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Are things about to get better?

The gap between rich and poor is wider than it has been for a century. We think that change is impossible, but it may have already begun

Danny Dorling

April 5, 2023

Two weeks before Christmas 1936, plans for the coronation were re-written. The king had just abdicated. A low-key affair had been planned, without a procession through London the following day or a great dinner with dignitaries. [1] The country was in the depths of the greatest depression it had suffered since the Napoleonic Wars. [2]

In 1929, seven years before he cancelled his coronation, Edward, then Prince of Wales, had been photographed visiting miners to empathise over their poverty and the huge fall in wages earlier that decade. [3] Wages would not recover until 1931, [4] at which point the National Government cut the benefits of insured workers by 10 per cent. [5] Inequality was high. The richest 1 per cent of people took home almost a quarter of all income in the country.

By 1936, the Labour party was riven by division. The Tory government could not find a way out. The Liberals were sinking, never to seriously resurface again. Most of the Empire was still in British hands, but it was becoming clear that would not last. When Edward's brother, George, stepped in to be crowned on 12th May 1937, the coronation of George VI and Elizabeth was criticised for costing three times as much as the 1911 coronation of George V and Mary, although the price was only 42 per cent more when taking inflation into account.[6]

But during the misery of these years, something remarkable happened. Edward's visit to the miners coincided with the last time that either income or wealth inequality began to fall in the United Kingdom. In the aftermath of the First World War, income and later wealth inequities continued tumbling down. They did so for 50 years, through to 1973. Could we, a century on, be about to see something similar?

The coronation of Charles III and Camilla takes place on 6th May 2023, 86 years after that of George VI and Elizabeth. There are uncanny echoes of the past. Real wages have not yet recovered to the levels they reached in 2008 and aren't expected to do so for the foreseeable future. Fourteen years ago, in 2009, when *he* was Prince of Wales, Charles warned against capitalism and consumerism, saying that "poverty, stress, ill health and social tensions cannot be ended by economic growth alone". That year his son, William, slept rough for a night in London to empathise with the homeless.[7]

Edward, then Prince of Wales, visits miners in Country Durham in 1929 © Illustrated London News Ltd/ Mary Evans

In 1937, the best-off 0.1 per cent of people were receiving 66 times the national average income; the best-off 1 per cent, 17 times; and the best-off 10 per cent, four times. In the year before the pandemic hit—the last year for which we have reliable figures—the best-off 0.1 per cent were receiving 70 times the national average income each year; the best-off 1 per cent, 16 times; and the best-off 10 per cent of people, four times. [8]

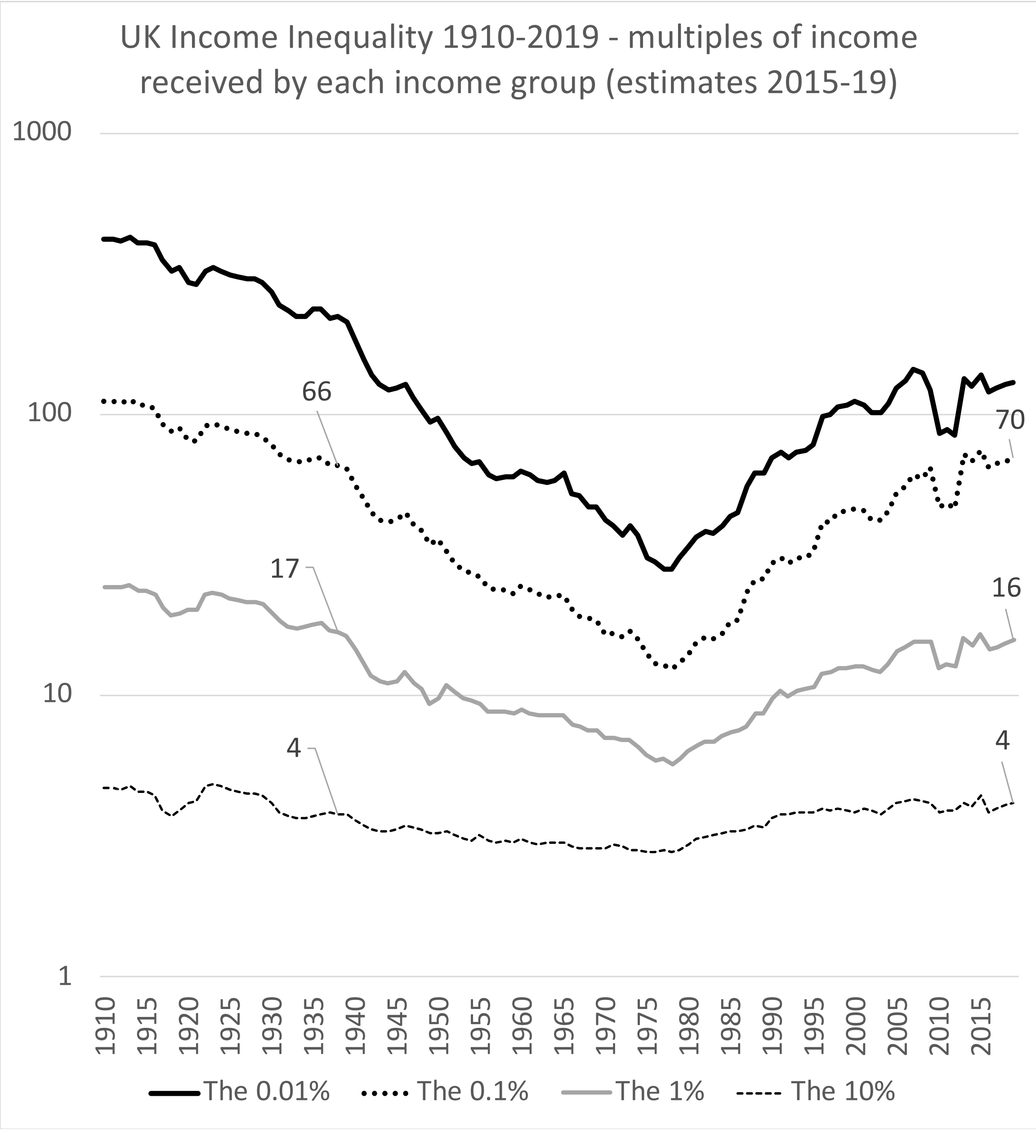


Figure 0.1 from the Third Edition of Dorling, D. (2019) Inequality and the 1%, London: Verso: https://www.dannydorling.org/books/onepercent/Material.html

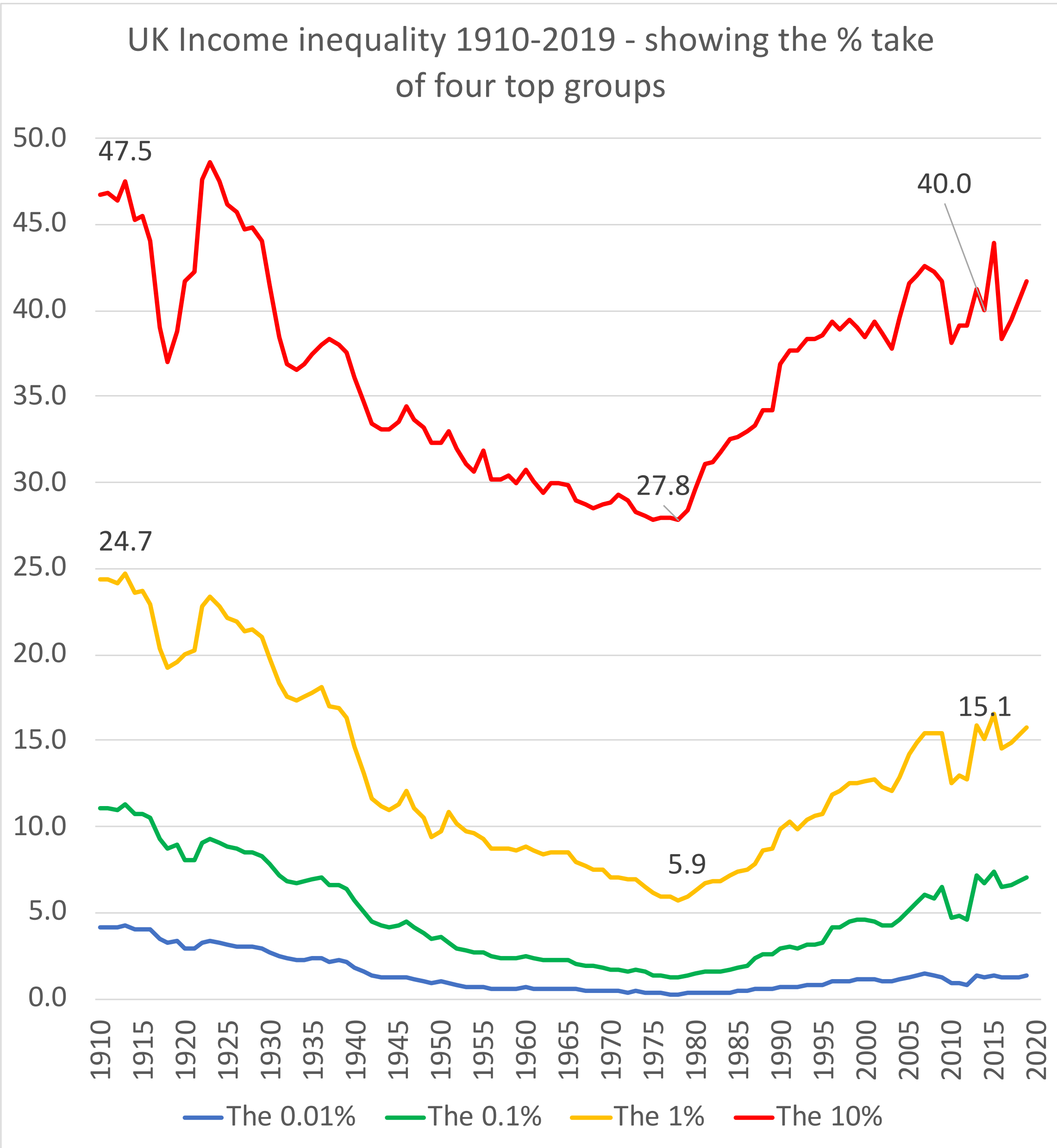
But, in contrast to today, by 1937 income inequalities were already falling, even if hardly anyone was aware that they were. By 2019, if you ignored the best-off 10 per cent of the population, you could just about claim that inequalities had fallen among the rest—as almost every Conservative chancellor has done in almost every Budget speech of the past decade. But the share of the top 10 per cent remained stubbornly high, and actually rose between 2010 and 2019. We were at "peak income inequality" when the pandemic hit, and the crisis did little to dent it.

However, something began to change as we emerged from the worst of the pandemic years. We have started to see a rapid shift in the distribution of incomes—perhaps the first sign that we are at the beginning of a far faster move towards equality than we have experienced in any year since the 1930s.

The most dramatic change has been in Scotland, where the Scottish Child Payment—given to any family in receipt of benefits, on top of other support—was raised to £25 a week for every child aged 16 or under. When Charles and Camilla holiday in Balmoral this summer, they will do so in the only part of their kingdom where a poor family with three young children will be receiving an extra £3,900 in 2023 as compared to 2022 and so will be able to put food on the table. In the coldest months of the year, a poor family may also be able to afford to heat their home, as long as they are extremely frugal. Nicola Sturgeon left office only when arguably the most important part of her work was done.

Consider, too, what has recently happened in pay negotiations across the United Kingdom. Pay agreements used to be more simple. For example, in 2010 the Communication Workers Union (CWU) struck a deal with BT worth 3 per cent a year for three years.[9] Everyone got 3 per cent, no matter what they earned. Now both bosses and unions are talking about more for the lower paid, less for the higher paid. And BT doesn't appear to be an outlier. Across almost every sector—including the more opaque private sector—we are seeing a strong trend towards more progressive deals, consisting of higher pay rises for lower-paid workers.

In contrast to the 2010 deal, in November 2022 the CWU negotiated a deal with BT whereby the lowest-paid workers received an above-inflation 16 per cent pay rise, and the highest-paid a below-inflation 6 per cent rise.[10] Almost all private sector pay rises have been less than the rise in the state pension and less than the rise, in line with inflation, of benefits levels (although the actual inflation rate suffered by the poorest is higher than average). Roughly half of all private sector pay awards in early 2023 in the UK were of a rise below 5 per cent. Half were above that, but almost always below inflation.[11]



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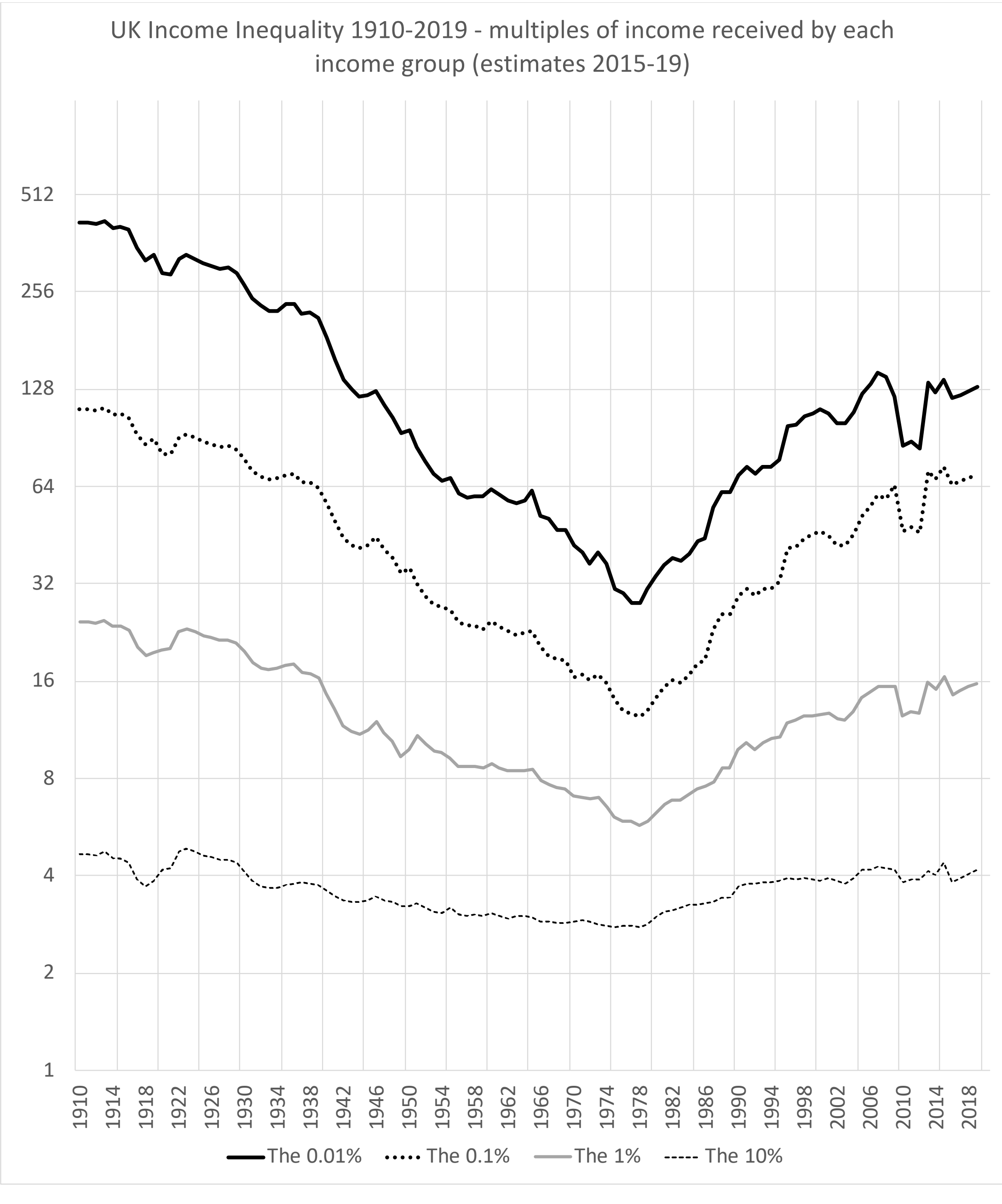
Adjustments in public sector pay appear even more progressive. Since 2010, junior civil service salaries have fallen in real terms by 12 per cent, but by 23 per cent at the most senior level.[12] In March, workers in the biggest rail union, the RMT, voted for a pay deal that will give the highest paid among them a 9.4 per cent raise while the lowest paid will get 14 per cent more. This year, NHS employees were offered a deal that included a 3.5 per cent raise for the highest-paid staff, but over 9 per cent for the lowest paid. Under those terms, minimum pay rises in the health service would be £1,400 a year: a pay cut in real terms, but the cuts would be less for those who could least afford them. The unions rejected this offer in England. In Scotland, Unison and Unite have accepted an offer from the Scottish government of an average increase of 7.5 per cent for NHS workers. Again, those who are lower paid will receive more and those on higher wages, less. In Wales, unions accepted an offer that will increase staff costs by 7.5 per cent, but again it is progressive in the small print.[13]

The story is similar elsewhere. The offer made by councils to social workers in February 2023 was for a £1,925 rise for all, amounting to 3.9 per cent for the best paid but 6.4 per cent for the worst paid. The unions, who were asking for 12.7 per cent, rejected it.[14] In English schools outside of London, unions were offered a deal that involved increases of 8.9 per cent for early-career teachers, bringing their salaries up to £28,000 a year in their first year of teaching. Teachers at the top of the main scale and on the upper pay scale would receive only a 5 per cent rise, pushing their salaries to maximums of £38,810 and £43,685 respectively.[15]

Although all these pay offers are progressive, they are not very progressive. For example, in universities, the offer made in January 2023 varied from a high of 8 per cent for the lowest-paid staff to 5 per cent for those on larger salaries. Under this deal, only staff earning less than £19,333 a year (barely above minimum wage) would receive the most generous 8 per cent rise, equivalent to an extra £1,547 a year. In contrast, the rise of 5 per cent would apply to members of staff currently receiving little over £31,000 or more a year, and they'd take home upwards of an extra £1,570 a year. Someone paid twice that salary, almost £63,000, would receive twice as much in their increase: around an extra £3,140 a year. So even these pay offers still increase the gaps between university employees. A slightly more progressive offer would give all staff, no matter their income, the same bonus sum to take home: £2,000 more per year, for example, for high and low earners alike. The most progressive of all proposals would see pay cuts for the highest earners, and bigger rises for those at the bottom.



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As yet these changes may not be enough to tip the scales towards a sustained fall in income inequalities of the kind that last began a century ago. Back then the incomes of the super-rich—the top 1 per cent of the top 1 per cent—had already been falling for 10 years. The modern super-rich suffered a blow to their incomes when corporate profits fell during the pandemic—in the period between 2021 and 2022 tax paid on corporate profit fell to 1.8 per cent of GDP, as compared with 2.9 per cent before the pandemic hit.[16] Some of that will be recovered, but expensive energy, higher wage costs for workers and the chancellor's announcement of an April 2023 corporation tax rate rise (from 19 per cent to 25 per cent) will mainly affect the very rich. Nonetheless, even if those with most begin to take more of a hit, there is unlikely to be much schadenfreude. There was no joy a century ago when the rich were last squeezed. Every time we become more equal, there is usually a greater dose of increased misery along the way.

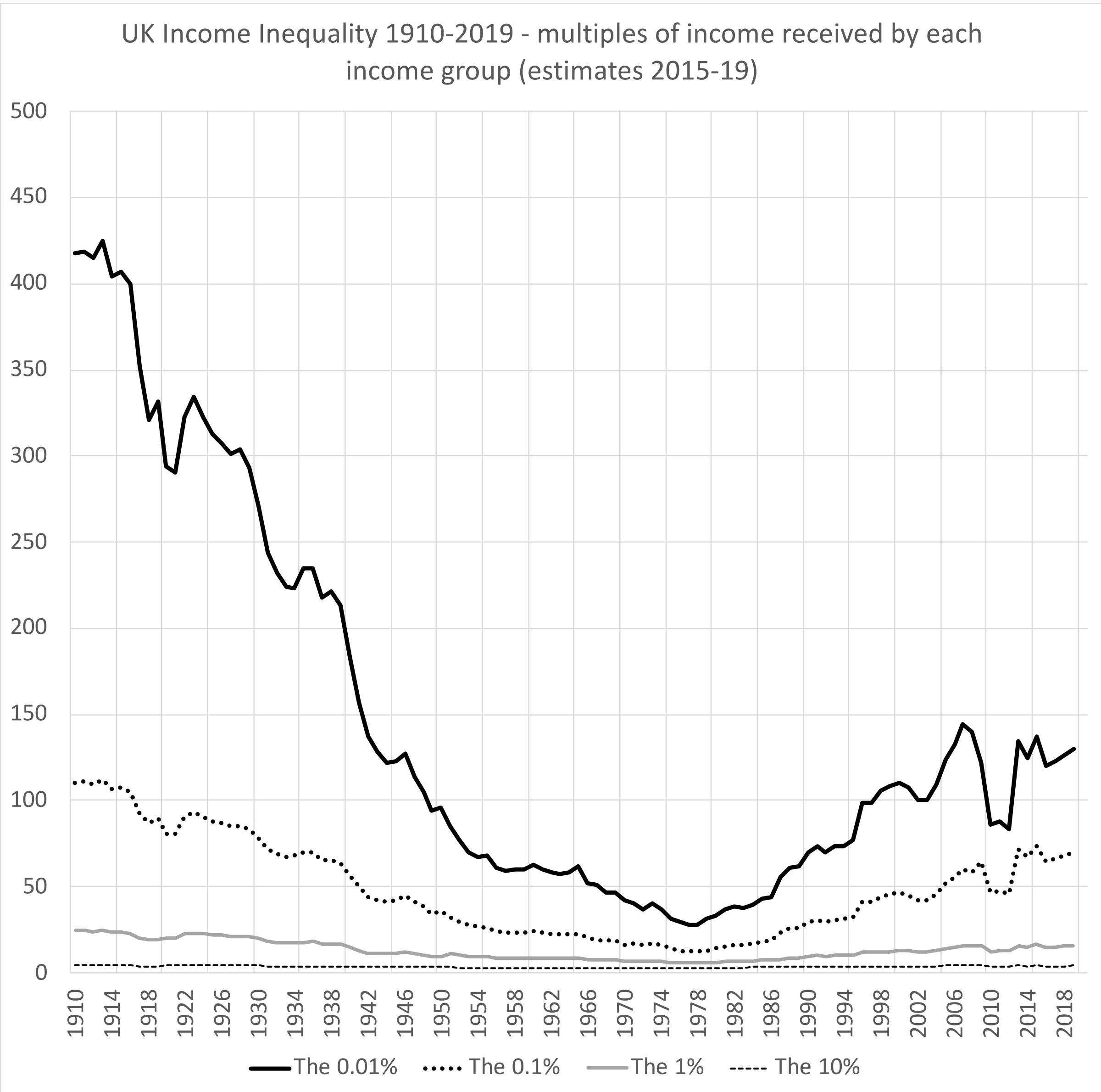
Trouble ahead? Traders at the New York Stock Exchange brace for a bruising week in February 2020, the worst in global markets since the 2008 financial crisis © Photo by Johannes Eisele/AFP via Getty Images

Unions often point out how much real pay has fallen in recent decades. But in order to secure more progressive deals, they might do better concentrating on how large other gaps have been allowed to grow. A head teacher of a large secondary school in the UK can be paid up to £101,126 a year; a police chief superintendent, £91,749; an army colonel, up to £104,671; the lowest-tier judge, £93,954;[17] and a long-serving NHS senior consultant can earn, as a basic salary, up to £119,133.[18] These may not seem unreasonable sums for people with such responsibilities, but in other European countries the pay of those in charge does not set them so far apart from those they are in charge of. As Kate Pickett and Richard Wilkinson's *The Spirit Level* demonstrated 14 years ago, societies work better when they are more equal.

People on higher pay in Britain often argue that they cannot get by without pay rises because of the costs of education and housing, which are higher in this country than across most of the rest of the continent. To a greater extent than in any other European state, they can easily point to higher paid people: from university vice chancellors to the several thousand London bankers paid over a million pounds a year and the chief executives of Britain's largest (FTSE 100) companies who on average take around £4m or £5m each year, equivalent to a large lottery win. They in turn can point to a handful of hedge fund managers, construction bosses and other unscrupulous individuals with annual incomes in the tens of millions. At the top of this spiral of excess can be found some of the more generous donors to the Conservative party, a third of the UK's billionaires.[19]

Today, as in the 1920s, arguments used to justify very high pay ring hollow. Luckless spokespeople defend high executive pay as "benchmarked to the marketplace for equivalent roles", while feeling a little sick in their stomachs. In some sectors, leaders feel moved to take less: the most able university leaders began to take pay cuts of up to 20 per cent in 2020.[20] They are still a small minority and those cuts mostly mean less university money is paid into government coffers through tax and national insurance, but there could be more to come. Even the *Spectator* has suggested that some vice chancellors could consider halving their salaries.[21]

There is growing evidence that something is tipping—not just in terms of wages and benefits, but in public attitudes and voting too. The 2017 -election was the first since the 1970s where the Conservative vote did not become more geographically concentrated. In 2019 that trend accelerated—even as the Tories won a landslide majority, their vote fell in London and the southeast of England. And yet, just as our ancestors didn't notice the political twists and turns or the contractions in pay going on around them, these recent developments have not been widely picked up.[22]



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We tell ourselves that the gaps between the richest and poorest aren't closing because those who argue for greater equality are naive fools who don't understand how to win elections. But a change in government might not be key to tipping the scales of inequality.

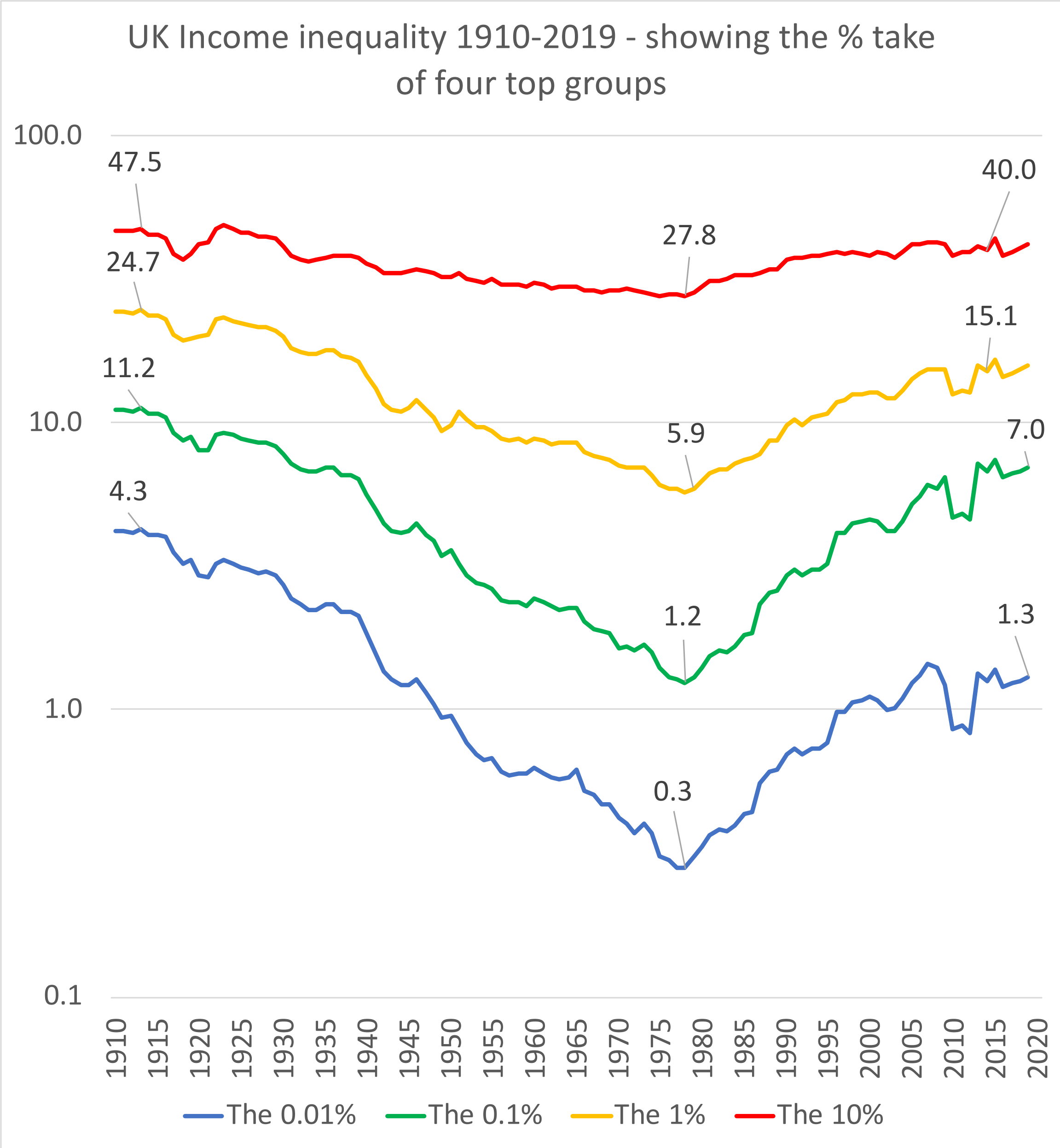
Not a single election won between 1974 and 2019 resulted in any meaningful overall rise in income equality. For 50 years, the UK has become progressively more economically unequal, socially divided and politically polarised. Within that period there were some shifts. Income inequality between the medians of the top 20 per cent and bottom 20 per cent stopped rising around 1986. The Gini measure of inequality between all households hit a high in the mid-1990s and has remained on a plateau since. New Labour could not knock it off that plateau, not for a single year. The proportional pay of the top 1 per cent may have peaked before the financial crisis in 2008, but those even wealthier than them kept on taking more, for years after. The wealth of the richest 1,000 families in the UK rose steadily until 2020, when it first faltered. Taken in the round, the gaps between us have been growing for half a century, in a way that other European countries did not allow. Most became more equal; by 2019, only two countries in all of Europe—Bulgaria and Turkey—were more inequitable than the UK.

That could be about to change with the current wave of progressive and below-inflation pay offers. What would clinch it would be some self-control among the richest, or the threat of action if they show none. After the financial crash of 1929, the directors of most of the largest UK mortgage lenders took real-terms pay cuts for at least a decade.[23] The salaries of MPs, too, were temporarily reduced between 1931 and 1935 because of the economic crisis.[24] In part, they were fearful of revolution after seeing what had happened in Russia in 1917. But there was also a growing sense of social responsibility. It may feel unlikely that MPs would reduce their salaries again, but this year their pay rise will be 2.9 per cent—a larger real-terms pay cut than almost all other public servants (but still an extra £2,440 a year).[25]

The ever-increasing trend in wealth inequality may also be starting to change. The wealthiest 10 per cent of households in the country have 43 per cent of the wealth; the bottom 50 per cent have just 9 per cent. The housing market, the second-largest source of wealth in the UK, was boosted during the pandemic but in the year to February 2023, prices fell in real terms. They could yet fall further: student loans are starting to take a bite out of the housing market as most young people go to university and 90 per cent have high loans to repay. Overall wealth is also falling, due to inflation. And the future values of private pensions, now the largest source of wealth, are also more in doubt today: many have caps that won't allow payments to rise in real terms in future (when inflation is above a certain level). Far fewer people in Britain own stocks and shares than used to, so there is no salvation even there. In 2022, the Resolution Foundation discovered that the top 10 per cent of people by income were now less likely to have savings equivalent to their monthly earnings than the bottom 10 per cent.

One hundred years ago, the last time that the UK saw the beginning of any fall in either income or wealth inequality, the country had been through one war and was heading for another. It is sometimes suggested that only a great catastrophe can truly turn the inequality tide, but the reasons why inequality last began to narrow are complex: while the First World War played a part in changing the course of inequality, during and after the Second World War, the established trend stuck. Today we get to test the catastrophe theory further.

The UK's political parties tend to move in concert, swinging as a group from right to left when inequalities fall, and vice versa as they rise. In recent years, the Tories have become one of the most right-wing major parties worldwide. [26] Liz Truss's complaint that the left-wing "powerful economic establishment" had squashed her economic agenda was on the one hand laughable. On the other, she may have had a point. Some conditions and ideas become untenable. The moral sentiment does change over time, and no-one, including the "economic establishment", is immune from this. In the 1930s, the stockbroker and banker Oswald Falk wrote that John Maynard Keynes and his friends had helped change the moral sentiment of their times; but it was a far wider and more diffuse set of events that all combined to do so.



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The 2008 financial crash and the misguided austerity that followed it; Brexit; how Britain dealt with the pandemic; the global rise in prices in recent years: all these have combined to create a crisis not dissimilar to that we faced a century ago, when salaries at the top last rose by less than wages at the bottom. History makes no promises to repeat itself and it could be that what we are seeing now is a blip. But there are signs that it could be more than that.


Untenable: The Truss government’s economic agenda was widely opposed © Alberto Pezzali/AP/ Shutterstock

The UK could revert to trend—we could become even more inequitable. Alternatively, we could be at the start of a long and at first painful process of gradually becoming more equal. The 1920s and 1930s were hardly good times for most people in Britain, but during those years of misery the inequality gap narrowed. By the 1940s it was possible to look back on the 1920s and publish plays such as *An Inspector Calls* and books such as *Brideshead Revisited* about how odd, how awful, the recent past had been. Could people be doing the same in the 2040s when talking about Britain today?

Between the year of Charles’s grandfather’s coronation in 1937 and his mother’s crowning in 1953, the pay of the best-off 0.1 per cent halved from 66 times average incomes to 28 times. It fell as fast before and after the Second World War as during it. By the time of Queen Elizabeth’s Silver Jubilee, in 1977, the take of the top 0.1 per cent had more than halved again, to 13 times average incomes. But then it suddenly increased threefold, to 42 times, by her Golden Jubilee in 2002. It had almost doubled again by the time she died, returning to a point slightly worse than it had been when her father became king.

If we are now again on the down slope, let's learn from history. No other country in Europe made itself as unequal as we did. We don't have to do it again. All the many more equitable countries in Europe that have monarchies have far more normal ones. They don't go in for such silly coronations or allow inequalities to rise as high. There is no innate flaw in the British that means we are forever doomed to be geographical oddities.

Danny Dorling

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[1] https://en.wikipedia.org/wiki/Abandoned_coronation_of_Edward_VIII
[2] Dorling, D. (2022) The Trickle Up of Fear, Public Sector Focus, March/April, pp. 12-15, https://flickread.com/edition/html/index.php?pdf=62668d702a8e0#15
[3] Note, the photograph was taken in 1929, not 1922 as implied here: https://www.alamy.com/stock-photo-prince-of-wales-later-king-edward-viii-visits-poor-miners-in-a-mining-76389345.html
[4] https://www.tuc.org.uk/blogs/17-year-wage-squeeze-worst-two-hundred-years
[5] https://www.nationalarchives.gov.uk/cabinetpapers/alevelstudies/1930-depression.htm
[6] https://trove.nla.gov.au/newspaper/article/68473040
[7] https://www.npr.org/sections/thetwo-way/2009/12/prince_william_homeless_street.html
[8] Figure 0.1 here: https://www.dannydorling.org/books/onepercent/Material.html
[9] https://www.theguardian.com/business/2010/jul/09/bt-union-agree-pay-deal
[10] https://www.bbc.co.uk/news/business-63785421
[11] https://employeebenefits.co.uk/half-of-private-sector-pay-awards-will-give-at-least-5-raise-in-2023/
[12] https://www.instituteforgovernment.org.uk/comment/civil-service-pay-governments-ability-deliver
[13] https://www.hfma.org.uk/news/news-list/Article/department-calls-for-affordable-pay-in-2023-24-but-starts-talks-with-nurses
[14] https://www.communitycare.co.uk/2023/02/23/council-social-workers-offered-full-and-final-1925-pay-rise-for-2023-24/
[15] https://www.tes.com/magazine/news/general/teacher-strike-has-teacher-pay-increased-inflation-and-how-does-it-compare-internationally
[16] https://news.sky.com/story/budget-2023-corporation-tax-set-to-rise-from-19-to-25-in-april-12827274
[17] Other figures that differ slightly can be produced by taking different definitions of what a top job is, such as: a head teacher of a very large secondary school in the UK being paid £87,313 a year; a police superintendent, £89,910; an army colonel, £89,977; the lowest tier judge, £93,954. On the high pay of most judges, see the salary scale listed here in official government documents and consider why it is that judges, who according to the Sutton Trust are the most 'privileged' of all in terms of social background, are paid more than other people doing key roles, including senior government ministers: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1116006/judical-salary-schedule-2022-23.pdf
[18] Those other figures, such as those listed in the endnote above, and including a NHS senior consultant receiving £95,144 a year, are produced elsewhere: https://twitter.com/Max12to1/status/1570305201684332545
[19] In November 2019 it became clear that: 'Figures released by the Electoral Commission appear to back up what Jeremy Corbyn said at his manifesto launch – that the Conservative Party is the party of billionaires. Labour Party research has previously indicated that one in three of the UK's 151 billionaires donates to the Conservative Party.' https://leftfootforward.org/2019/11/billionaires-give-tories-over-2m-since-election-called/
[20] https://epigram.org.uk/2020/04/23/vice-chancellor-to-take-20-per-cent-pay-cut-amid-financial-concerns-over-covid-19/ and https://thetab.com/uk/nottingham/2020/04/30/exclusive-university-of-nottingham-vice-chancellor-to-take-pay-cut-47271, and https://www.edinburghnews.scotsman.com/education/university-edinburgh-principal-and-vice-chancellor-take-20-cent-pay-cut-due-coronavirus-2547206 beginning as long ago at 2015, even before Brexit: https://www.cherwell.org/2015/01/16/oxstew-vicechancellor-takes-pay-cut/
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[23] https://www.dannydorling.org/books/allthatissolid/Figures.html#4
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[25] https://news.sky.com/story/mps-pay-to-increase-by-2-9-raising-their-salary-to-86-584-12806962
[26] John Burn-Murdoch's graph: https://twitter.com/dannydorling/status/1575836071832604673?s=20