



ECONOMICS TOPIC VIDEOS

Inequality in the UK Economy

A Level Economics

Hosted by Geoff Riley

Income and Wealth Inequality – A Lack of Equity

Increasing inequality in the distribution of income and wealth is an example of market failure. Resources are not distributed equitably.

Income

Income is a **flow of money** going to factors of production

- Wages and salaries from jobs
- Rental income from property
- Interest from savings
- Profits flowing to shareholders

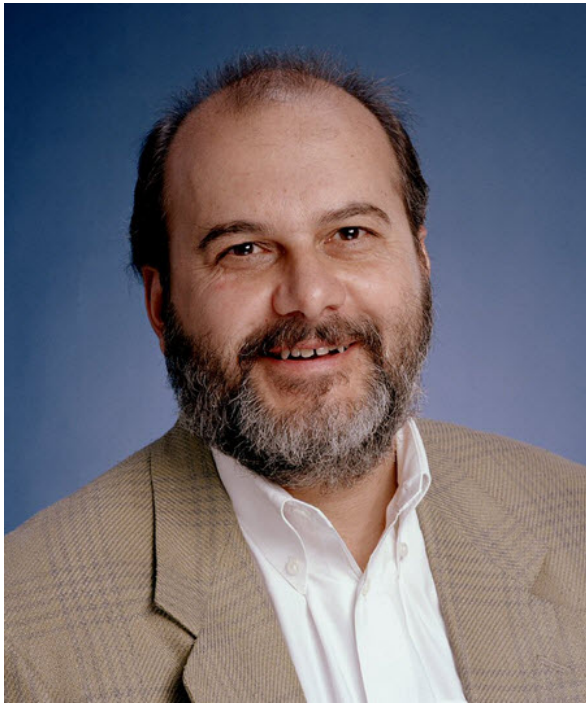
Wealth

Wealth is the current **value of a stock of assets** owned by someone or society as a whole

- Savings in bank accounts
- Ownership of property
- Shares / stocks in businesses
- Wealth held in pension schemes

Economic Growth and Inequality

In many countries, a period of fast growth can lead to a widening of inequality of income and wealth – but this is not inevitable!



Picture: Branko Milanovic, World Bank economist and an expert on trends in global income & wealth inequality

“Half of one’s income depends on the average income of the country in which that person was born.”

“8% of humanity takes home 50% of global income; the top 1% alone takes home 15%.”

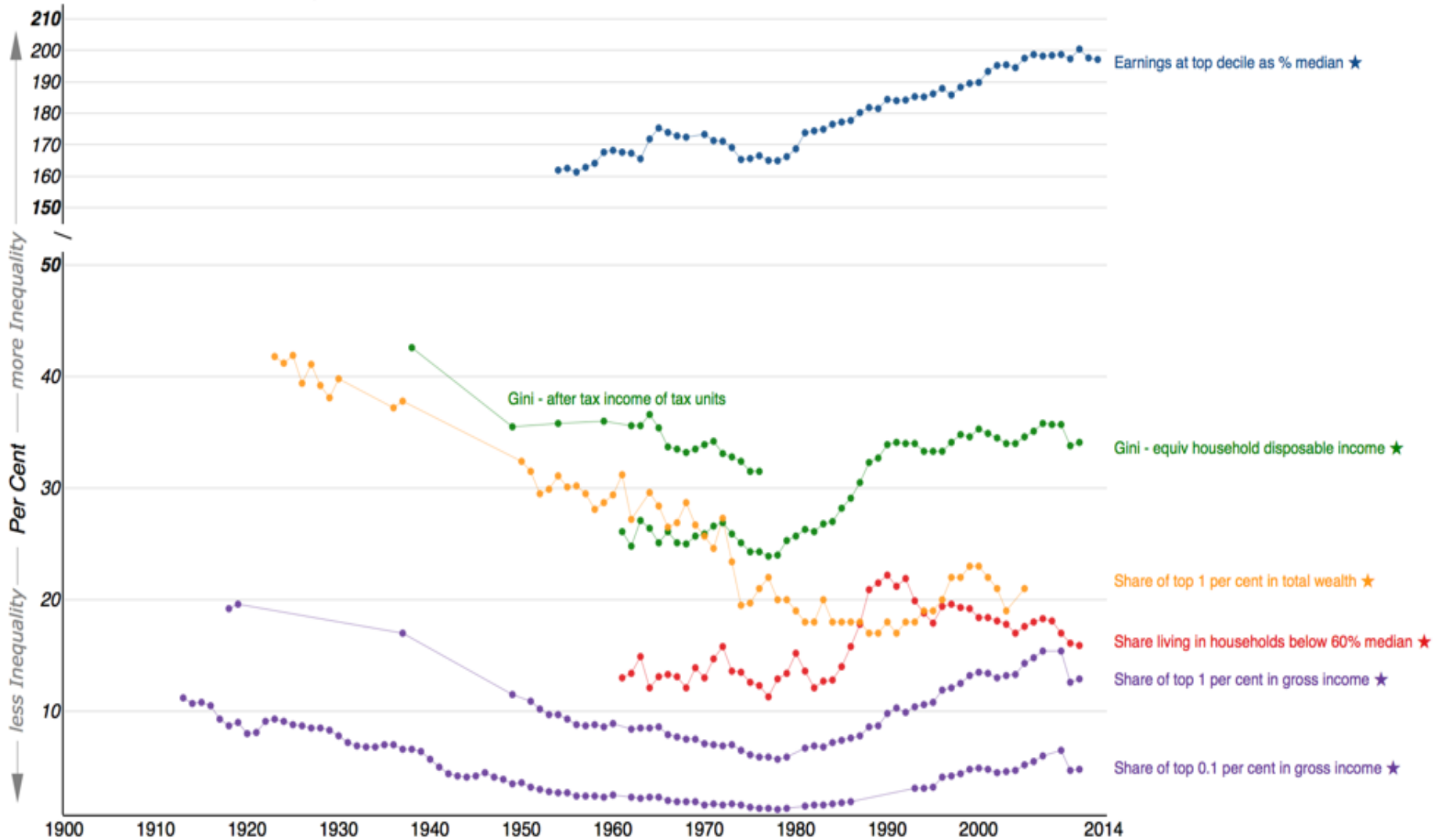
“The richest 300 people on earth have more wealth than the poorest 3bn - almost half the world's population.”

“Shared prosperity is defined as “fostering income growth of the bottom 40% of the population in every country” (World Bank, 2013).

“Global inequalities are a lot higher than those within any country of the world, including Brazil or South Africa, the Gini-coefficient of the world is estimated at 0.70, while the one of a country like Brazil is below 0.60.”

Economic Inequality in the United Kingdom

• Earnings • Overall Inequality • Poverty • Top Income Shares • Wealth



Distribution of Income By Households in the UK

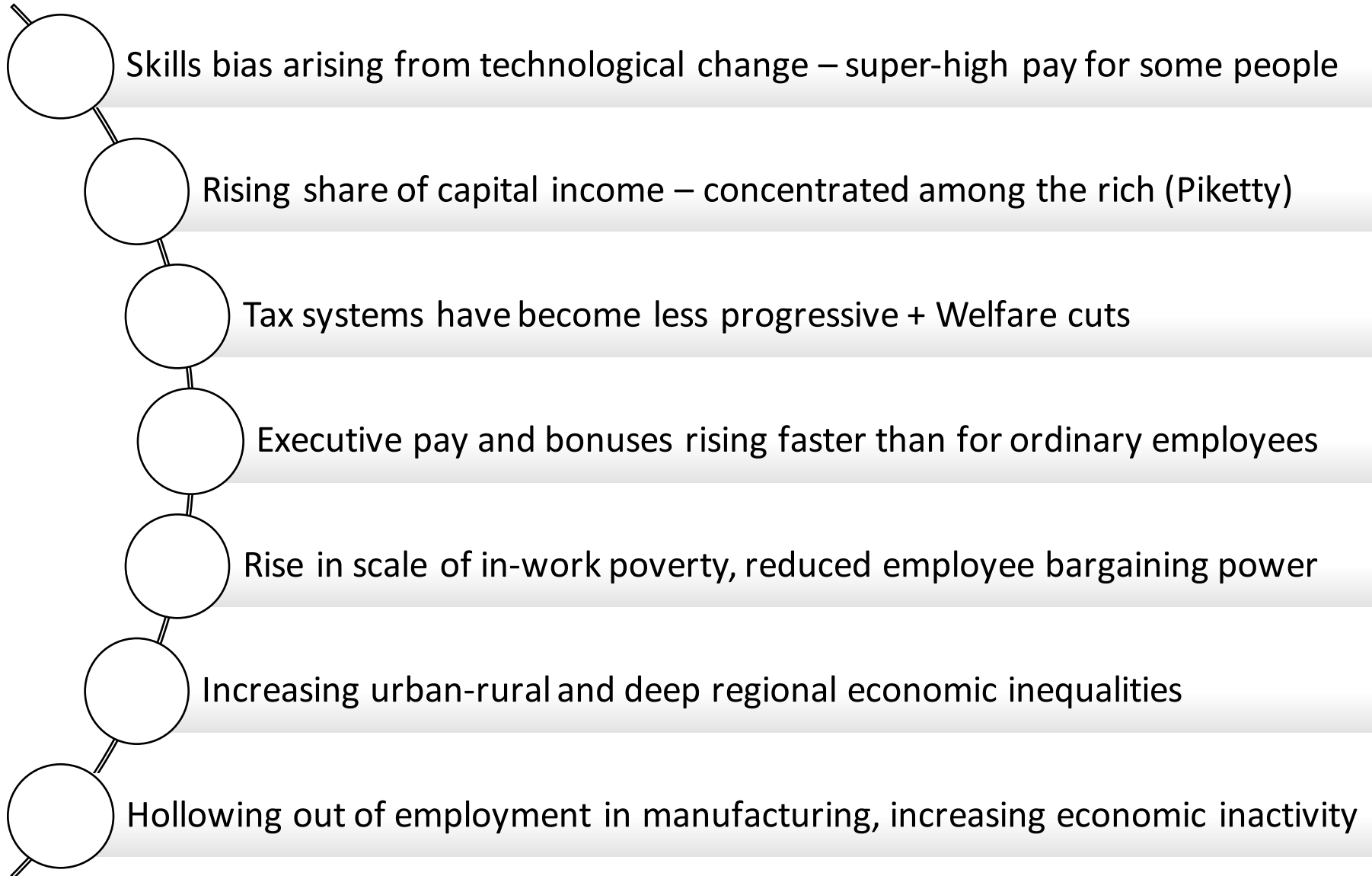
Original income is income before government intervention e.g. from wages and salaries and investment incomes including rent and interest. Final income is after taxes and benefits.

Average income per household (£ per week)

	Poorest 20% of households	2 nd Quintile	3 rd Quintile	4 th Quintile	Richest 20% of households	All Households
Original income	105.8	263.2	476.1	783.5	1548.6	635.4
Final income	297.1	444.1	543.5	697.6	1150.4	626.6

The table shows average income per household across the range of incomes in the UK. Final income includes the effects of taxes and welfare benefits and also the value of benefits in kind e.g. from the NHS.

Some Key Causes of Rising Inequality



Policies designed to lower the scale of income and wealth inequality in the UK

Redistributive welfare transfers

Higher child benefit and the triple lock on state pensions

Expanded support for disadvantaged students in paying tuition fees

Public goods free at the point of consumption

Minimum income scheme + capital endowments for young people

Progressive income, consumption and wealth taxes

Higher taxes on property

Increased income tax allowances and higher marginal rate on incomes above £100,000

Progressive consumption tax

Strengthening wage floors and employment rights in the labour market

National Living Wage, rising minimum wage

Improved employment rights, affordable child care, tackling monopsony employers

Tackling structural barriers to employment

Early years education and more nutritional school meals to improve brain development

Improved access to new technologies in disadvantaged communities

Better vocational education, coding, STEM subjects

Targeted measures to address long term unemployment / hysteresis effects



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