

Figure 4.2 *Distribution of real household disposable income, 1971–2002*

Source: Office for National Statistics.

remuneration of £11 million over three years; Stuart Rose, chief executive officer of Marks and Spencer, was given £7.8 million for turning the company around; and the boss of mining group Xstrata received a salary 544 times that of the average mineworker employed by his company. The ratio of his earnings to the income of those on benefits must be even more astronomical. Bosses of private equity firms – which take over public companies to make them private and then often sell off assets and sack staff – can make sums of money running well into the billions for individual takeovers. The economic recession of 2008–9 did, though, reduce the scale of such rewards.

The Gini coefficient

This is an index produced by relating the wealth and income of the rich to those of the poor; a high rating means high inequality, while a low one means less inequality. According to this index, Sweden, Denmark and Holland are at the top while Britain is low down the table, along with the United States. High indexes correlate highly with social dissatisfaction and crime, suggesting it could be a cause of social instability. In his book *Who Runs Britain?* Robert Peston (2008) reflects on how the index soared during the Thatcher years of the 1980s, eased down a little under Major before climbing again under Blair and Brown until Brown's redistributive policies after 2001 produced reductions. This was only temporary, however, as the inequality gap took off yet again after 2005 (see Figure 4.3 and Table 4.1).

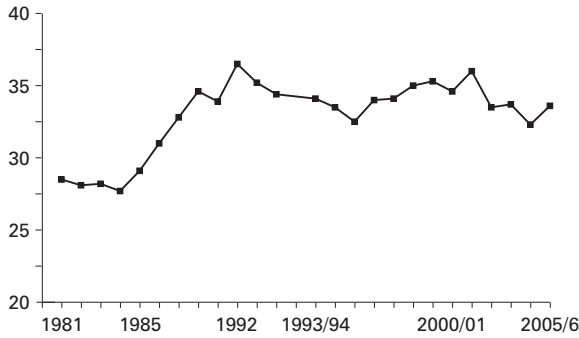


Figure 4.3 *Income inequality: rise in inequality. Gini coefficient (expressed as a percentage) for equivalised disposable income, 1981–2005/6*

Source: Office for National Statistics.

Table 4.1 *Number and percentage of children living in households with income less than 60% of median, 1979–2004*

	Before housing costs		After housing costs	
	Number (million)	Percentage	Number (million)	Percentage
1979	1.7	12	1.9	14
1981	2.4	18	2.7	20
1987	2.6	21	3.1	25
1988–89	2.9	23	3.3	26
1990–91	3.2	26	3.9	31
1991–92	3.4	27	4.1	32
1992–93	3.5	27	4.3	33
1993–94	3.3	25	4.2	32
1994–95	2.9	23	4.0	31
1995–96	2.8	22	4.0	31
1996–97	3.2	25	4.2	33
1997–98	3.1	25	4.1	32
1998–99	3.1	24	4.1	33
1999–2000	3.0	23	4.1	32
2000–1	2.7	21	3.8	30
2001–2	2.6	21	3.7	30
2002–3	2.6	21	3.6	28
2003–4	2.6	21	3.5	28

Note: Figures before 1994 relate to the whole of the UK and those after to Britain only.

Source: Family Resources Survey.