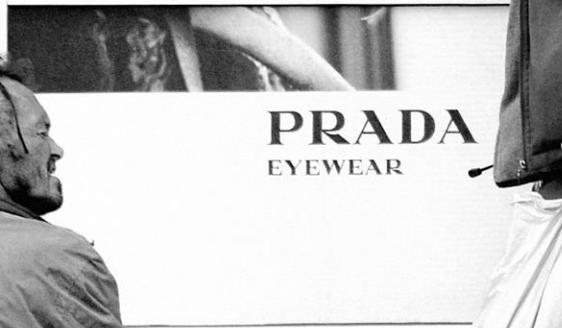


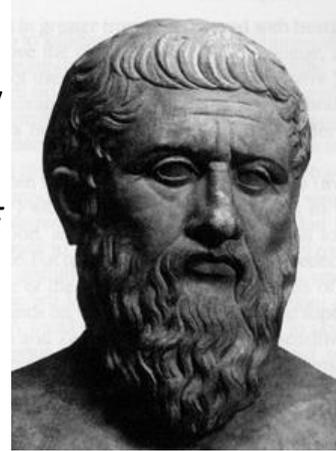
Concerns about rising inequalities



Widespread and long standing concern about inequalities

"There should exist among the citizens neither extreme poverty nor again excessive wealth, for both are productive of great evil"

Plato 360 BCE



"we need to act to address the deeply felt sense of economic inequality that has emerged in recent years"

Teresa May at Davos, January 2017

"we need to rebuild the economy so that no one and no community is left behind"

Jeremy Corbyn, February 2017

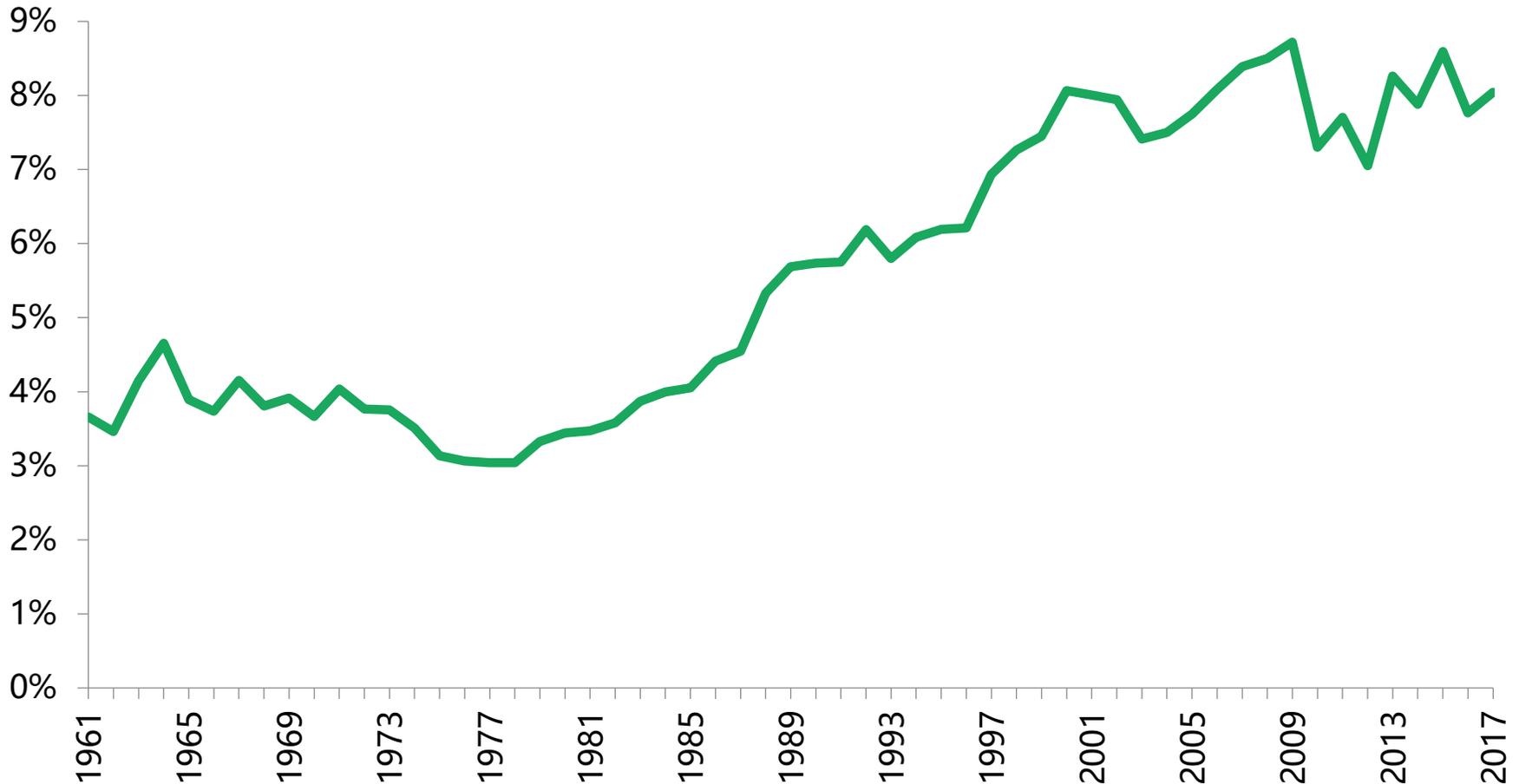


The focus of the G7 summit, chaired by France, is on fighting global inequality

Emmanuel Macron, August 2019

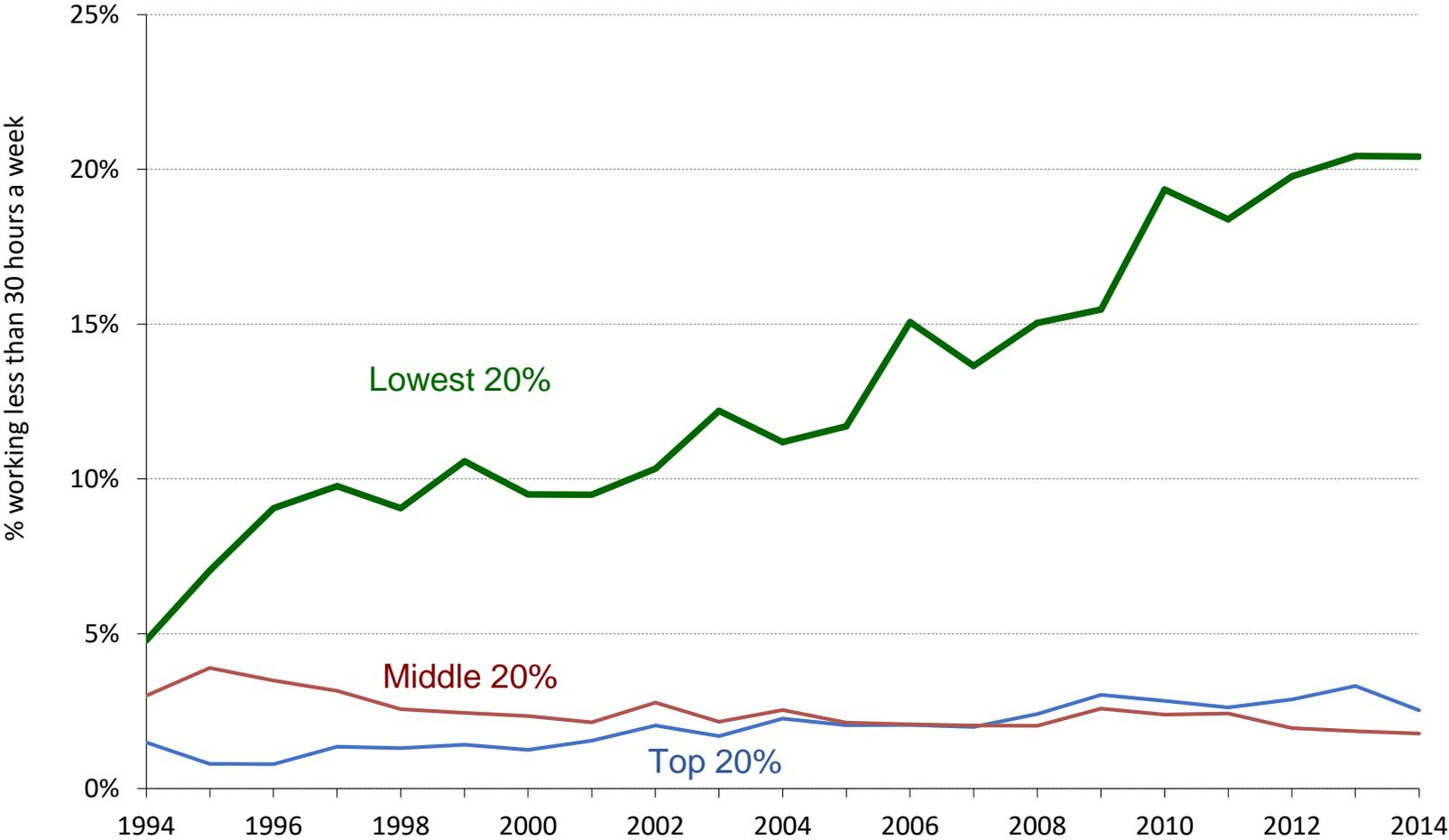
Top incomes are high and have risen faster than at the bottom

Top 1% share of net household income, 1961-2017



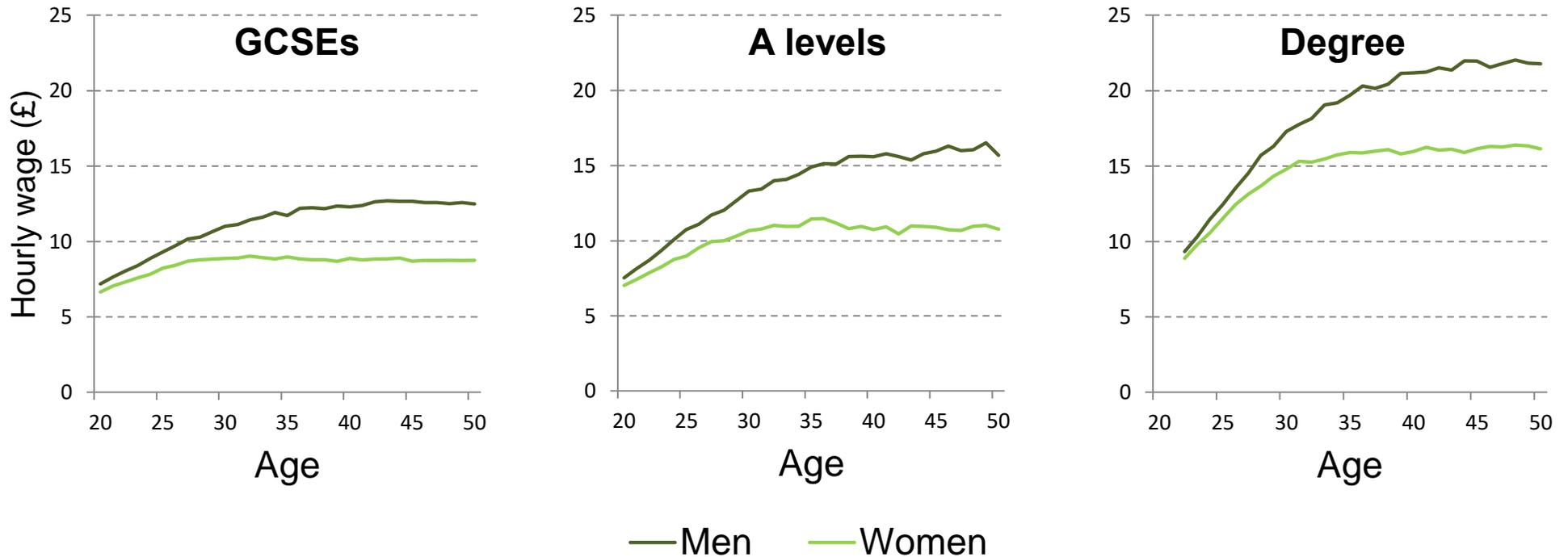
Source: Joyce and Xu, 2019

Low income men increasingly likely to work part time



Notes: LFS: Male employees aged 25-55. Source: IFS calculations using Labour Force Survey

Less educated experience little wage growth over their career



Source: Costa-Dias, Joyce and Parodi (2018)

Note: Wages are shown in 2016 constant-wage terms. Individuals in the bottom two and top one percentiles of the gender- and year-specific hourly wage distributions are excluded. Source: LFS 1993Q1–2017Q2.

The challenge of growing income inequality

Strong earnings growth at the top

Little pay progression for the low skilled

Weaker labour market attachment for low waged

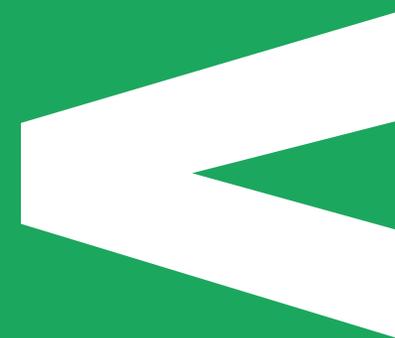
Female employment growth has not reversed growth in household earnings inequality

Employment is increasingly not enough to move out of poverty or for longer run self-sufficiency



Introducing the IFS Deaton Review

An IFS initiative funded
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Inequality

The IFS Deaton Review

Income is important, but so are many other inequalities

Wealth

- young people are less likely to own a house and have less pension saving

Health

- Health disparities are more pronounced in several countries

Participation in the community and family life is declining

- Less educated and low income people are less likely to be in stable family and community situations

Access to the justice and political systems

- is restricted for some members of society

US Deaths of Despair

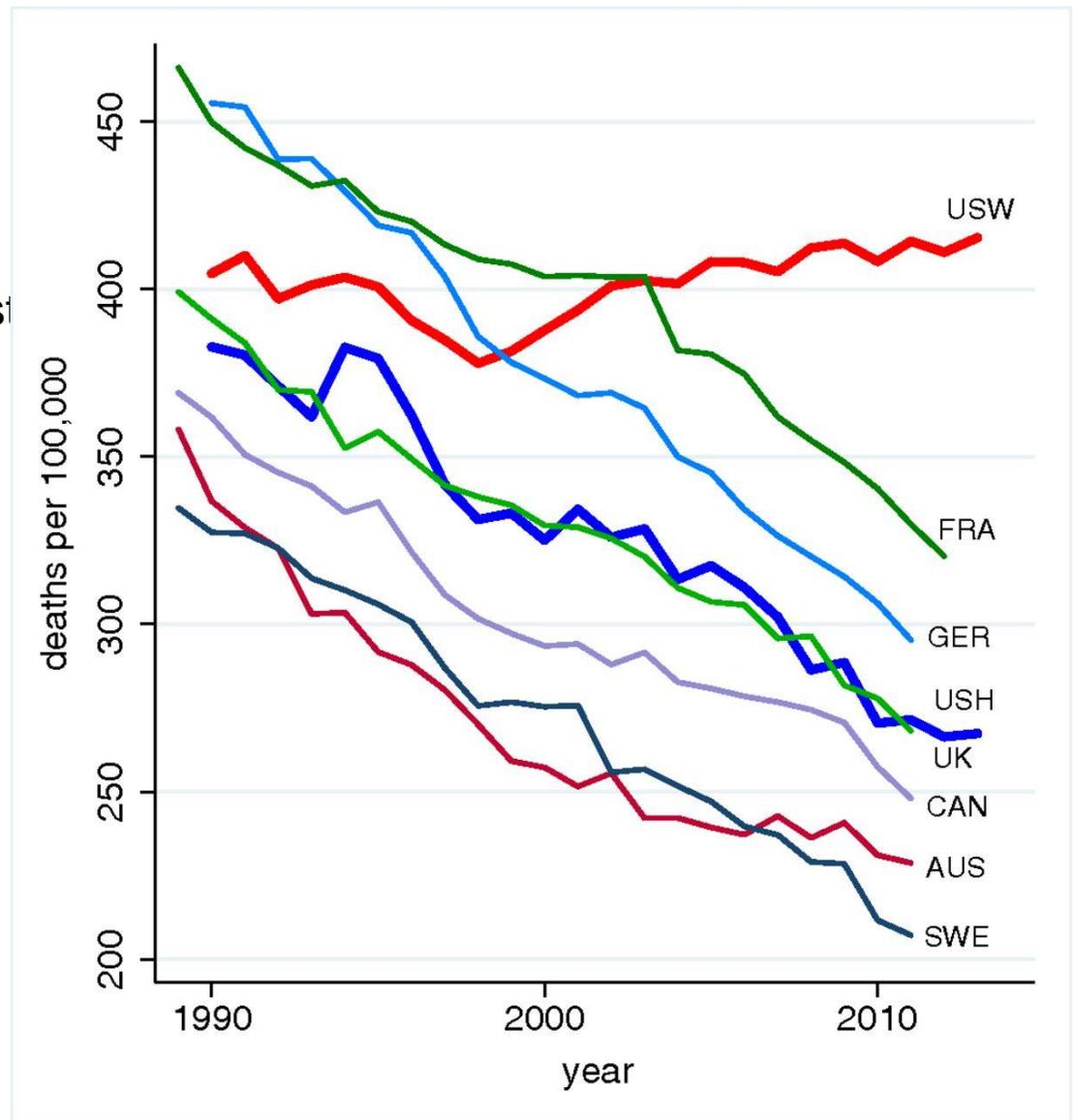
In the US mortality is rising amongst US white non-hispanics (USW)

- particularly amongst lower educated
- and middle aged (45-54)

Not true for US hispanics (USH) or in France (FRA), Germany (GER), Canada (CAN), Australia (AUS), and Sweden (SWE)

Mortality has stopped falling in the United Kingdom (UK)

All-cause mortality for USW aged 45–54



US Deaths of Despair

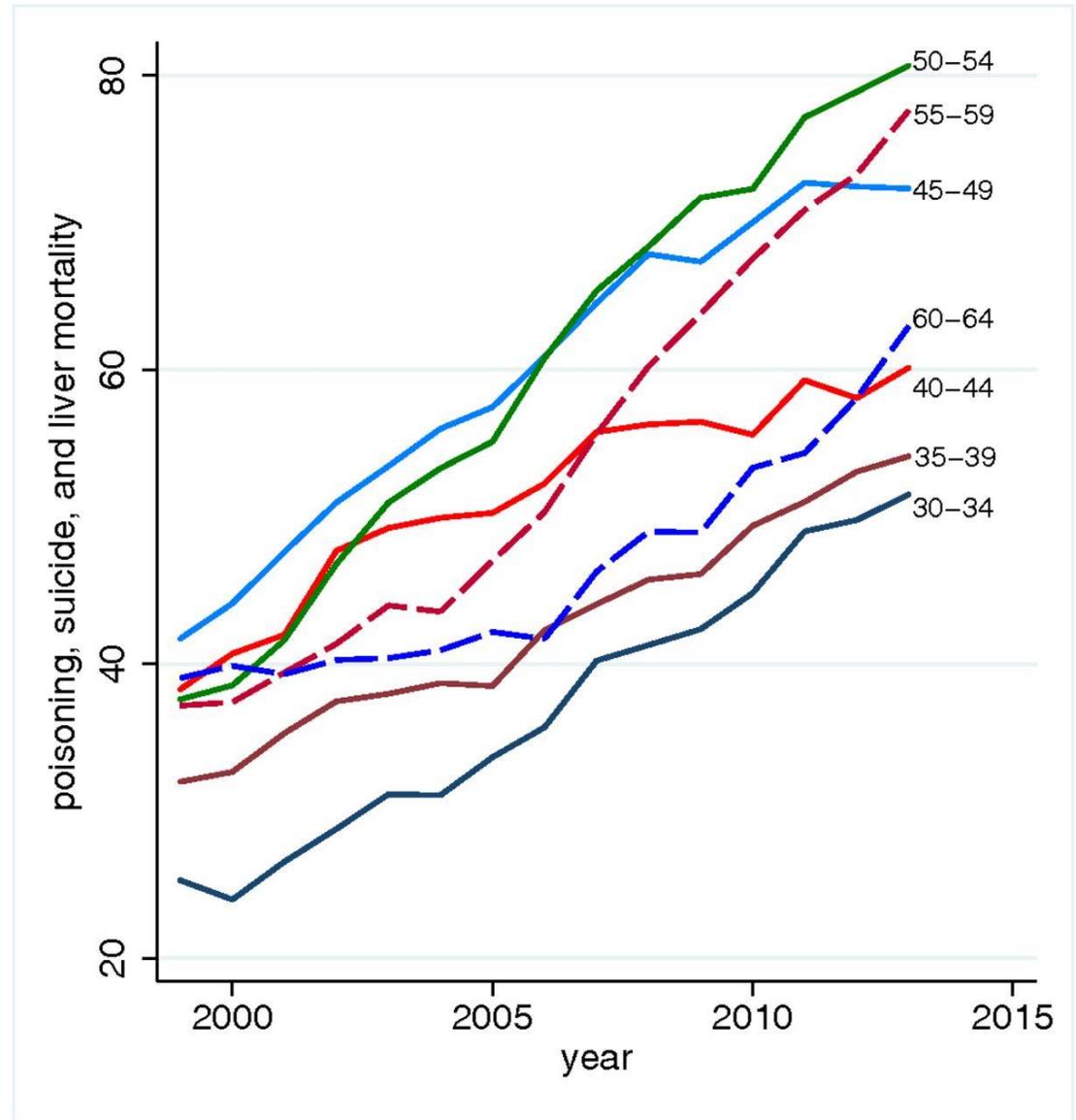
Rapidly rising mortality by

- poisoning,
- suicide,
- chronic liver disease,
- and cirrhosis

amongst US white non-Hispanics

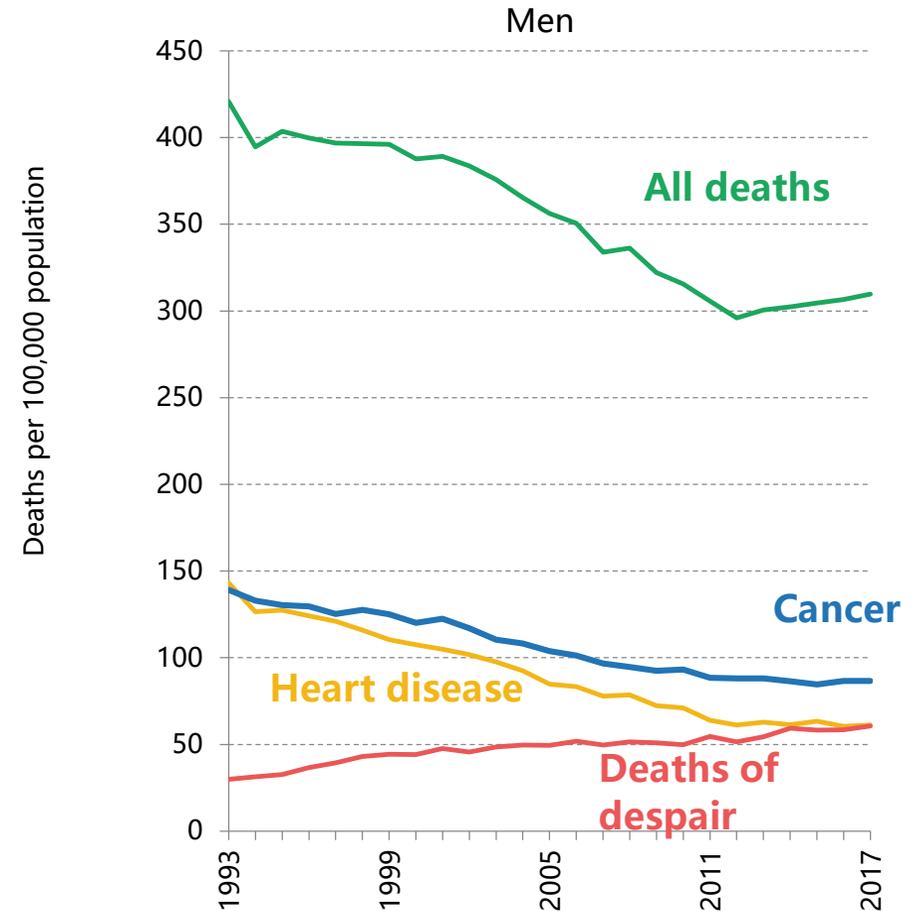
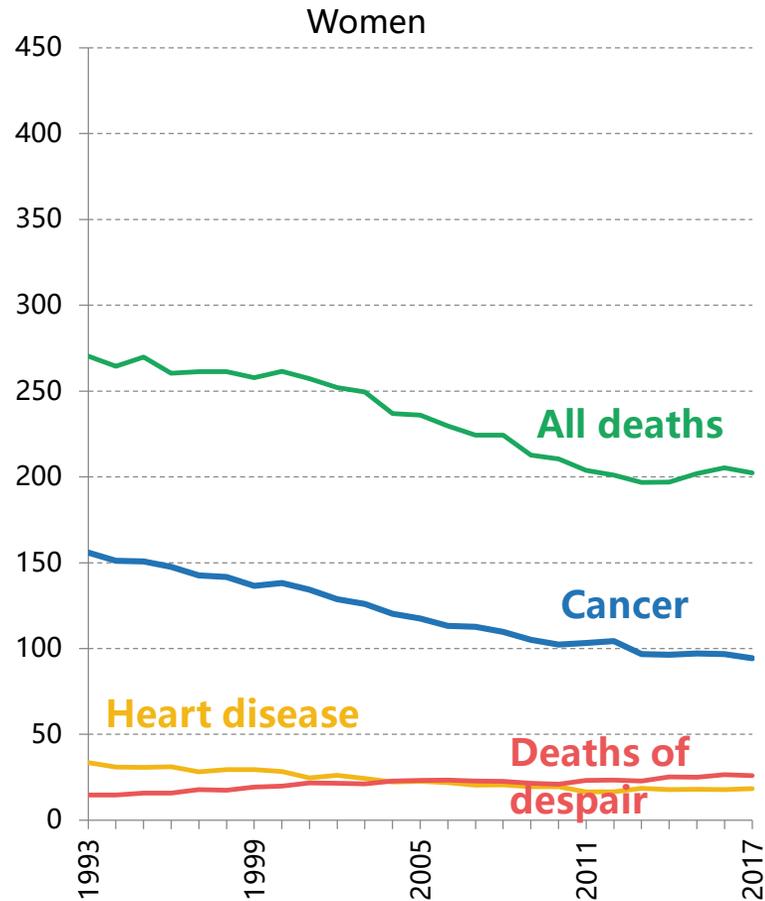
- particularly low educated

by 5-year age group



UK: Deaths of Despair are increasing

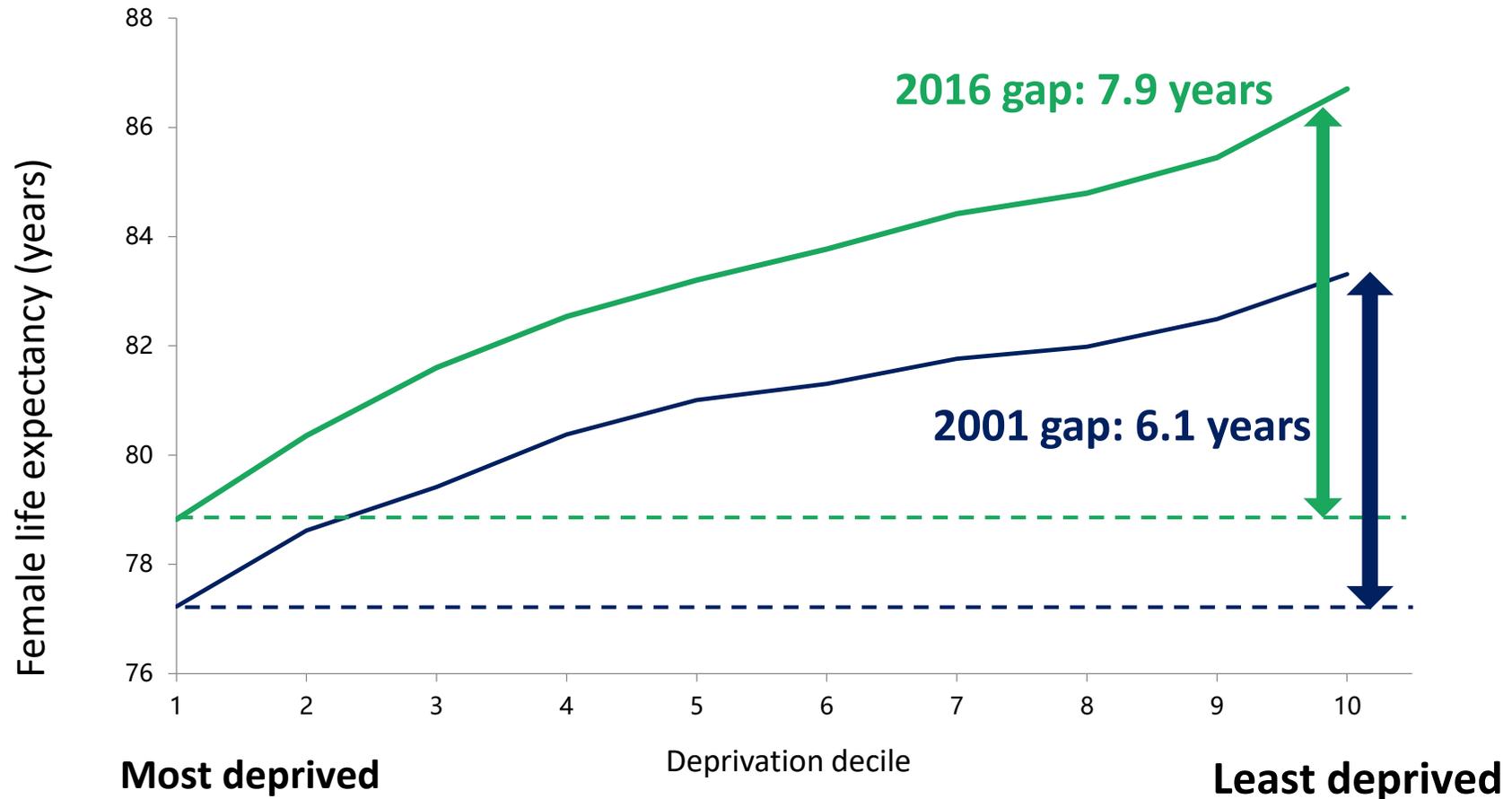
putting an end to decade of falling mid-age mortality



Note: Classification of disease groups follows Case and Deaton (2015 and 2017).
Source: Joyce and Xu, 2019

In the UK the gap in life expectancy between affluent and deprived areas has widened

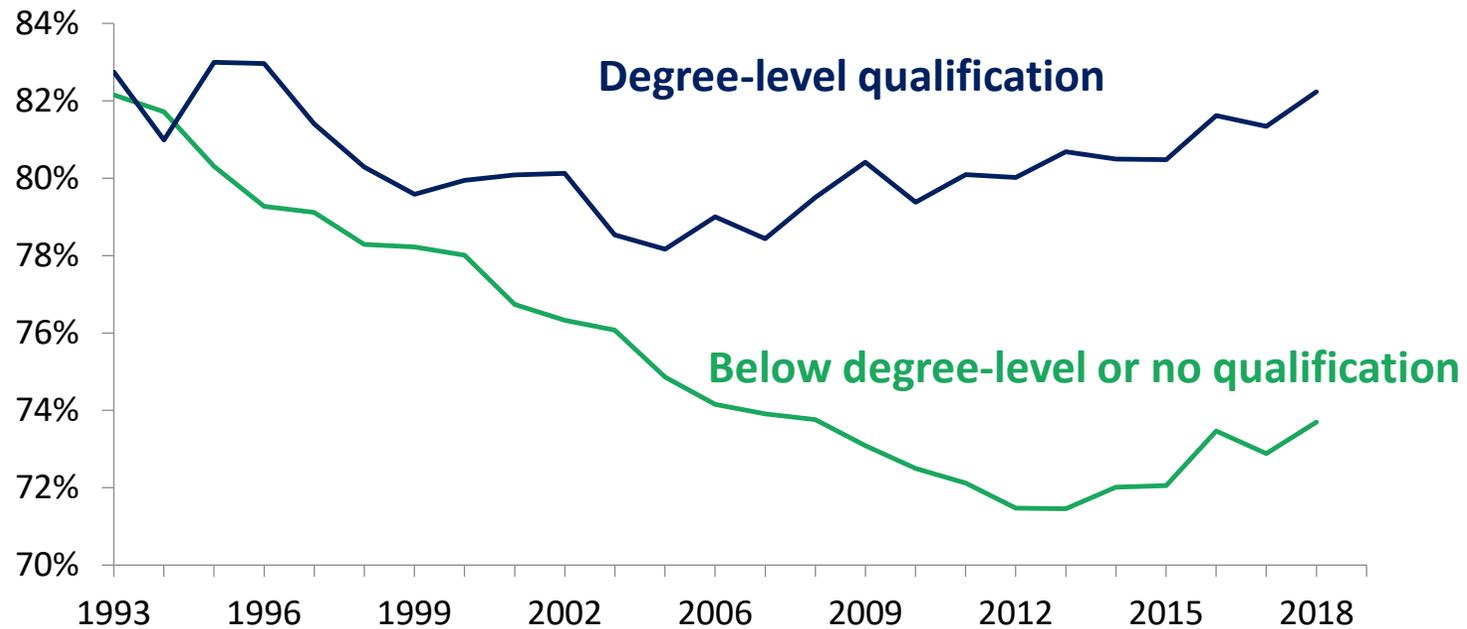
Female life expectancy at birth by IMD decile, 2001 and 2016



Family structures and communities are changing, particularly for less educated and lower income

Less educated and low income people are increasingly less likely to be in stable family situations relative to more educated and richer peers

Share 40-45s who are married or cohabiting, 1993–2018



Note: Excludes people currently in full-time education.
Source: Joyce and Xu, 2019

Family structures and communities are changing, particularly for less educated and lower income

Less educated and low income people are increasingly less likely to be in stable family situations relative to more educated and richer peers

In the UK and US, a high proportion of children are born into households with no fathers, particularly among less educated or low income groups

Inequalities in childhood skills emerge at young ages, have increased in recent years, drive important later life outcomes

- Widening disparities in health, earnings, family stability and parental investment in children is likely to increase inequality in children's skills in the next generation

Geographic inequality is increasing, and with it political polarisation

Economic outcomes are diverging by region

- Educated people are increasingly moving to cities, leaving the less educated behind in towns and rural areas

Support for populist parties is concentrated in areas that have seen economic stagnation and decline

- In several countries, local labour markets hit by import competition have increasingly voted for populist and nativist parties or candidates
- The shift is *cultural*, not just economic. Voters in these areas become less supportive of democracy and liberal values and more opposed to immigration
- In the US, trade shocks disproportionately push voters towards extreme Republicans, whose policies (favouring tax cuts on the rich and less redistribution) seem to run counter to their economic interests

What policies can tackle these rising inequalities?

Evidence on the **causes** of these inequalities is important to inform policy formation

Avoiding the intergenerational transmission of inequalities is important and can be achieved with a variety of interventions

But there are some big challenges. We need a better and more comprehensive understanding of:

- what makes some interventions work
- how to deliver policies at scale
- the political economy of these interventions

Redistributive taxes and benefits are key policies

- but they are certainly not the only ones that we need

What policies can tackle these rising inequalities?

Technological change

- Skilled workers more productive
- Easier to automate routine tasks

Education/ skills policy
State-led R&D/investments

Globalisation

- Import competition and offshoring
- Competition for globally mobile executives

Regional/industrial policy
Facilitate geographic mobility

Changes in bargaining power

- Decline in unions
- Gig economy, agency work, self-employment
- Pay-setting institutions at the top

Minimum wages
Regulation of labour contracts
Worker representation

Firms and market power

- Rising concentration/market power
- Monopsony power
- Corporate lobbying

Corporation tax
Competition policy
Regulation

What policies can tackle these rising inequalities?

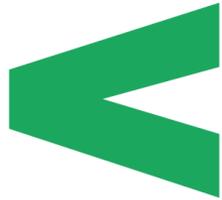
Angus Deaton, Nobel Laureate in Economics:

In Britain at the beginning of the 19th century, inequality was vast compared with today.

Wages were stagnant and would remain so for half a century. Profits were rising, and the share of profits in national income rose at the expense of labor.

Yet by century's end reforms led to reduced fortunes of the aristocrats, extended political inclusion, wage began to rise and mortality started to fall

All of this happened without a collapse of the state, without a war, or a pandemic, through gradual change in institutions that slowly gave way to the demands of those who had been left behind.



Inequality

The IFS Deaton Review

The IFS Deaton Review

Ambitious 5-year study on inequalities in the 21st century

- The project will draw on the leading minds across the social sciences to assemble the evidence on the causes and consequences of different forms of inequalities, and the ways that they can best be reduced or mitigated.

Aims to answer the big questions

- Which inequalities matter most and for whom?
- How are different kinds of inequality related?
- What are the underlying forces that come together to create them?
- What is the right mix of policies to tackle inequalities?



Introducing the IFS Deaton Review

<https://www.ifs.org.uk/inequality/>

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