Inequality and Social Cohesion
A Seminar with Julia Unwin CBE

Tuesday 28 March 2017
Seminar Briefing
This seminar will explore whether social and economic inequalities negatively affect basic human qualities, such as our ability to trust one another, and our willingness to show kindness. It will pose the question: can we have a socially cohesive society that is also fundamentally unequal?

How we answer this question should shape our social policy. Pope Francis once tweeted that “inequality is the root of social evil”. If that is true, then perhaps reducing inequality should be the policy objective of our community cohesion and integration strategies.

This seminar is being held under the Chatham House rule.

participants

Professor Nava Ashraf, Professor of Economics, London School of Economics and Political Science
Hannah Breeze, Programme Administrator, Cumberland Lodge
Dr Matthew Donoghue, Departmental Lecturer in Comparative Social Policy, University of Oxford
Stephen Evans, Chief Executive, Learning & Work Institute
Alison Garnham, Chief Executive, Child Poverty Action Group (CPAG)
Dr Samenthala Goethals, Senior Researcher on labour rights, Business and Human Rights Resource Centre
Dr Owen Gower, Programme Director, Cumberland Lodge
The Venerable Martin Gorick, The Archdeacon of Oxford
Greg Hurst, Social Affairs Correspondent, The Times
Dr Tim Leunig, DfE Chief Scientific Adviser
The Baroness Lister of Burtersett CBE
Baroness Pitkeathley, Cumberland Lodge Trustee
Canon Dr Edmund Newell, Principal, Cumberland Lodge
Matthew Reed, Chief Executive, The Children’s Society
Dr Rachel Smillie, Education Officer, Cumberland Lodge
Stefan Stern, Director, High Pay Centre
Michael Veale, Cumberland Lodge Scholar
Professor Robert Wade, Professor of Political Economy and Development, London School of Economics and Political Science
Dr Wanda Wyporska, Executive Director of The Equality Trust
key questions for discussion over dinner

1 When, shortly after the referendum, the Prime Minister said that “we will make Britain a country that works not for a privileged few, but for every one of us”, she appeared to acknowledge that there is a widespread resentment at inequality in the UK, and that this was a factor in the vote to leave the European Union. Do you agree with the Prime Minister? (See: Statement from the new Prime Minister Theresa May, 13 July 2016)

2 Referring to the way in which ‘equality’ requires comparison to others rather than an assessment of individual need, a leading philosopher recently stated that: “[...] the doctrine of equality contributes to the moral disorientation and shallowness of our time” (See: Frankfurt, H. G. 2015: On Inequality). Should we be more concerned about poverty than about inequality?

3 Is it true that the “tendency to equate outward wealth with inner worth means that inequality colours our social perceptions”? If so, does solidarity and cohesion in society depend on equality?

4 ‘Social cohesion’ is widely understood as a society which has ‘common values and purpose’. In academic discussions, however; ‘social cohesion’ tends to mean: ‘the absence of latent social conflict, such as inequality’. Which definition is more helpful in determining social policy?

about Cumberland Lodge

Founded in 1947, Cumberland Lodge in Windsor Great Park is home to an educational charity with the vision of more peaceful, tolerant and inclusive societies.

We offer a ‘safe’ space for unsafe conversations, tackling the causes and effects of social divisions by challenging silo thinking and equipping and inspiring people to engage in constructive dialogue.

We bring together leaders and influencers, students and community practitioners, and foster learning and critical thinking through:

- Subsidised residential study retreats for students in higher education
- Inter-disciplinary conferences, lectures and seminars, with leading figures from public life
- Mentoring schemes and scholarships for early career researchers and international students
- Educational and cultural events for the local community, including schools workshops, art exhibitions, public lectures and literary events.

Cumberland Lodge is celebrating its 70th anniversary as an educational foundation in 2017. Find out more about its history and heritage at: cumberlandlodge.ac.uk/timeline.
what is the level of income inequality in the UK?

There are different measures of income inequality, which yield different results in international comparisons:

In the UK, inequality in household incomes has remained at a roughly similar level since the early 1990s, but is higher than during the 1960s and 1970s. Following the 2008 recession, there was a small reduction in income inequality (based on income before deducting housing costs) as higher income households saw a larger real terms fall in income than households at the bottom of the distribution. This can be explained by the sharp fall in real earnings after the recession, while benefits levels remained more stable.

[...] OECD figures suggest income inequality in the UK is higher than in most European countries but is lower than in the United States, based on the Gini coefficient for equivalised disposable income (i.e. disposable income adjusted for differences in household size and composition). Data published by Eurostat gives a slightly different picture, indicating income inequality in the UK is lower than in some other EU countries but is still higher than the EU average.


The Equality Trust states that: “The UK has a very high level of income inequality compared to other developed countries”, and offers the following analysis:

Households in the bottom 10% of the population have on average a net income of £9,277. The top 10% have net incomes over nine times that (£83,897). [...] income inequality is much starker at the top of the income scale, with the group with the 9th highest incomes making only 60% of the top 10%’s income. Inequality is much higher amongst original income than net income with the poorest 10% having on average an original income of £4,467 whilst the top 10% have an original income 24 times larger (£107,597)

The Equality Trust [Accessed 2017]: The Scale of Economic Inequality in the UK

A 2015 report commissioned by the Organisation for Economic Co-operation and Development (OECD) stated - in no uncertain terms - that:

Inequality is bad and getting worse. In the 1980s, the richest 10% of the population in OECD countries earned 7 times more than the poorest 10%. They now earn nearly ten times more. When you include property and other forms of wealth, the situation is even worse: in 2012, the richest 10% controlled half of all total household wealth and the wealthiest 1% held 18%, compared to only 3% for the poorest 40%.

increasing pay gaps

One factor which contributes to income inequality is the pay gap between top executives and average employees:

There is clear evidence that CEO pay in large corporates has been growing much faster over the last two decades than pay generally, and much faster than typical corporate performance would merit. According to the High Pay Centre, the ratio between FTSE 100 CEO pay and the average total pay of their employees in 2015 was 129:1, compared with a ratio of 48:1 in 1995. CIPD research suggests this growing disconnect between what those at the top earn and the pay of the wider workforce undermines trust in business and employee engagement. Seven in-ten (71%) employees believe executive pay in the UK is ‘too’ or ‘far too’ high, with six-in-ten (59%) employees saying the high level of executive pay in the UK de-motivates them at work.

CIPD & High Pay Centre Joint Submission to the Department of Business, Energy and Industrial Strategy, February 2017, p.6

wealth inequality in the UK

Income inequalities accumulate over the life-course and across generations, leading to a greater disparity in wealth, over and above income alone:

Wealth in Great Britain is even more unequally divided than income. The richest 10% of households hold 45% of all wealth. The poorest 50%, by contrast, own just 8.7%.

The Equality Trust [Accessed 2017]: The Scale of Economic Inequality in the UK

Oxfam have analysed the data differently, to show that:

Despite the fact that the UK is one of the richest countries in the world, one in five people live below the poverty line, struggling to pay for essential bills and put food on the table. According to data from the widely respected Credit Suisse, the richest 10 percent of the UK population own over half of the country’s total wealth (54 percent), and the richest one percent own nearly a quarter (23 percent), while the poorest 20 percent of the population – nearly 13 million people – share just 0.8 percent of the country’s wealth between them

Oxfam Media Briefing 13 September 2016: How to Close Great Britain’s Great Divide

inequality and social cohesion

Writing about social cohesion in the field of health and epidemiology, Kawachi and Berkman note that: ‘[s]ocial cohesion refers to the extent of connectedness and solidarity among groups in society’ (Kawachi, I. & Berkman L. 2007: Social Epidemiology New York: Oxford University Press, pp.174-5). They encapsulate social cohesion in two broad ways:

• the absence of latent social conflict, whether in the form of income/wealth inequality; racial/ethnic tensions; disparities in political participation; or other forms of polarization
• the presence of strong social bonds measured by levels of trust; civil society; and democratic institutions.
Economic inequality is not evenly distributed across the UK:

Regional inequalities persist, with incomes in the vast majority of the country more than 10 per cent lower than in the South East. The North East and the West Midlands have the lowest levels of income, both 20 per cent lower than in the South East. Contrary perhaps to received wisdom, London is not the region with the highest income, and once housing costs are taken into account incomes in the region are roughly 10 per cent lower than in the South East.


future trends in inequality in the UK

Most economic forecasters agree that Brexit will lower the ‘national income’ over the next few years, but no one is willing to predict where the impact will fall hardest:

Trends in inequality over the next few years now look impossible to predict. The vote for Brexit is highly likely to have a significant negative impact on national income over the next few years. But the impact on inequality will depend on which households’ earnings and employment are most affected and on the government’s tax and benefit policy response.


Oxfam commissioned the National Institute of Economic and Social Research to examine trends by 2030, who found that:

[...] income inequality and poverty are expected to go up in the coming years. It is predicted that by 2030:

- An extra 390,000 households will be in relative poverty (after housing costs), taking the total number of households in poverty to 8.77 million.
- An extra 310,000 households with children will be in relative poverty (after housing costs) taking the total number of households with children in poverty to 3.3 million.
- The level of income inequality in the UK (measured using the Gini coefficient) will rise from 0.357 to 0.364

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social impact of inequality

Some commentators have linked the levels of inequality in the UK with the vote to leave the European Union:

Britain is a divided nation, with a massive disconnect between people and politicians and between those with money and those without. The richest one percent of the UK population own more than 20 times more wealth than the poorest 20 percent of the population – nearly 13 million people – own between them.

The EU referendum vote brought home just how polarized our society is. Millions of people demonstrated their frustration at being left behind and locked out of politics and economic opportunity. The economy clearly is not working for everyone, and many people feel they have not benefitted from economic growth over recent decade

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political impact of inequality

Prime Minister Theresa May, appeared to concede that resentment at inequality played a role in the vote to leave the European Union, when she said in her first speech as Prime Minister, that:

If you’re from an ordinary working class family, life is much harder than many people in Westminster realise. You have a job but you don’t always have job security. You have your own home, but you worry about paying a mortgage. You can just about manage but you worry about the cost of living and getting your kids into a good school.

If you’re one of those families, if you’re just managing, I want to address you directly.

I know you’re working around the clock, I know you’re doing your best, and I know that sometimes life can be a struggle. The government I lead will be driven not by the interests of the privileged few, but by yours.

We will do everything we can to give you more control over your lives. When we take the big calls, we’ll think not of the powerful, but you. When we pass new laws, we’ll listen not to the mighty but to you. When it comes to taxes, we’ll prioritise not the wealthy, but you. When it comes to opportunity, we won’t entrench the advantages of the fortunate few. We will do everything we can to help anybody, whatever your background, to go as far as your talents will take you.

We are living through an important moment in our country’s history. Following the referendum, we face a time of great national change.

And I know because we’re Great Britain, that we will rise to the challenge. As we leave the European Union, we will forge a bold new positive role for ourselves in the world, and we will make Britain a country that works not for a privileged few, but for every one of us.

That will be the mission of the government I lead, and together we will build a better Britain.

Prime Minister’s Office, 10 Downing Street 2016: Statement from the new Prime Minister Theresa May, 13 July 2016
The factors which contributed to the vote to leave the European Union are contested, but the consensus seems to be that concern over immigration was the key to many voters’ decision to leave. Is ‘immigration’ the ‘ideological opposite of inequality’?:

[Prime Minister] May needed a way to address and placate what is now accepted to be the tremendous well of anger that the Brexiteers gave voice to, some way other than giving them what they voted for. She could have chosen immigration. If the conventional wisdom is now that the leave vote was a yelp of outrage, the attendant consensus is that foreigners were its source. The prime minister went instead to the issue that is the functional, rhetorical and ideological opposite of immigration: inequality.

Williams Z. 2016: “Theresa May’s inequality audit seems clever, but it will backfire” The Guardian, 28th August 2016

Some commentators linked the overt concern with immigration with economic precariousness, excacerbated by growing inequalities:

The referendum has reminded us of a dangerous division that lies just beneath the surface of Britain. It is a volcanic gulf that has its origins in the furnaces of the Industrial Revolution. Traditional rural ways were crushed by the arrival of vast mechanised municipalities, and the legacy of that violent social upheaval lingers today.

In the century after 1750, Manchester was transformed from a market town of 18,000 inhabitants to a teeming metropolis of 300,000. It was a similar story in Bristol, Birmingham, Liverpool, Leeds and Newcastle.

Those sucked into the gravitational pull of the new manufacturing centres were forced to adapt to urban dominance, but such was the resentment that it lives on to this day.

For the poor agricultural labourers marched from farm to factory, and for the rich landowners supplanted by ambitious industrialists, the new age of international trade was as horrifying as some regard the globalisation of today.

Then, as now, there was bewilderment at how anyone would willingly give up the certainties of age-old structures and customs for the risks of rapid social and economic change. Then, as now, equal bewilderment that anyone would willingly forgo the benefits of progress.

That is the ancient fault line that this referendum has exposed once again. The disillusioned of the left and the traditionalists of the right found common ground in opposing globalisation. The young, the well-educated and wealthy, those most resilient and optimistic, were far more willing to embrace the opportunities it offers.

It is a fault line across the UK, a scar that has never been properly treated. I do wonder now if it is more likely to tear apart than to be healed.

inequality and social interaction

There is a growing interest in the social psychology of inequality, in particular, the connection between inequality and shame. This is a possibility Adam Smith seems to have been alert to in the Wealth of Nations, when he says:

By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. [...] a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them. [...] Under necessaries, therefore, I comprehend not only those things which nature, but those things which the established rules of decency have rendered necessary to the lowest rank of people.

Book V. Chapter 2. Section 148

This connection between inequality and shame has re-emerged from work in international development, particularly from the work of Amartya Sen:

Undermining the dignity of the poor is a tendency that "resides deep in the pores of our culture", observes Robert Walker, professor of social policy at Oxford University, [...] He goes on to quote Indian economist Amartya Sen, who argues that "shame is pernicious because it leads to a lack of self-esteem, and ultimately that saps the will to get on and do something. You retreat into yourself and let go of people around you who could help".

Arnot, C. 2010: “What are the links between shame and poverty?” The Guardian, Tuesday 24th August 2010

deprivation and social cohesion

Is deprivation, inequality or diversity the culprit responsible for undermining social cohesion? In 2015 the then Home Secretary claimed that:

[when immigration is too high, when the pace is too fast, it's impossible to build a cohesive society
May, T. 6th October 2015

However, there is a growing consensus that it is deprivation not diversity which causes low levels of social cohesion. For example, neighbourhoods with low rates of education and employment 'expose residents to a daily dose of petty crime, concentrated physical decay and social disorder, such as abandoned buildings, verbal harassment and public drug consumption' have been found to be the causal factor in racial tension (Eric O. & Mendelberg T. 2000: Reconsidering the Environmental Determinants of White Racial Attitudes. American Journal of Political Science pp.574-589). Similarly, in her 2008 study, Letki found that diverse neighbourhoods tend to be deprived and, when this association is accounted for:

[...] there is no evidence for the eroding effect of racial diversity on interactions within local communities

is inequality the right policy lever?

Pope Francis tweeted the claim that “Inequality is the root of social evil” (28th April 2014). President Barack Obama believed inequality to be the “defining challenge” of our time:

[...] we know that people’s frustrations run deeper than these most recent political battles.

Their frustration is rooted in their own daily battles -- to make ends meet, to pay for college, buy a home, save for retirement. It’s rooted in the nagging sense that no matter how hard they work, the deck is stacked against them. And it’s rooted in the fear that their kids won’t be better off than they were. They may not follow the constant back-and-forth in Washington or all the policy details, but they experience in a very personal way the relentless, decades-long trend that I want to spend some time talking about today. And that is a dangerous and growing inequality and lack of upward mobility that has jeopardized middle-class America’s basic bargain -- that if you work hard, you have a chance to get ahead. I believe this is the defining challenge of our time: Making sure our economy works for every working American.

Obama, B. 2013: Remarks by the President on Economic Mobility, The White House, December 04, 2013

Despite this, some analyses suggest that to focus on ‘inequality’ as the cause of social problems is the wrong approach.

The false belief that economic equality is important for its own sake leads people to separate the problem of estimating their proper monetary ambitions from the problem of understanding what is most fundamentally significant to themselves. It influences them to take too seriously, as though it were a matter of great moral concern, a question that is inherently rather insignificant and not directly to the point—namely, the question of how their economic status compares with the economic status of others. In this way the doctrine of equality contributes to the moral disorientation and shallowness of our time. [...] 

The evil does not lie in the circumstance that the inferior lives happen to be unequal to other lives. What makes it an evil that certain people have bad lives is not that some other people have better lives. The evil lies simply in the conspicuous fact that bad lives are bad. [...] 

The fundamental error of economic egalitarianism lies in supposing that it is morally important whether one person has less than another, regardless of how much either of them has and regardless also of how much utility each derives from what he has. [...] 


In this case, the claim is that it is not inequality but poverty which is the root of social evil.
There is another line of argument which disputes that ‘inequality’ is the proper locus of social resentment, namely that people demand reciprocity, not equity:

The left traditionally stresses equality and the fairness of equal shares. And, indeed, people are concerned about equity and the way things are shared out. But the new thinking points beyond equality, to the idea of reciprocity. Fairness demands a relationship between what you put in and what you get out. Equality is silent on the contributions that people put in, and no proper notion of fairness can be silent on that.

That people believe in reciprocity rather than equality explains quite a lot, it turns out. We are all on our guard that someone else is taking out more than they have put in. We are, in fact, fairly certain that this is happening all around us and it makes us pretty cross. The political issues that excite the strongest emotions are those where we think someone else is committing a sin against reciprocity. MPs’ expense claims, for instance.

Finkelstein D. 2017: “Why the left will never understand populism” The Times 17 January 2017

### inequality: cause or correlate?

The now-classic argument made by the 2009 book: *The Spirit Level: Why Equality is better for Everyone*, remains powerful:

Let’s first consider the view that society is a great sorting system with people moving up or down the social ladder according to their personal characteristics and vulnerabilities. While things such as having poor health, doing badly at school or having a baby when still a teenager all load the dice against your chances of getting up the social ladder, *sorting alone does nothing to explain why more unequal societies have more of these problems than less unequal ones*. Social mobility may partly explain whether problems congregate at the bottom, but not why more unequal societies have more problems overall.


The main criticisms of this argument were that it showed correlation, not causation. To counter this, Wilkinson and Pickett pointed to the psycho-social impact of inequality:

The truth is that human beings have deep-seated psychological responses to inequality and social hierarchy. The tendency to equate outward wealth with inner worth means that inequality colours our social perceptions. It invokes feelings of superiority and inferiority, dominance and subordination – which affect the way we relate to and treat each other.

Richard Wilkinson and Kate Pickett, 9 March 2014: “The Spirit Level authors: why society is more unequal than ever” The Guardian