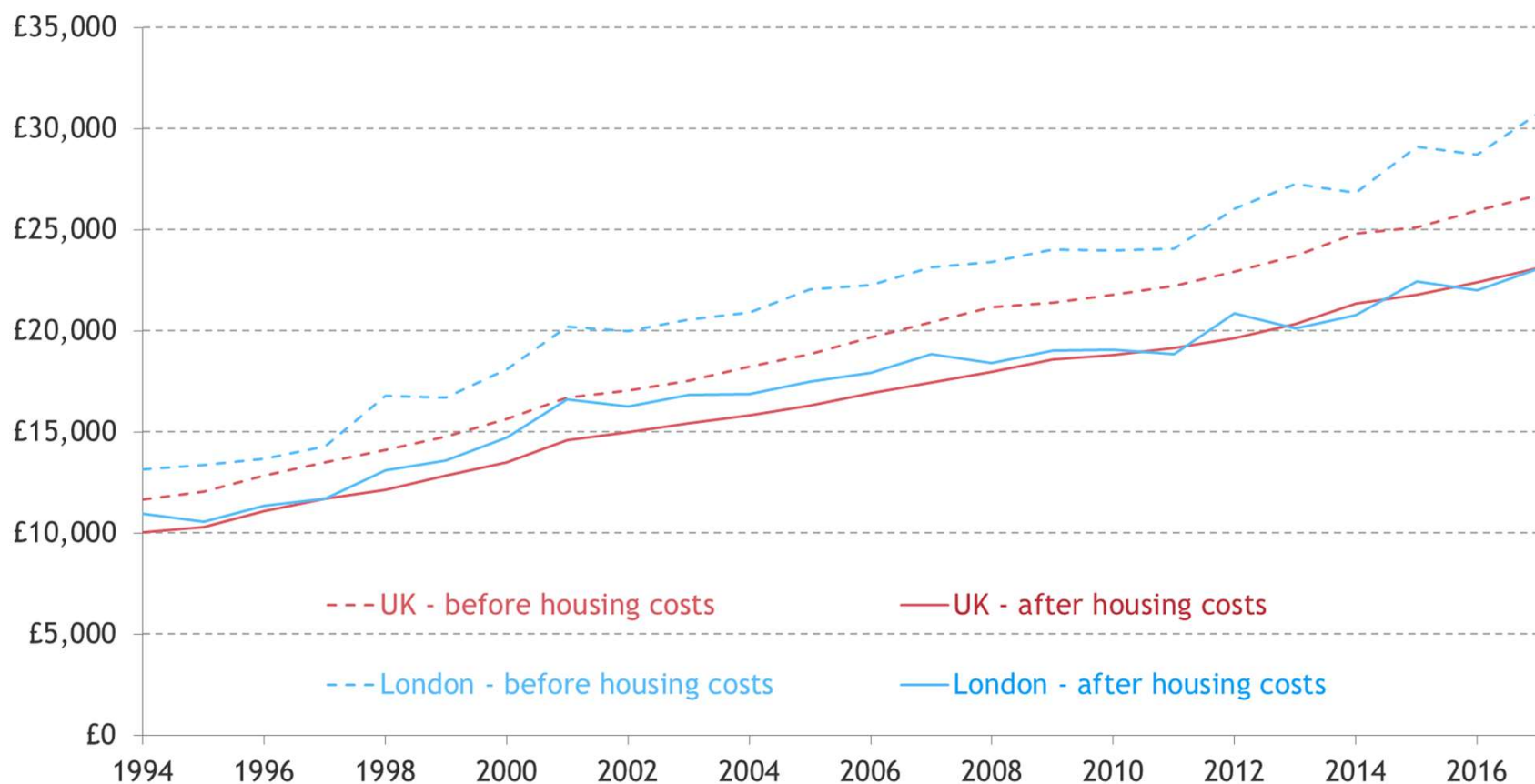
Notes: Working-age defined as all family units in which the head of the family unit is less than 60 years old. Housing costs are calculated gross of housing benefit such that housing benefit is included in both income and housing costs. Income is net income before housing benefit is deducted. Income and housing costs assumed to be shared equally between family units within each household. There is no data for 1992 and 1993, changes between 1991 and 1994 are linearly interpolated. Data is for Great Britain only between 1994 and 2001. Quintiles are calculated on a family unit basis.

Source: RF analysis of IFS, Households Below Average Income; DWP, Family Resources Survey

Turning to place. Housing costs close income gaps today...



Equivalised household income (nominal) before and after housing costs: UK and London

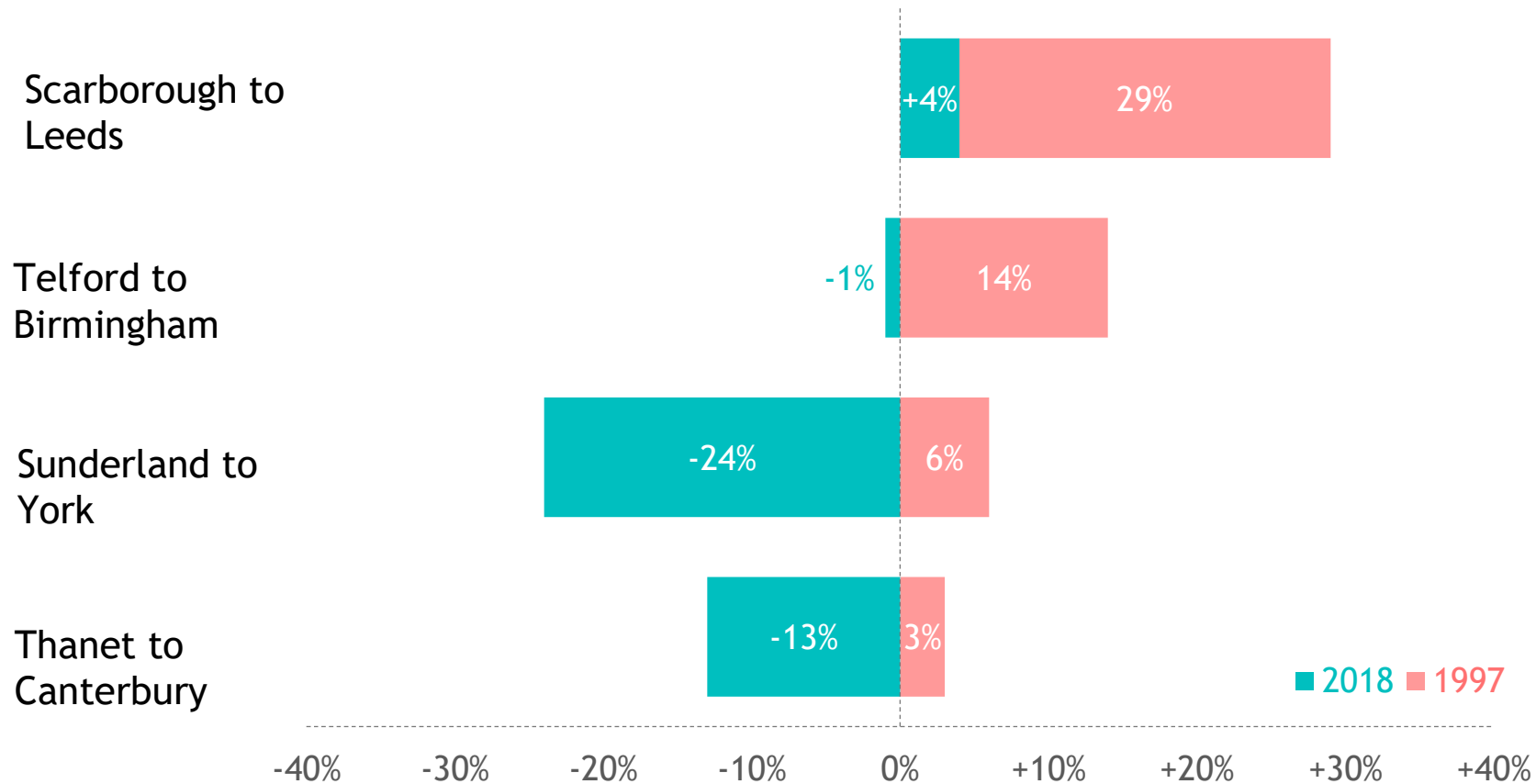


Source: RF analysis of DWP, Family Resources Survey

...but will they increase opportunity gaps tomorrow?



Hypothetical increase in disposable earning as a result of moving



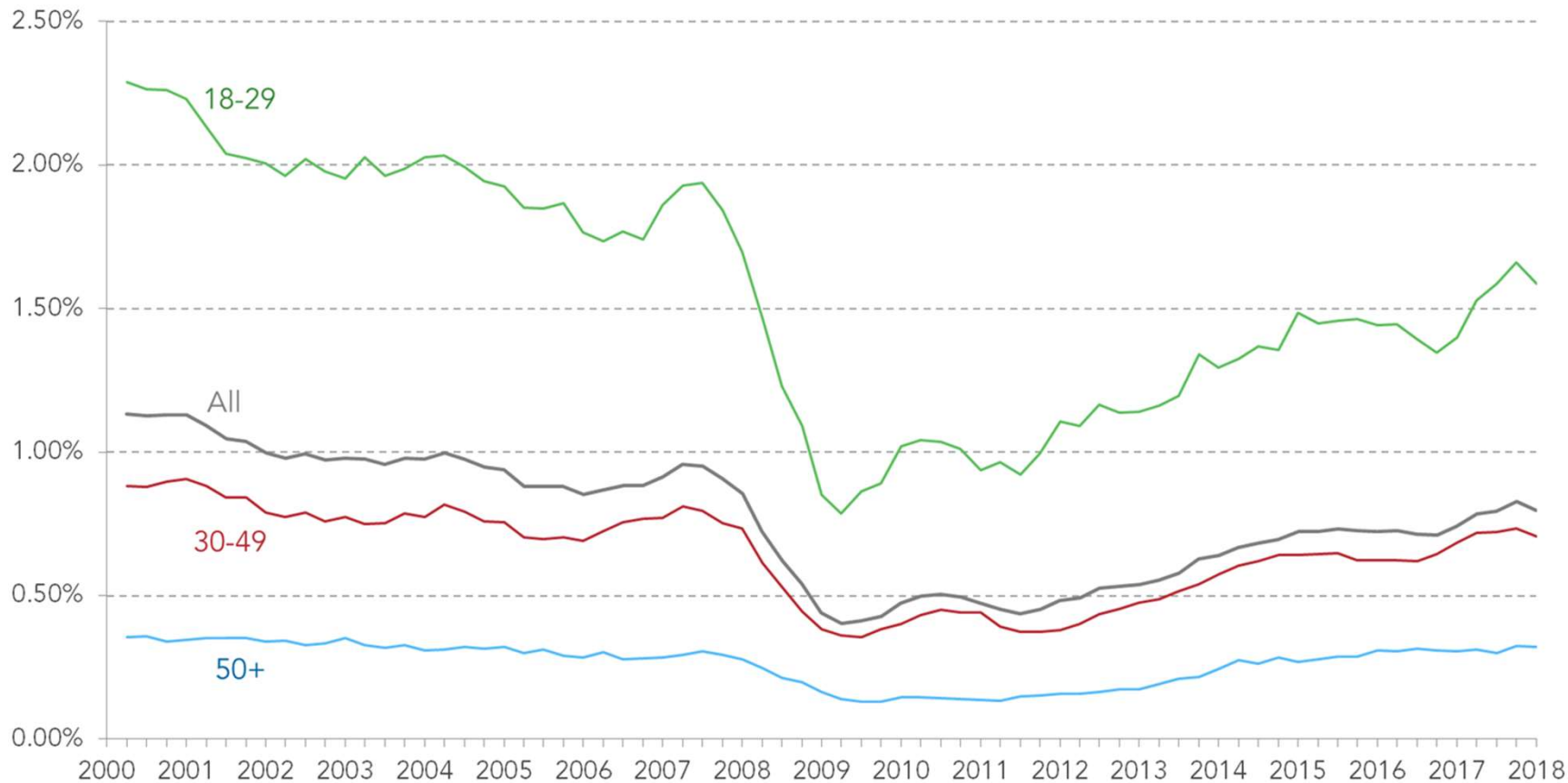
Source: ONS

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We're already moving jobs and region less



Proportion of workers voluntarily moving from one job to another each quarter, by age: UK



Notes: Annual rolling average, year to date shown.
Source: RF analysis of ONS, Labour Force Survey

The local story



Manchester
Evening News

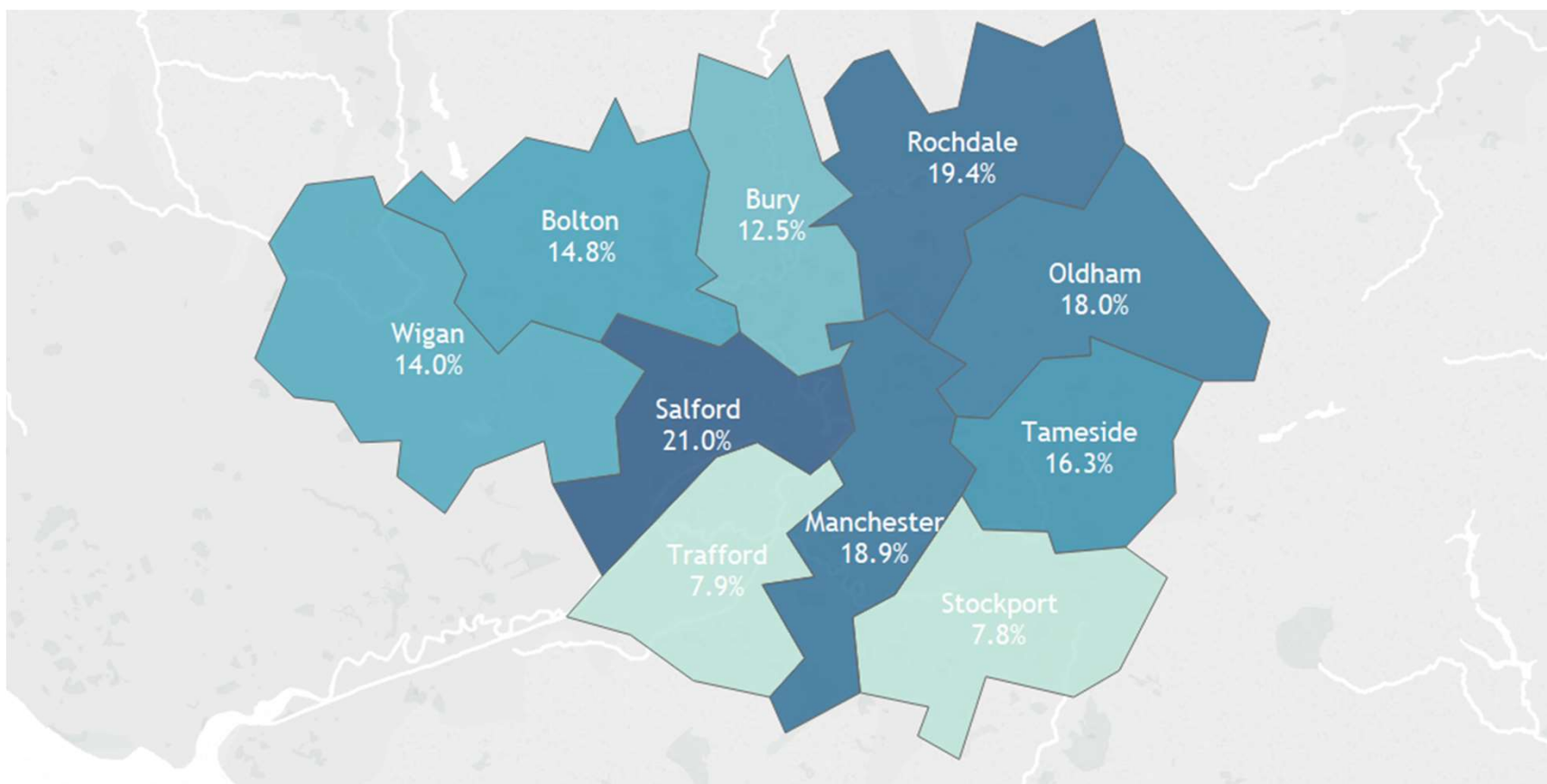
Who is really benefiting from the Manchester city centre housing boom?

Cranes fill the skies and foreign cash is flooding in. But some are questioning who it is all for

The local story



Proportion of family units renting socially: 2018



Source: RF analysis of ONS, Labour Force Survey

Notes: This chart uses the following microdata: Office for National Statistics. Social Survey Division. (2018). Labour Force Survey Adult Datasets, 2002-2018: Secure Access. [22/02/2019]. 14th Edition. UK Data Service. SN:6727.

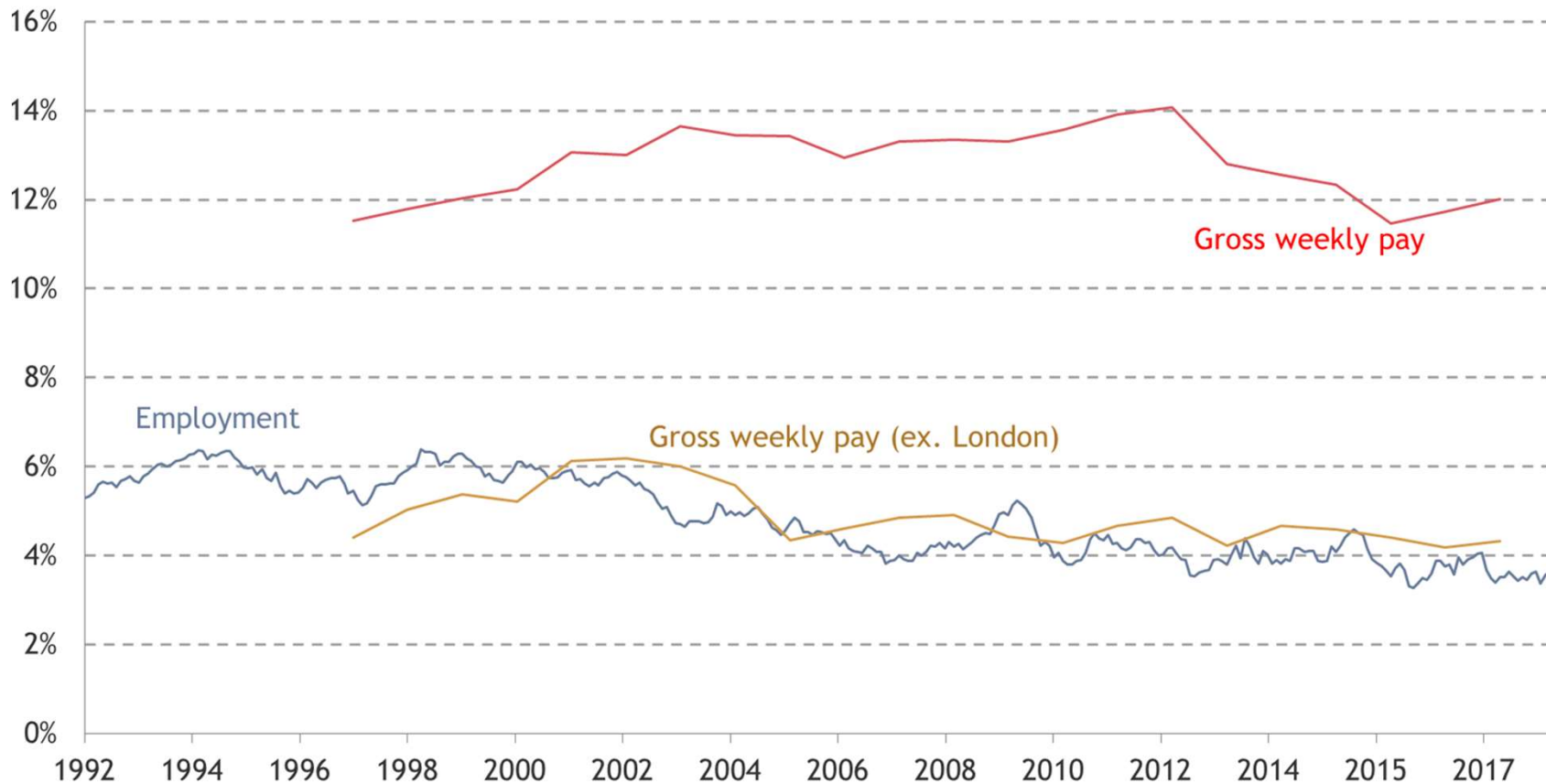


Output vs income

Employment and wage floor surges have closed regional gaps



Coefficient of variance of employment rate and median gross weekly pay across regions and nations of the UK

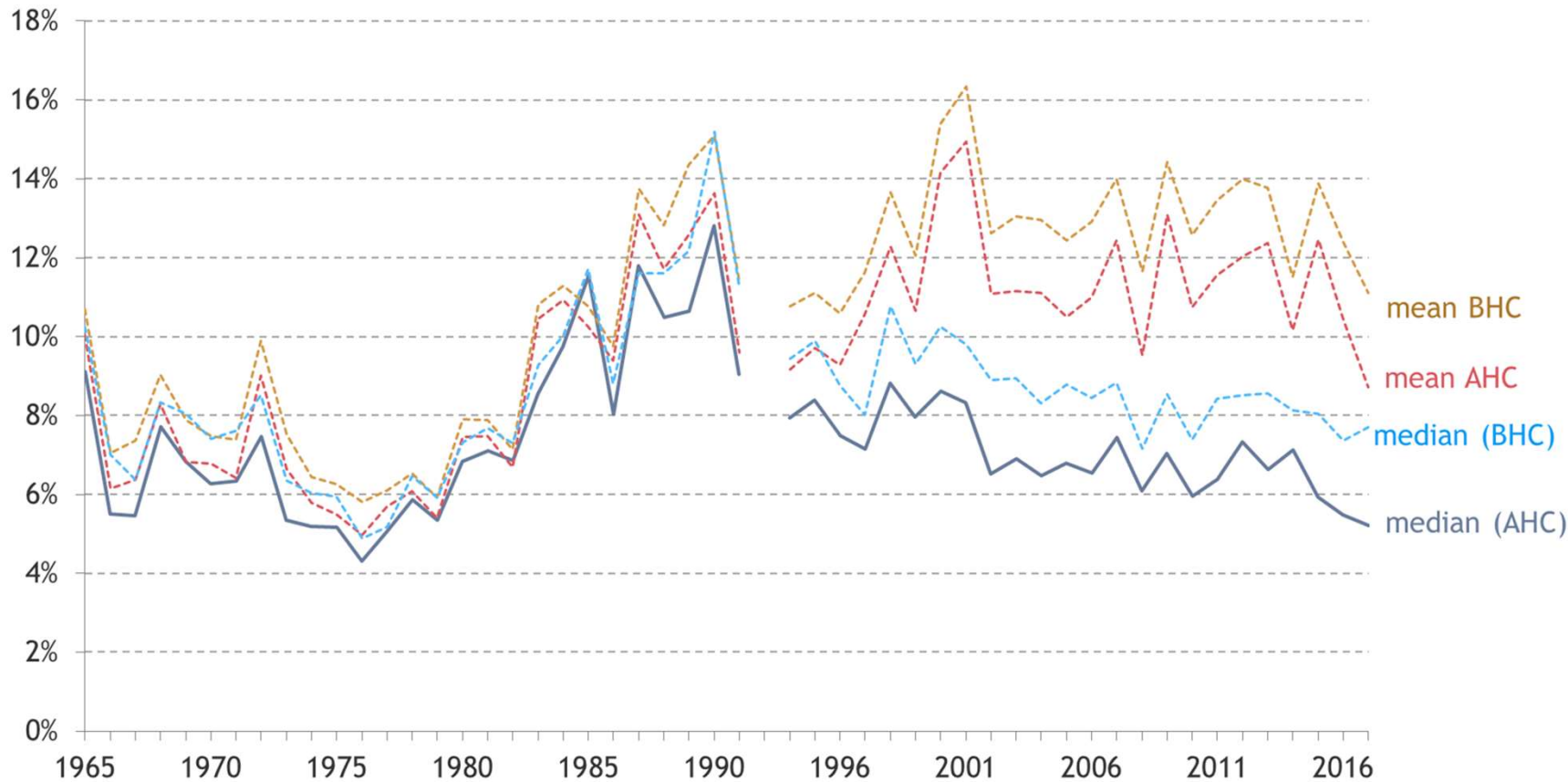


Notes: Coefficient of variance is calculated as above for the 12 regions and nations of the UK
Source: RF analysis of ONS, Labour Force Survey and ONS, Annual Survey of Hours and Earnings

Regional income gaps are at their lowest since the 70s...



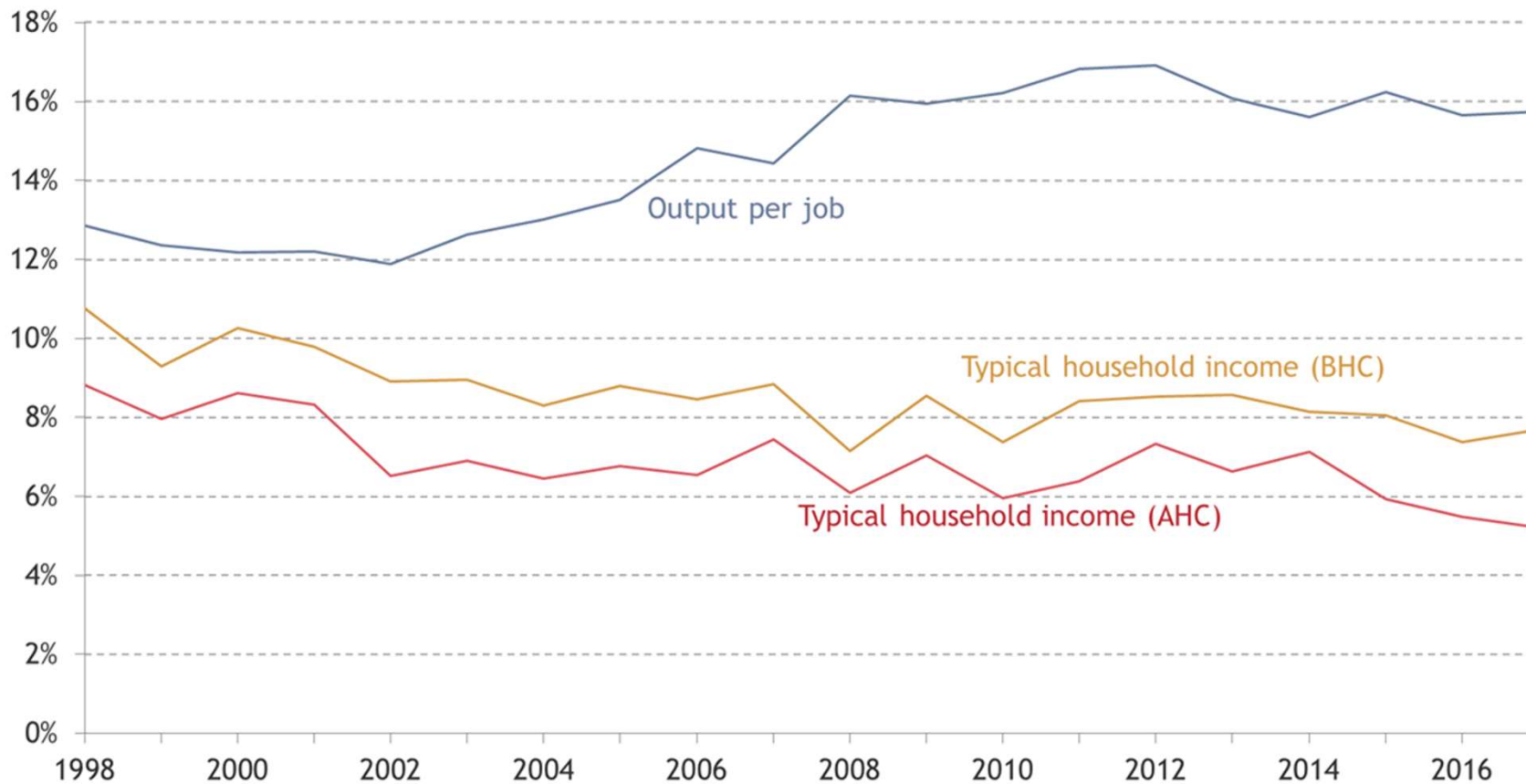
Coefficient of variance of equivalised household income across regions and nations of the UK



Notes: There is a break in the data between 1991 and 1994 and there was a change in the regional classification in 1994 with the 'Northern Region' being split into North West and North East and the East of England replacing East Anglia. Northern Ireland is not included in the years between 1994 and 2002
Source: ONS, Family Expenditure Survey (1961 – 1991) DWP, Households Below Average Income (1994-95 – 2017-18)

...it's productivity gaps that have grown

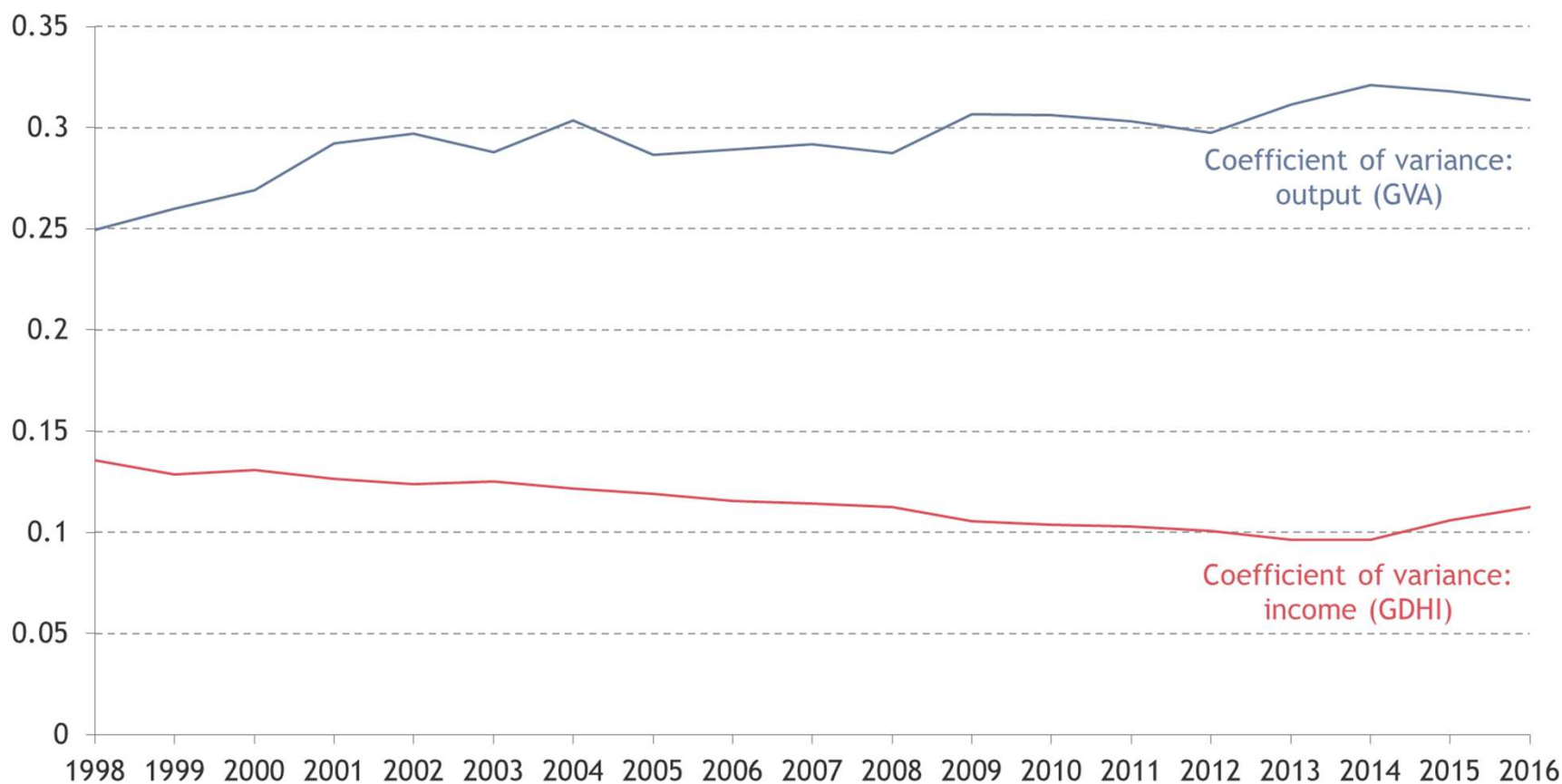
Coefficient of variance of output and household income across regions and nations of the UK



Notes: Coefficient of variance is the standard deviation of GVA per job and median equivalised household income divided by the mean, computed across the 12 regions and nations of the UK. Northern Ireland is not included in the household income series in the years between 1998 and 2002
Source: ONS, Family Expenditure Survey (1961 – 1991) DWP, Households Below Average Income (1994-95 – 2017-18), and ONS, Nominal regional gross value added (balanced) per head and Region by industry labour productivity

The same output/income story holds in Greater Manchester

Coefficient of variance of Gross Value Added (GVA) and regional Gross Disposable Household Income (GDHI) between local authorities within Greater Manchester



Source: RF analysis of ONS.

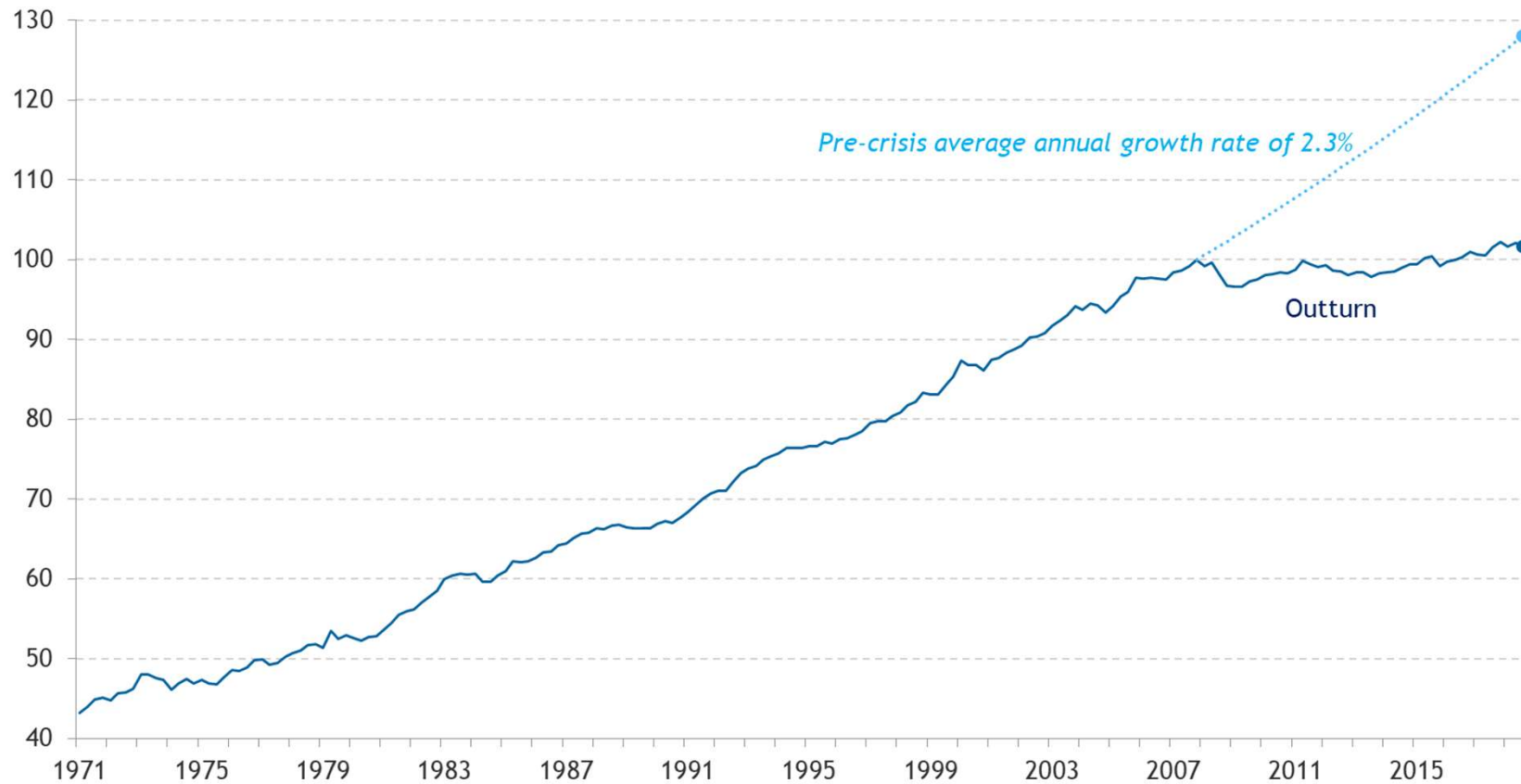


The bit of inclusive growth that gets forgotten

We haven't got any growth



Index of output per hour worked, outturn and pre-crisis counterfactual: UK



Source: RF analysis of ONS, *National Accounts*



Concluding thoughts

Concluding thoughts



We're talking inclusive growth because of 1980s inequality and 2010s pay stagnation

Don't forget national policy – earnings inequality is down, but so is redistribution

Housing costs increase inequality. They close living standards gaps between places today but create opportunity gaps tomorrow

Converging incomes but higher output gaps between places needs to be central to choices of objectives and policy

We need some growth too!



Inclusive Growth

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