

# Aspects of Economic and Social Inequality

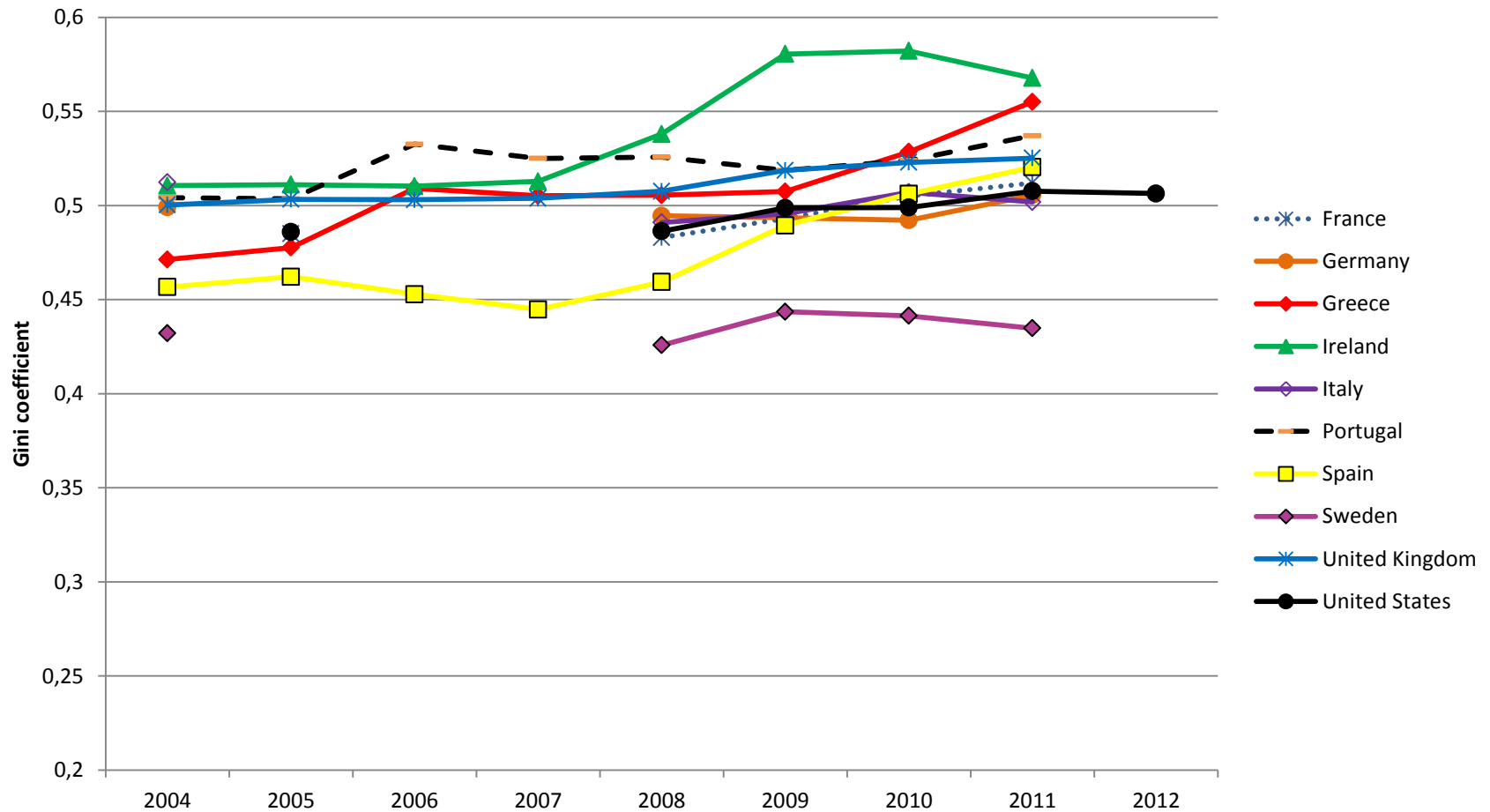
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Crisis Observatory – 2<sup>nd</sup> Annual Conference  
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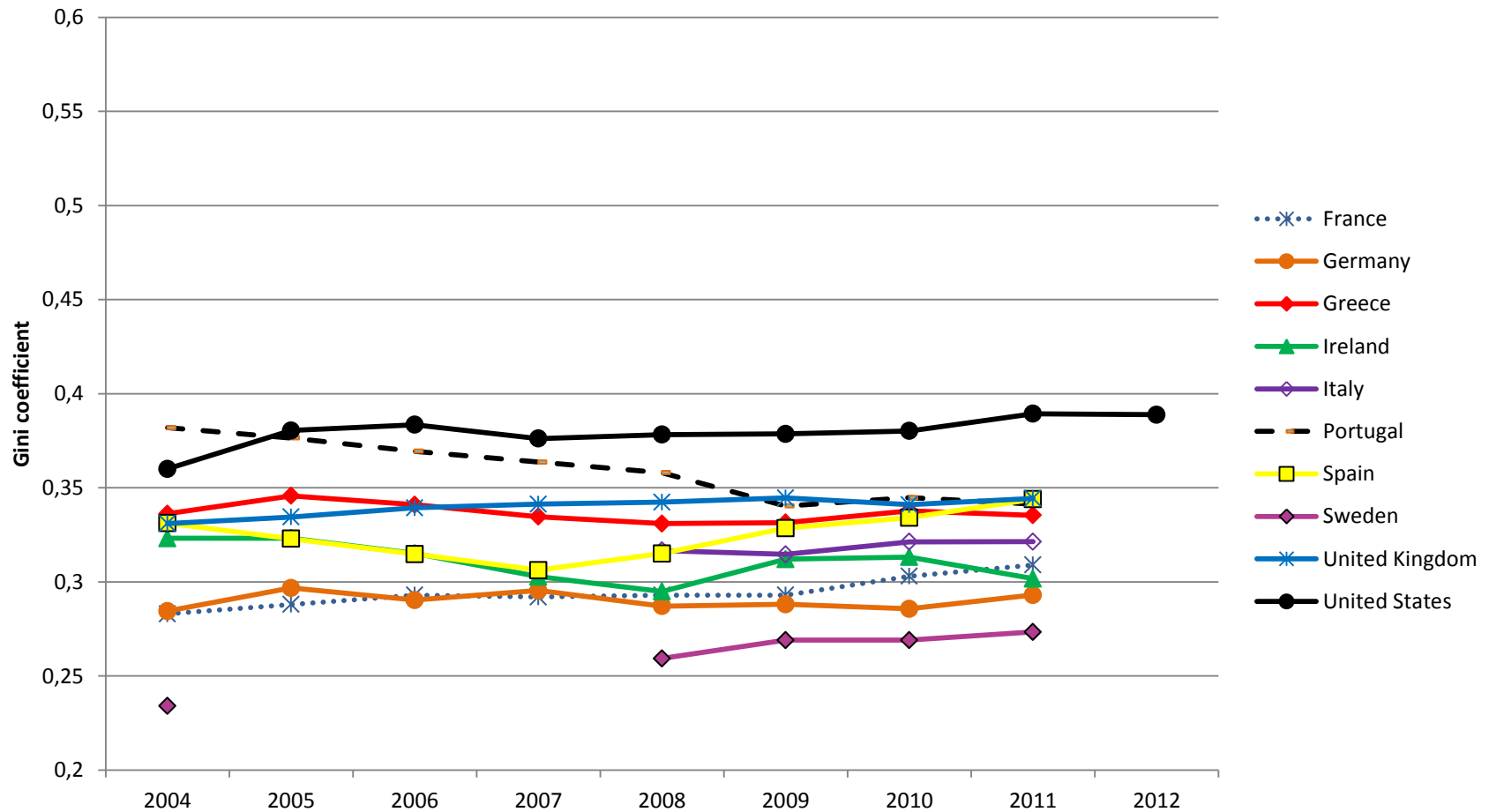
# Outline

- Trends in inequality and redistribution
- Inequality and poverty over the crisis
- Evidence on the impact of inequality
- Social inequalities over the crisis
- Growing generational divide
- Inequality and political instability

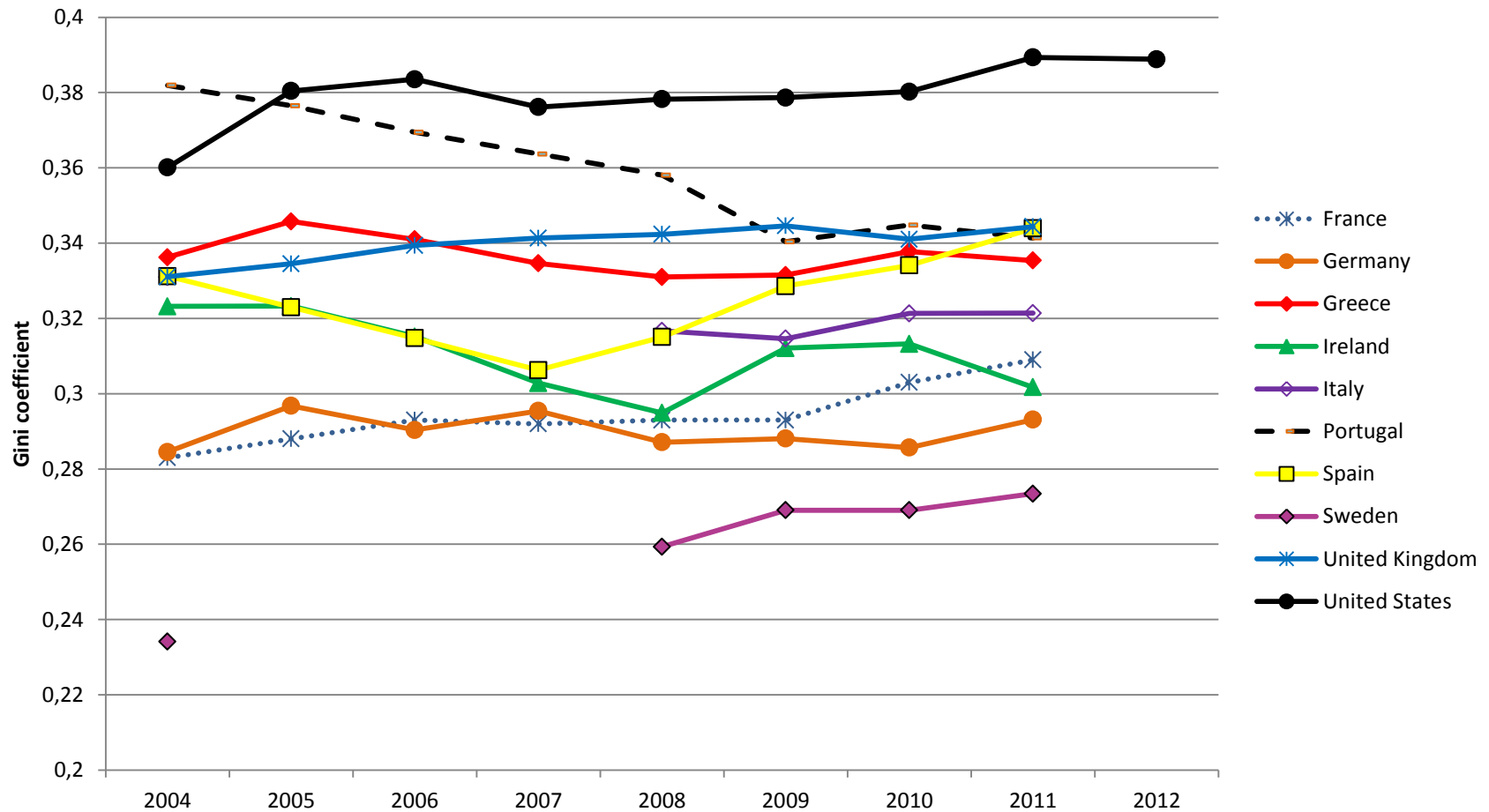
# Inequality in income before taxes and transfers



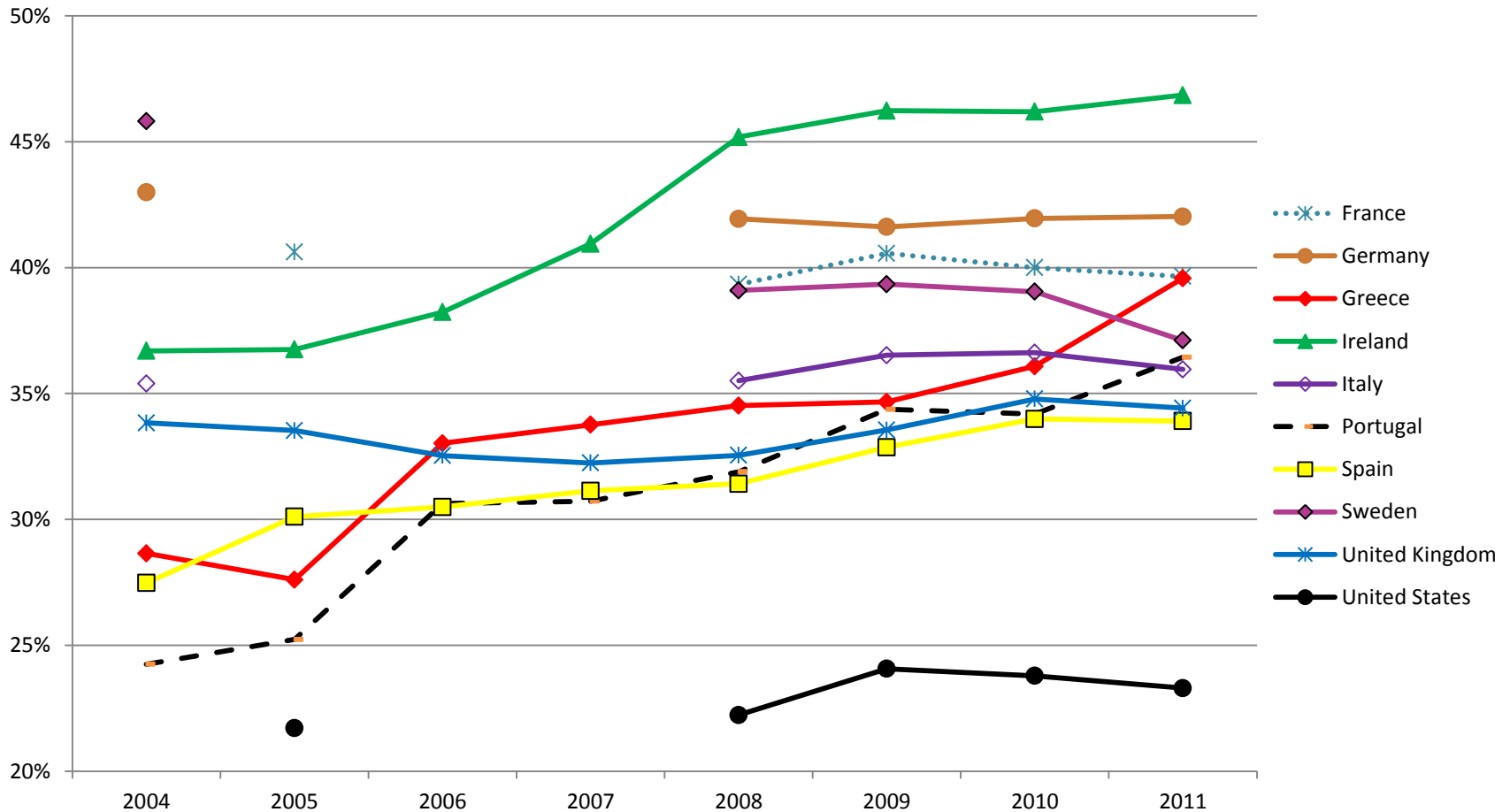
# Inequality in disposable income (post taxes and transfers)



# Inequality in disposable income (post taxes and transfers) - 2



# % reduction in the Gini coefficient



# Did household income inequality increase over the crisis?

- Varied experience across countries
- Market incomes increased by more than disposable income
- Some countries have been more effective at mitigating any increase in market income inequality through taxes and transfers
- Unemployment and its distribution across households is a key driver in determining market income inequality

# In countries where inequality increased what impact would we expect this to have?

- Evidence from the GINI project suggests that there is no simple relationship between increasing inequality and a deterioration in social and economic outcomes
- In some cases a relationship was found – health, social mobility, political participation
- However, in a number of areas where evidence was available, findings suggested that social gradients became steeper
- Simple message – an unequal distribution in economic resources and purchasing power leads to an unequal distribution in a range of social and economic outcomes



# Poverty

- Falls in median income can mean that relative income poverty rates fall during recessions – we have seen this happen in some countries such as the UK
- Material deprivation measures can also fail to pick up the true extent of economic hardship as lower income households are more likely to say that they don't “want or need” material items

# Understanding the social and economic impact of the crisis

- Standard income inequality and poverty measures are not the most informative metrics when trying to understand the impact of the crisis
- Economic resources – wages, earnings, incomes, wealth
- Evidence on social inequalities
- Generational divides
- Politics and policies

# Social inequalities – findings from EQLS

## Health

- Factors associated with a negative impact on self-reported health:  
*older; female; unemployed; limiting disability or health condition; material deprivation; low income; low educational status; poor quality housing; healthcare cost.*
- Factors associated with a greater likelihood of experiencing difficulties accessing healthcare:  
*limiting disability or health condition, older, unemployed, women.*

# Social inequalities – findings from EQLS

## Health

### *Crisis*

(1) The share of EU27 population reporting bad self-rated general health increased 2007-2011.

(2) There was an increase in the share of young people whose mental health was at risk – potential scarring effect of crisis on their health and well-being. Older people, long term unemployed.

(3) Cross country variation for access – Greece percentage reporting difficulties with: **cost** increased from 45% to 64%; **distance** increased from 24% to 45%; **delays** increased from 43% to 67%; **waiting times** increased from 47% to 66%.

# Social inequalities – findings from EQLS

## Material deprivation

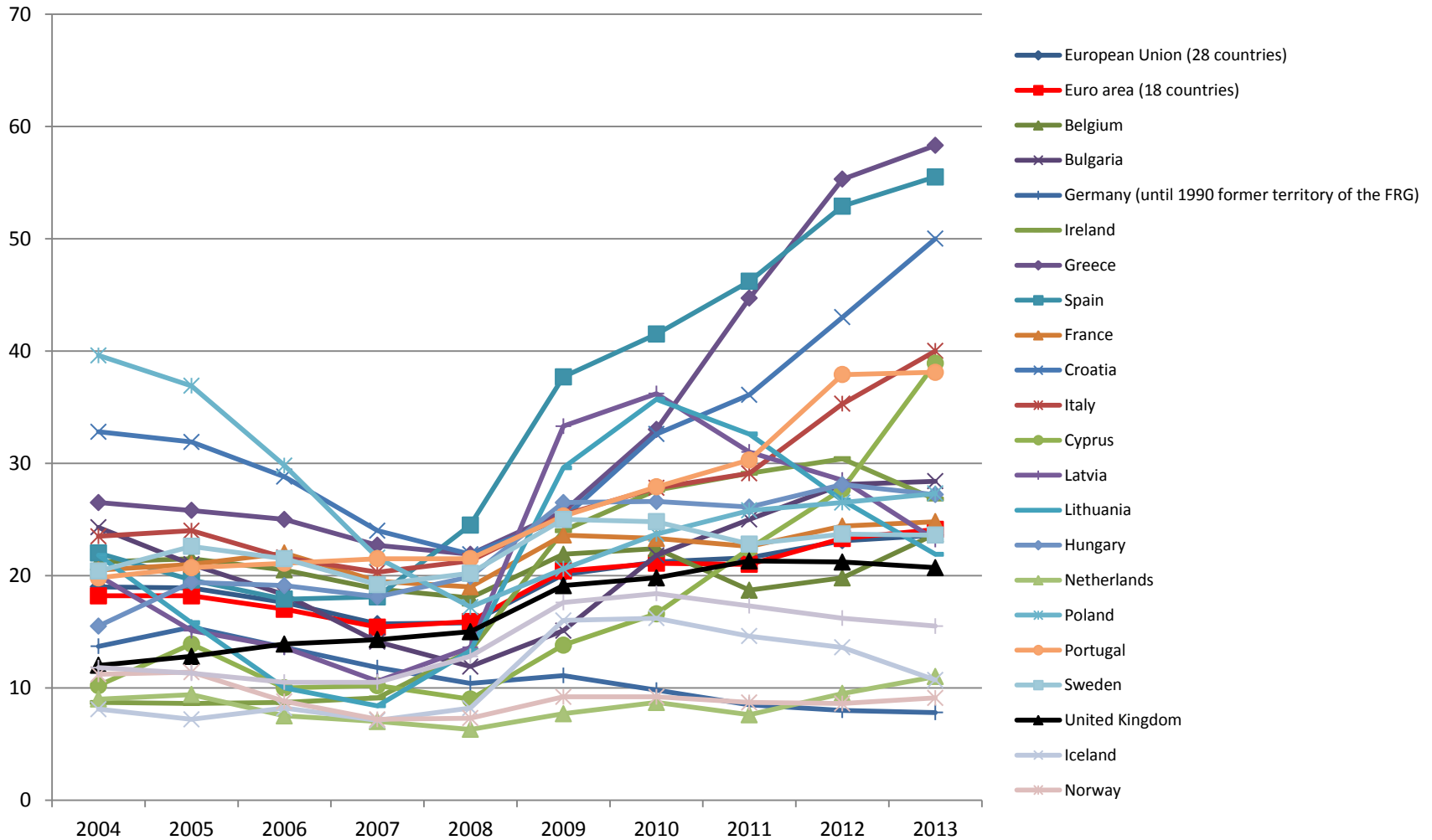
- Factors associated with an elevated risk of material deprivation:  
*older; unemployed; limiting disability or health condition;; low income, low educational status, non-EU citizen, widowhood, lack of social support.*

### ***Crisis***

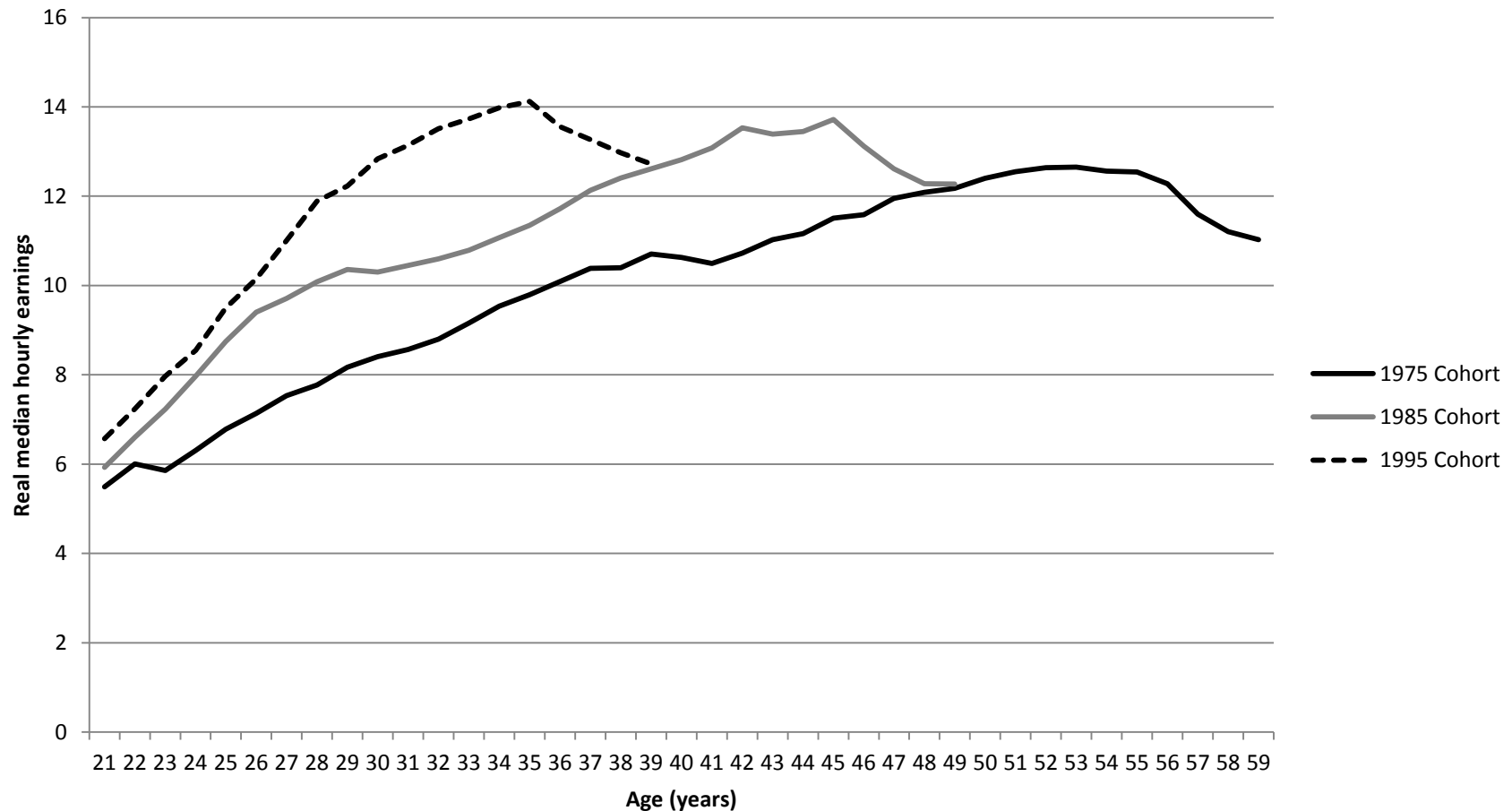
(1) The share of EU population experiencing material deprivation increased between 2007 and 2011.

(2) Above average increases among people with a limiting disability or health condition, long-term unemployed and those aged 50-64

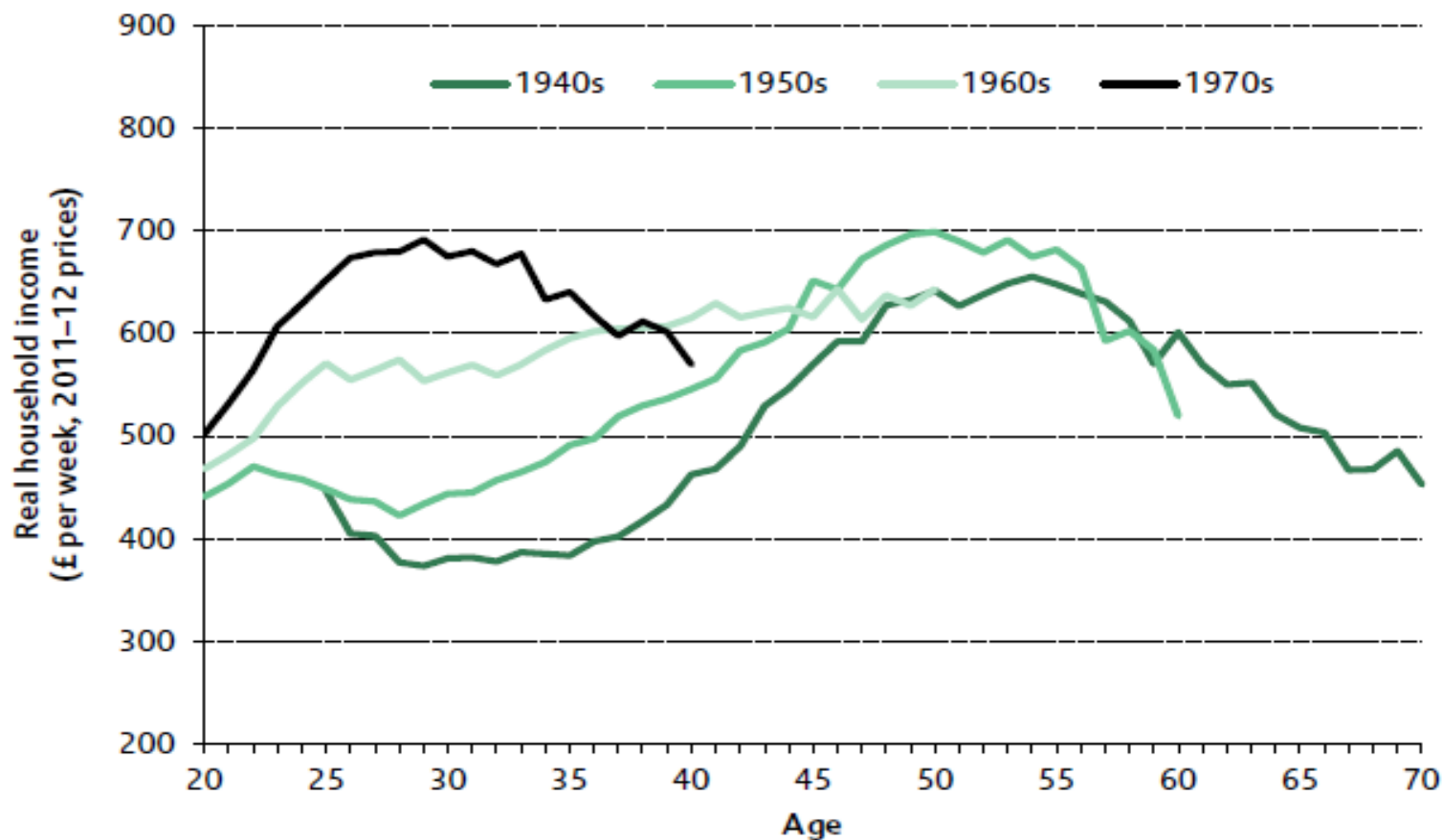
# Youth unemployment rates – under 25 years



# Wage-age profiles show how younger cohorts are losing out

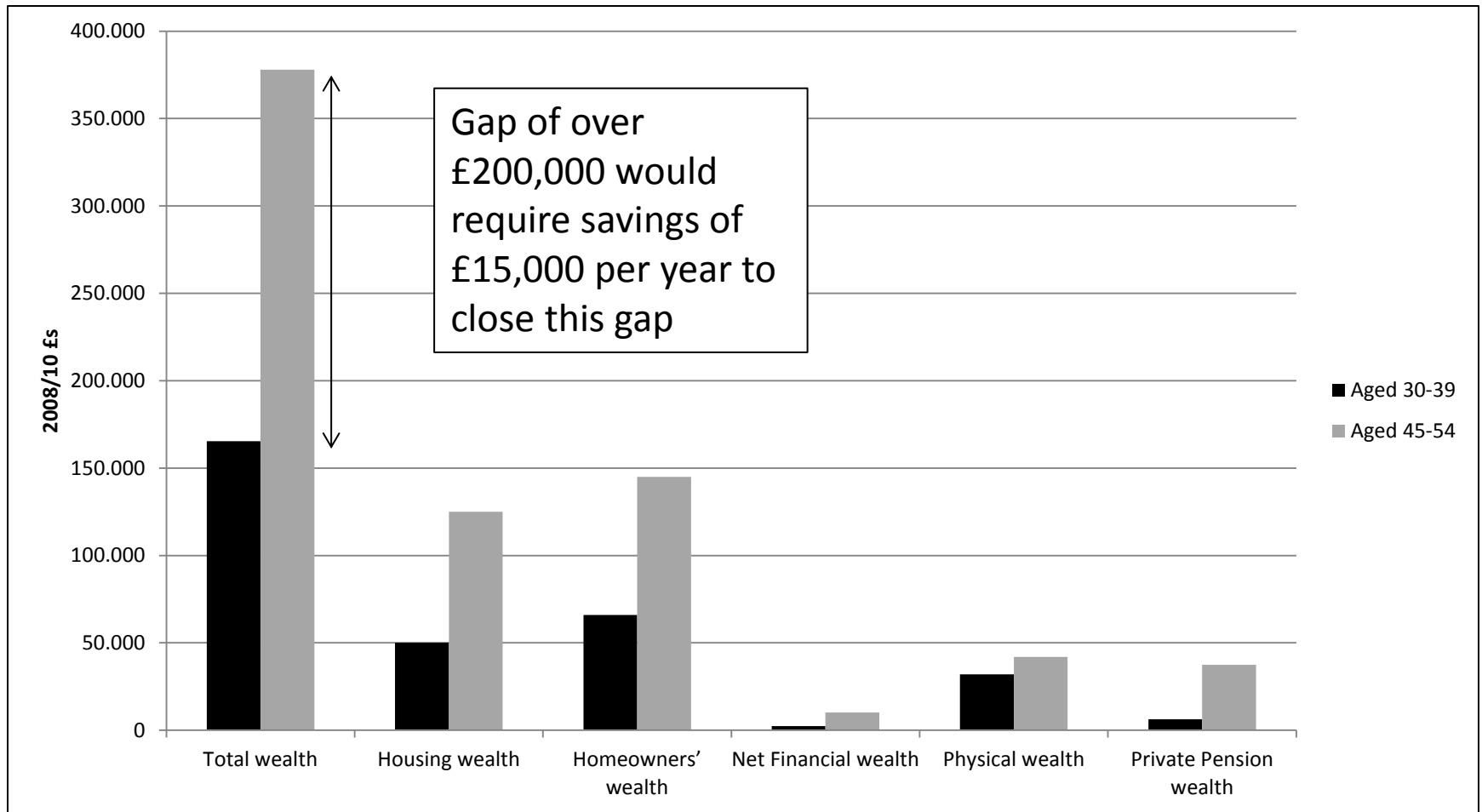


# Younger generations are being hit hard by falling real incomes

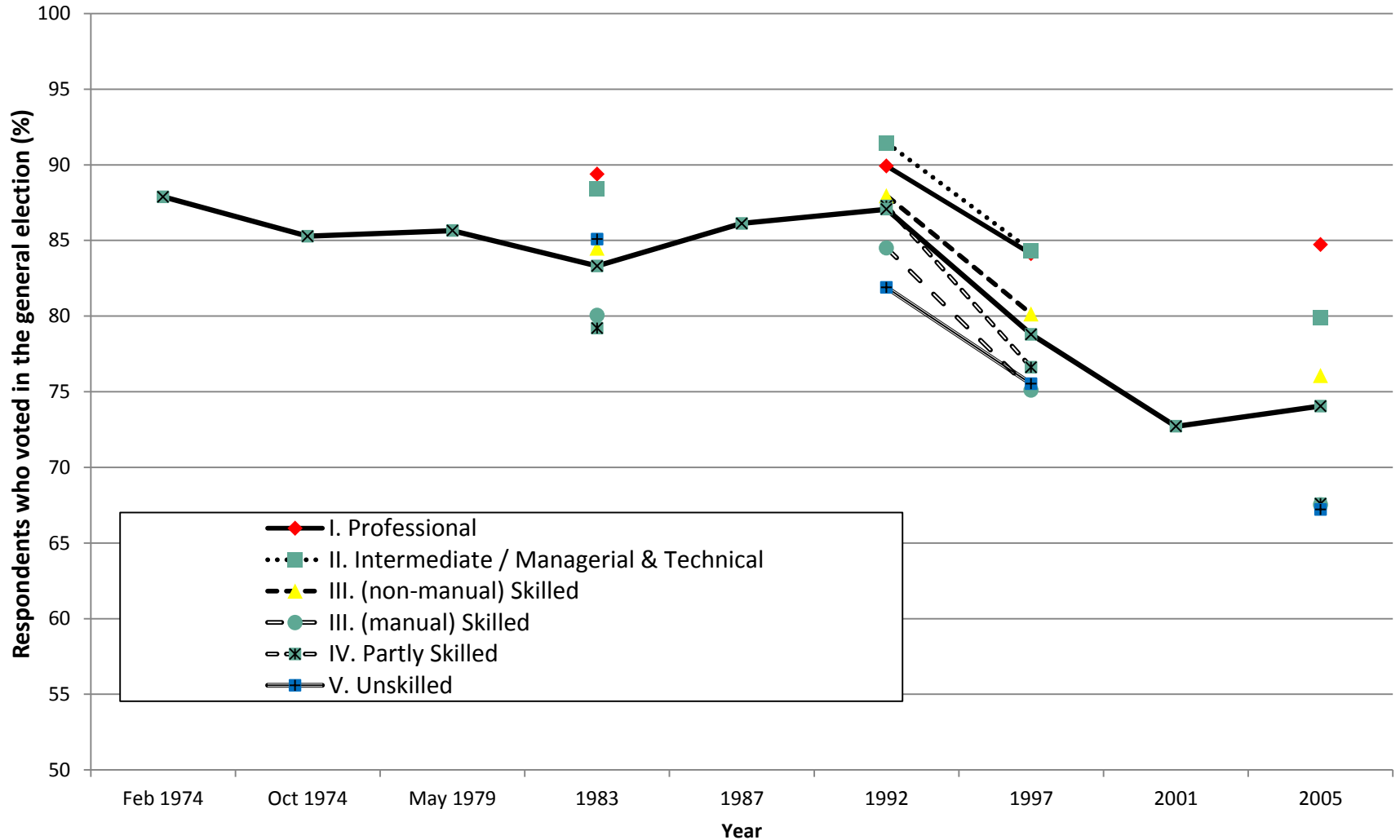




# UK wealth estimates 2008/10 - two age cohorts



# Voter turnout – social class



# Inequality and political instability

- Vulnerabilities
  - Disenfranchised, disillusioned and distrusting ‘voters’ withdraw from the voting booth
  - Elections results are increasingly being determined by a select social stratum
  - Mixed with an increasingly wealthy and powerful elite they go on to shape policies in their favour
  - Main parties vying for the centre ground (median voter) leaves plenty of room for new populist parties

# Summary

- Simple message – while inequality doesn't necessarily make everyone “worse off” differences in economic resources drive differences across a wide range of outcomes. Multidimensional nature of inequality.
- Falling real wages, self-employment earnings and incomes
- Growing generational divides
- Inter and intra generational transfers likely to play a key role in determining the financial well-being of younger generations experiencing the crisis at critical lifecycle ages