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# Dundee Discussion Papers in Economics

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Devolution and Inequality: A sorry tale of  
ineffectual government and failure to create a  
community of equals?

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Devolution and Inequality: A sorry tale of ineffectual government  
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Abstract

This paper assesses the impact of devolution within the United Kingdom on household equality in terms of both income and social inclusion. Using British Household Panel Study data it suggests that devolution appears to have had no discernable impact on income inequality, in the two most far reaching examples of devolution i.e. Scotland and Wales. An influence on social inclusion can be detected but is suggested to have been both weak and temporary in relation to other regions within the UK. The paper concludes with explanations for the paucity of devolutions impact on equality.

Key Words: UK; devolution; Gini Coefficient; equality; social inclusion; BHPS

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I. Introduction

The pattern of development of devolved and regional government within the UK since 1999 can only be described as uneven and faltering. The unevenness of devolution stretches from a parliament in Scotland with tax-varying powers to an assembly in Wales without such powers of taxation and an Assembly for Greater London which is still more limited in its functions. The faltering of this development can be seen in the decision of the Westminster Parliament to suspend the Northern Ireland Assembly, and the rejection in a referendum in the North East of England for the establishment of a devolved institution for that region.

As a result of such diverse experiences the extension of devolution beyond those assemblies and parliaments currently in operation appears to have stalled. It is therefore important for an assessment to be made of the success, or otherwise, of those devolved institutions that have been established. This paper does not attempt to assess the entire impact of devolution, but rather it sets itself the more manageable task of answering the following question – what impact can devolution claim to have had on regional inequality?

Equality was always a guiding justification for proponents of devolution. Indeed, the current Chancellor of the Exchequer, Gordon Brown, writing in 1975 in what was then the most influential book on Scotland's economic future, *The Red Paper on Scotland*, stated that Scotland's 'real problem' was creating the 'social structure [that] can guarantee to people the

maximum control and self management over the decisions which affect their lives, allowing the planned co-ordination of the use and distribution of resources, in a co-operative community of equals' (Brown, 1975, p.7). Some 24 years later he wrote in the foreword to a further book on the Scottish economy that the 'Scottish dream of education opportunity for all has been as powerful for our journey as a people as the American dream has been for the American journey' (Peat & Boyle, 1999, p.ix).

It is now accepted that inequality is one of the key challenges facing government at both the UK-wide and devolved levels. The awareness of rapidly rising poverty rates in the UK and the rise of poverty in the UK relative to other European economies has pushed inequality to the top of the political agenda. (OECD, 2001). This is particularly true at the devolved level, where education and health expenditure became the key areas of budgetary control for the most significant devolved institutions in Scotland, Wales and Northern Ireland. The reasons for this included the greater closeness, both geographically and socially, to the issues that arose and the greater flexibility, responsiveness and sensitivity that the devolved institutions could develop in their initiatives (Mooney & Scott, 2004). Thus, the degree to which devolved government has influenced the patterns of inequality must be a key indicator of the success or otherwise of the UK's devolution experiment.

Fortunately, we have a unique dataset capable of providing quantitative evidence for such an analysis. As will be demonstrated further in the paper, the British Household Panel Study (BHPS), undertaken annually from 1991 through to the present, provides exactly the type of information required (i.e. both objective and subjective data) to assess changes in inequality; this rich data source permits analysis of the specific issue of income inequality, as well as the broader issue of social inclusion. This UK-wide panel of approximately 10,000 households

permits inter-region comparisons to be made without a significant danger of sample size bias. By calculating the changes in region-level Gini coefficients for household incomes over the period for which we have data (1991-2003) we have a mechanism for assessing changes in the pattern of income inequality in both the pre- and post-devolution eras; furthermore, by estimating changes in our broader measures of household social inclusion we can assess the success, or otherwise, of devolution in enhancing social inclusion.

This paper therefore seeks to identify and explain the changing regional patterns of inequality in the UK, and in so doing it contrasts the experiences of Scotland and Wales with those of England and its regions; hence our main focus is on the two extensive examples of devolution in the UK seen in recent years<sup>1</sup>. Section II examines the differences in the patterns of regional income-based inequality across the UK, and considers the effects of regionally-based inequality reduction initiatives. In particular we demonstrate the importance that defining inequality in terms of income has had on policy. Section III examines the development of social inclusion approaches to inequality and its effect on policy. Section IV presents evidence of the changes in regional Gini coefficients for household income derived from the BHPS data for 1991-2003. In order to maximise clarity we use three-year moving averages for all results. These results suggest that the regional devolved institutions cannot claim to have played any significant role in reducing income inequality. Section V examines the use of social inclusion data as measures of inequality and uses several non-income measures derived from the BHPS data. Here again the evidence appears to be that regional devolved institutions played only a weak role in bringing about a reduction in inequality defined as social inclusion. Section VI concludes with a discussion of the reasons why these poor

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<sup>1</sup> Between 1991 and 1996 the ongoing hostilities in Northern Ireland meant that the managers of the BHPS project decided not to attempt to obtain data from residents in that region; as a result we have decided to completely omit Northern Ireland from our analysis, even where (in the later years) such data is available.

records exist, some of which are currently beyond the powers of the devolved institutions themselves, and mechanisms for change to encourage devolution to become more successful at influencing regional inequality, if as we conclude, this is to be one of the *raison-d'êtres* of devolution.

As will be recognised our assessment focuses upon the changes in Scotland and Wales, prior to and post devolution, relative to that of other regions within the UK. It might be suggested that the preferred benchmark would be that of the hypothetical position of Scotland and Wales without devolution. Obviously, such a counter-factual is not possible to investigate. Therefore the comparison of changes within Scotland and Wales relative to other UK regions is, we believe, the most accurate estimate of the effectiveness of devolution possible.

## II. Patterns and causes of inequality

The link between worklessness and poverty, highlighted by Nickell, suggests that increases in poverty since 1979 are mainly derived from significant changes in the demand for unskilled labour. There are two main reasons why the lack of demand for these workers has meant that they have faced an increasing incidence of poverty; first, they have been the losers from a rising dispersion of earnings, and second, they have been particularly hard hit by the decision to link benefit increases to prices rather than earnings (Nickell, 2004, p.C24). Solutions to reverse this trend focus on increasing social inclusion and human capital development; in the long run this can be achieved through education and increasing government participation in labour markets (in particular, setting higher minimum wage rates), while in the short run a reduction in income inequality may be achieved through the introduction of in-work benefits for those at the bottom end of the earnings spectrum.



While social and educational factors clearly play a large part in determining the patterns of inequality, the role of structural issues should not be under-estimated. The likelihood of households experiencing unequal outcomes is not simply the result of differences in the set of choices they face, but also depends on the household life-cycle decisions that they make, and thus household composition plays an important role. As Nickell recognises, households with children have a much higher likelihood of suffering poverty than those without children. Thus, in Table I we can see that in households containing a couple, the incidence of poverty is higher when children are present (20.9%) than when children are not present (12.2%), an increase of 71%; for single adult households the picture is even more stark, with figures of 53.8% and 21.7% respectively (an increase of 148%).

<Insert Table I here>

Further, if we examine household composition for those with or without children we see that the extent of inequality is exacerbated still further as the number of children within the household rises. Column 3 of Table II highlights that average monthly household income is relatively high and stable for all with children households. However, if the data is adjusted for the increased costs of running a larger household using a scale such as the McClements Score then we see a very different picture emerging, as highlighted by column 4 of that table. The data show that larger households face a substantial reduction in monthly income relative to households without children once this adjustment is made (this adjustment raises average monthly income for households without children by over 6%, but it reduces average monthly income for households with three or more children by nearly 40%). Using this McClements

Score adjusted monthly income data we see that households with three or more children have on average 24% less income than those households with no children.

<Insert Table II here>

Given that the government acknowledges the role of these life-cycle decisions in determining household inequality, it is not surprising that it has made child poverty a major policy focus in the form of targets to eradicate child poverty within a generation (Mooney & Scott, 2004).

A second structural component to inequality is the geographical distribution of affluent and poor households within the UK. Differing regional patterns of industrial structure have given rise to significant variations in regional average incomes levels. In addition to this, economic dislocation, de-industrialisation frictional and structural unemployment, have all contributed to differing regional patterns of inequality. Table III demonstrates the disparate levels of income distribution and income inequality within the UK.

<Insert Table III here>

These data demonstrate that the poorest region in the UK, Wales, has an average household income one-quarter less than that of the richest region, the South of England. However, the standard deviation of household incomes within each region highlights that in the South of England especially, a high dispersion of average incomes exists and that significant numbers of poor households will be located within even the more affluent regions. Further, if we adjust household incomes for family size and composition (using a McClements Score adjustment) we find that we no longer have a single UK-wide pattern of household

inequality. The Gini coefficients of column 5 demonstrates that the highest average income region is also the most unequal while the poorest region, Wales, is also the most equal. At the same time, two of the lower average income regions (Northern Ireland and Scotland) are more unequal than two of the higher average income regions (the English Midlands and the North of England).

In recognition of these substantial regional differences in both average income and income inequality levels, governments (at EU, UK-wide and devolved levels) have made concerted efforts to design their regional policies to assist regional convergence. Thus, in the case of EU regional policy funds, Objective 1 funding is available for low income regions, Objective 2 funding is available for regions undergoing structural change, while Objective 3 funding is available for retraining unemployed workers (with an emphasis on the young and longer-term unemployed). Within the UK itself, the government's New Deal employment policy initially focused on those areas with higher-than-average long-term unemployment, while the process of devolution in Scotland, Wales and Northern Ireland has provided the opportunity to have a series of policies put in place that are more closely matched to the particular needs of the less prosperous regions. All of these measures have been justified, at least in part, by their ability to accelerate regional convergence.

In summary, income inequality derives from a range of factors, including market failures (e.g. labour market inefficiency and skill deficiency) and structural factors (e.g. household composition and geography). All of these factors contribute to the extent of inequality and they all play an important role in explaining the differential patterns of inequality across the UK. Thus, those policies that are used to address the regionally-specific patterns of income

inequality would, one might expect, require regionally-specific approaches in the differing regions.

### III. Social inclusion and inequality<sup>2</sup>

Income inequality has not been the sole conceptual approach taken to inequality. Inequality has been broadened to include the concept of social inclusion and equality of opportunity (Adelman, Middleton, Townsend et.al., 2000). The political conceptualisation of a ‘Third Way’, linked to a social market capitalist agenda, has ensured that social inclusion has become a centre piece of legislation linked to increasing equality (Callinicos, 2004). Income redistribution has given way to increasing equality of opportunity as a policy goal under Blair’s New Labour governments. Thus, the Scottish Executive, in line with the Westminster parliament, maintained that their role was to reduce social injustice as a mechanism for reducing poverty, suggesting that “we are delivering social justice by improving public services for all, tackling the social, educational and economic barriers that create inequality” (Scottish Executive, 1999, p.15).

While across the UK social inclusion has become a key policy focus for all local and national government institutions with, for instance, the shifting emphasis upon welfare-to-work based benefits, at the same time we can see divergence both between the devolved institutions and the UK government and between the devolved institutions themselves. Keating maintains that a persistent difference in support for social equality within Scotland has led to the greater reliance upon public ownership of services (Keating, 2003, pp.433-5). Furthermore, he has argued that devolution has resulted in a more inclusive, pluralistic and complex decision-

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<sup>2</sup> For the purposes of this paper we will refer to social inclusion rather than social exclusion, although we recognise there are important implications for policy if the goal is to exclude rather than include.

making process in both Scotland and Wales (p.435). This emphasis upon inclusion and autonomy of decision-making is further emphasised in Kay's (2003) evaluation of the Welsh experience, suggesting that evaluation should separate the process of devolution from the performance of the institutions themselves. Increasing inclusion through removing barriers to services can also be seen by the introduction of two high profile initiatives; the scrapping of charges for personal care of the elderly by the Scottish Parliament and the scrapping of prescription charges by the Welsh Assembly.

The case of free personal care for the elderly is suggested to demonstrate how the responsiveness of devolved government provides for divergent responses. Marnoch suggests that the 'vacuum' created by Westminster's failure to respond to the 1998 Sutherland report into the long term care of the elderly permitted the development within Scotland of support for the proposal across differing political parties. The resulting Community Care and Health Act (Scotland) 2002 thus derived from this approach (Marnoch, 2003).

While social inclusion can be seen as a policy goal for devolved administrations it is not entirely clear how effective they have been at increasing inclusion. While an extensive literature exists little evaluation of its effect has actually been undertaken (Dardanelli, 2005; Kay, 2003; Raco, 2003). It is to the impact of devolution on equality that we therefore now turn, first at the level of income inequality and then at the level of social inclusion.

#### IV. Assessing the changes in income inequality

In order to evaluate the impact of devolution on income inequality we first turn to an assessment of the changes in income inequality across the UK, and in due course consider the

specific results in relation to Scotland and Wales. In doing so we use standard methods of assessment, utilising household equivalent or McClements Score adjusted data and a standard measure of inequality, namely Gini coefficients. See Appendix 1 for full details.s

Table IV shows changes in the Gini coefficients for the 18 regions (excluding Northern Ireland) identified within the BHPS dataset. As previously noted, we have annual data covering the period 1991 to 2003, but we use three-year moving averages to help clarify the underlying trends. Thus, for each region we have 11 data periods from period P1 (1991-93) to P11 (2001-03). Data period P8 (1998-2000) is highlighted to identify the period which saw the introduction of devolution in Scotland and Wales (1999). The data are also shown graphically in Figure 1<sup>3</sup>.

<Insert Table IV and Figure 1 here>

A number of general findings are immediately clear from the data in Table IV / Figure 1. First, the Inner London region (the region with the highest Gini coefficient from Data Period 7 on) appears to follow a markedly different pattern of development to the rest of the UK; given the potential for this unusual region to distort the results generated, it is excluded from all of the following analyses<sup>4</sup>. Second, excluding this Inner London region we observe during the period in question a general pattern of convergence in terms of the Gini coefficient values for the 17 remaining regions; thus, the standard deviation of the Gini coefficients declines from 0.022 for 1991-93 to 0.014 for 2001-03. We also see that the average Gini coefficient declines from 0.378 to 0.362 over this same period.

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<sup>3</sup> No legend is provided for Figure 1 because of the large number of series (regions) present in the data at this stage.

<sup>4</sup> Inner London also has a devolved institution in the London Assembly. However, of all the devolved institutions it has the least powers to influence inequality and therefore we believe its exclusion does not undermine the findings of the paper.

This process of convergence is neither restricted to Scotland and Wales, and neither does it coincide with the emergence of devolution; any role for, or effect of, devolution is not clear from this data, and thus we need to look in more detail to for evidence of such. In Table V and its corresponding Figure 2 we find our first such suggestion that devolution may indeed have played a role in changing regional Gini coefficients. However, it appears to be evident only in the Welsh case.

The data in Table V and Figure 2 present regional Gini coefficients calculated on the basis of Scotland, Wales and three larger English regions<sup>5</sup>. It is clear from these data that the decline in inequality begins at different points in time – in chronological order we have the South (P1), the Midlands (P2), Scotland (P3), the North (P4) and eventually Wales (P7). It would therefore seem to be the case that for Scotland (in particular) and Wales (to a lesser extent) the decline in inequality began prior to the introduction of devolution. Indeed, in the case of Scotland one can argue that the decline in inequality began even prior to the Labour Government's election in 1997, and that the post-1997 trend was perhaps the continuation of an existing trend. But in the Welsh case the decline in inequality from data periods P7 (1997-99) to P10 (2000-02) is in fact not only several years later than in other regions, but also a reversal of a general trend towards greater inequality seen during the first half of the decade. Thus, while the first half of the period under review sees Scotland reducing its inequality relative to the rest of the UK (but always having the highest level of inequality compared to Wales or the English regions) we see increasing levels of inequality in Wales. However, it is in Wales that we see the greatest progress towards inequality reduction during the devolution

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<sup>5</sup> The three English 'mega-regions' are; the South (Outer London, the rest of the South East, the South West and East Anglia), the Midlands (the West Midlands Conurbation, the rest of the West Midlands and the East Midlands) and the North (Greater Manchester, Merseyside, the rest of the North West, South Yorkshire, West Yorkshire, the rest of Yorkshire and Humberside, Tyne and Weir and the rest of the North East).

period whereas in this latter period Scotland converges on the rates of inequality in the South and North of England (but always remains the most unequal region). Worryingly, however, neither the Scottish nor the Welsh administration has been able to prevent their respective regions from experiencing a similar rise in inequality to that experienced in the English regions in the most recent period (see data point 11 (2001-03)).

<Insert Table V and Figure 2 here>

While the decline in Gini coefficients from data point P7 to data point P10 suggests that these data may indicate there are some Wales-specific developments, we need to investigate these issues more closely to determine whether or not Wales really is different from the rest of the UK. In particular, to what extent can the different pattern of inequality in Wales be explained by differences in the macro-economy in Wales versus the rest of the UK (since changes in the rates of unemployment and average household incomes will impact upon the Gini coefficient results). The evidence on unemployment rates is presented in Table VI and Figure 3, while the evidence on average household incomes is presented in Table VII and Figure 4.

<Insert Tables VI and VII here>

The unemployment rate data in Table VI suggests that the economic recovery beginning in the early-to-mid 1990s did not bring net job creation to Wales until approximately two years after the rest of the UK (data period 5 (1995-97) as opposed to data period 3 (1993-95)). Indeed, as a result of this Wales went from having an unemployment rate in the middle of the spread of unemployment rates as of data period P1 to having the highest unemployment rate as of data period P4 (a result that it maintained for the remainder of the period we have data



for). There is evidence that for both Wales and Scotland the general decline in unemployment seen in the UK as a whole was not only paused in the late-1990s (as was the case in the Midlands and the North) but was actually temporarily-reversed (before reverting back to its previous general declining path). Examining the average household income data in Table VII and Figure 4 we can see that developments in Wales are once more disturbing – starting out in data period P1 with an average household income level that is above all of the other regions except for the South of England, Wales experiences an era of relative decline that encompasses both the pre- and post-devolution periods; it would be hard to claim that the post-devolution trend is any different from the pre-devolution trend. Therefore, the previously-demonstrated progress towards inequality reduction within Wales seen since devolution would seem to be no more than a rather faint silver lining on a distinctly dark cloud.

<Insert Figures 3 and 4 here>

To summarise the results in this section, there is evidence of a reduction in income inequality across all five of our UK ‘mega-regions’, although there is no single consistent pattern in the data. A process of convergence to a lower mean is evident and though both Scotland and Wales have seen lower levels of inequality, progress is slow. Although Scotland is reducing its inequality relative to the rest of the UK it is difficult to argue on the basis of the results we present that there has been a dramatic change associated with the introduction of devolution. For Wales, however, there is a very mixed picture, with inequality declining sharply after the introduction of devolution in 1999, but taken as a whole the evidence presented here is not consistent with a story of rising prosperity carrying the whole population along – at the start of this period Wales had a rate of unemployment around the average for the UK and an

average household income level better than most, but by the end of the period its rate of unemployment was consistently the worst in the UK, and its average household income was not only the lowest of the five regions but also falling further and further behind the other regions. For neither Scotland nor Wales is there a strong case in the results we have presented thus far for the view that devolution has played a major role in achieving the inequality-reducing objectives that many of its supporters hoped it would prioritise. This will be particularly disappointing in the case of Scottish devolution as a consequence of the fact that its powers are more extensive than those devolved to Wales, and include (amongst others) tax-varying powers.

## V. Assessing the changes in social inclusion

As indicated above, it may be the case that devolution has not led to strong income redistribution policies but may have led to a widening of social policy linked to increasing social inclusion and increasing equality through the removal of barriers to opportunity. Assessing the effectiveness of policy linked to increasing social inclusion may be much more difficult in comparison to income inequality. Adelman, Middleton, Townsend et.al. suggest that one estimate of social inclusion is the extent to which individuals participate in various types of civic organisations ranging from sports or social clubs to tenants associations, environmental groups or political parties (Adelman, Middleton & Townsend et.al., 2000, tables 32-33). The BHPS, fortunately, does provide this form of data which can be used to give some indication of the effectiveness of social inclusion policy.

The BHPS asked its respondents for information on their membership of, and activity in, a wide range of organisations (see Appendix 2 for further information); this data was collected

in six of the thirteen waves of the survey – 1994, 1995, 1997, 1999, 2001 and 2003. So we have information on the extent of social inclusion both prior to and post devolution. We calculated (using point data, rather than the three year moving averages used previously) the *individual's* engagement in these sixteen organisations using the following simple scale; there is a score of 0 for no membership or activity in an organisation, a score of 1 for a non-active membership, a score of 2 for being active but not a member, and a score of 3 for an active membership. The value obtained for an individual is the *sum* of the values for them across all of the sixteen organisations. The results presented in Table VIII and Figure 5 show the average level of these individual organisation engagement scores. We then focused more closely on a subset of ten civic organisations that might be more closely associated with social inclusion<sup>6</sup>. The results are shown in Table IX and Figure 6.

<Insert Table VIII and Figure 5 here>

The data presented in Table VIII and Figure 5 show a general decline in the average organisation engagement levels in all of the five ‘mega-regions’ previously used. While the data suggests the decline in Wales had already begun by 1995, it had started in Scotland and all of the other regions no later than 1997. Furthermore, while there is some movement over time the relative ranking of Scotland and Wales at the start and end of the period remains broadly the same, again suggesting strong similarities with the rest of the UK. However, there does appear to be some change for Scotland around the time of devolution itself (1999)), though the downward trend re-emerges by the time of the next survey in 2001. When we examine the data for more narrowly-defined civic organisations in Table IX and Figure 6, the impact of devolution does appear somewhat stronger.

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<sup>6</sup> In addition to listing all sixteen of the organisations used in the analysis, Appendix 2 indicates those ten that we considered to be ‘civic’ in nature.

<Insert Table IX and Figure 6 here>

While the data in Table IX and Figure 6 shows the same general patterns as those of the earlier table and figure, the impact of devolution appears stronger. Scotland sees a marked increase in civic engagement by 1999 and even Wales shows a stabilisation in its decline. However, these changes appear short-lived and the decline has set in once again by 2001. This positive interpretation must also be tempered by recognition of the fact that the data in Table IX shows that by the end of the period civic organisation engagement in both Scotland and Wales have moved much closer to the English average (100.65% for Scotland and 99.3% for Wales).

## VI. Conclusions

This paper has sought to examine the experience and effectiveness of devolution in the two most far-reaching examples, namely Scotland and Wales. We have chosen to use the extent to which inequality has declined as our estimate of effectiveness and have examined inequality as an objective measurement of household income and subjectively in terms of social inclusion through the membership of, and active participation in, a range of organisations.

Our findings are not encouraging. Neither Scotland nor Wales have been able to significantly improve upon the general trend of gently-declining income inequality operating throughout the UK during this period, and it is difficult to detect a significant impact of devolution in this process. Although Wales has, in the post-devolution era, seen a reversal of the pre-devolution trend, this success has to be set against an extremely bleak macroeconomic environment in

which its unemployment rate rose relative to those for the other regions and it continues to be by far the highest; furthermore, the decline in average household income seen in Wales both before and after devolution has meant that whilst inequality has declined in Wales during the devolution era, one can argue that Wales has simply become more equal in its poverty.

Only in the realms of social inclusion can devolution claim any success, with a temporary rise in social inclusion, and more specifically civic engagement, in Scotland and a corresponding halting of the decline in Wales. However, even here the success was short-lived as decline re-established itself soon after and therefore the best one can claim is that Scotland and Wales have now achieved levels of civic engagement corresponding to the average for the English regions.

There are many explanations for this poor performance, and space prevents a full discussion. Nevertheless a number of key issues can be indicated. First, the extent to which the devolved institutions have power to influence equality may be questioned. No devolved institution has full fiscal autonomy. Only Scotland has tax-varying powers and their parliament has not been prepared to utilise them. Therefore, their budgets derive from decisions made at Westminster and the devolved institutions discretionary spending is severely limited. Second, notwithstanding the discussion above, the degree to which the devolved institutions have shown a willingness to diverge from UK-wide policy is similarly open to question. The Labour-led administrations are closely tied to the Blair government at Westminster, they all share the same ideological approach to inequality and welfare, and they have not been willing to make use of their powers to act independently. The examples of independent action highlighted at the start of this paper, namely free personal care for the elderly in Scotland and the abolition of prescription charges in Wales, are exceptions to the norm, Keating's interpretation of rapid

divergence is very speculative, as are the suggestions made in the work of Dardanelli (2005), Marnoch (2003) and Raco (2003). As discussed at the very beginning, devolution appears to have an uneven and faltering history within the UK. The performance highlighted by this paper will be unlikely to endear it to its respective populations, nor act as an example to other regions of the possible advantages to be gained by re-igniting the flame of devolution.

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	% of each type	% of each type in poverty	% contribution in overall poverty
Couple with Children	42.4	20.9	40.0
Couple without Children	25.5	12.2	14.1
Single with Children	10.1	53.8	24.5
Single without Children	22.0	21.7	21.4
Total	100	22.2	100

Source: Nickell, 2004, Table 1

Children in household	No. of households	Ave. monthly income (raw data)	Ave. monthly income (McClements Score adjusted data) <sup>7</sup>	% gain / loss due to adjustment
0	6,298	£1,827	£1,945	+6.46%
1	1,279	£2,517	£1,996	-20.70%
2	1,208	£2,582	£1,833	-29.01%
3 or more	561	£2,441	£1,474	-39.61%

Source: Morelli & Seaman, 2005, Table 2

Region	No. of households	Ave. monthly household income	Standard Deviation of monthly household income	McClements Score adjusted regional Gini coefficient <sup>8</sup>
South of England	1,978	£2,517	£2,112	0.37594
English Midlands	810	£2,124	£1,535	0.35332
North of England	1,284	£2,086	£1,556	0.36908
Scotland	1,734	£2,007	£2,212	0.37453
N. Ireland	1,699	£1,883	£1,653	0.38783
Wales	1,509	£1,873	£1,379	0.33560

Source: British Household Panel Study, 2003

<sup>7</sup> The McClements Score is a standardised measure of the cost of living for a household of a particular size and composition; households with more people or more costly types of people will have a higher McClements Score; see Appendix 1 and Lambert (2001) for more details.

<sup>8</sup> Gini coefficients summarise inequality within a set of data with values ranging from 0 (perfect equality) through to 1 (perfect inequality); see Appendix 1 and Lambert (2001) for more details.

Table IV: Regional Gini Coefficients for McClements Score Adjusted Monthly Income Data : 1991-2003 (3 year moving averages)

Region	Data Period										
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11
	1991-93	1992-94	1993-95	1994-96	1995-97	1996-98	1997-99	1998-00	1999-01	2000-02	2001-03
Inner London	0.430	0.438	0.434	0.428	0.426	0.452	0.488	0.507	0.490	0.460	0.466
Outer London	0.414	0.402	0.391	0.380	0.367	0.359	0.361	0.360	0.366	0.363	0.377
Rest of SE	0.393	0.391	0.379	0.368	0.367	0.368	0.371	0.364	0.360	0.360	0.366
South West	0.367	0.373	0.373	0.371	0.369	0.359	0.354	0.348	0.342	0.349	0.361
East Anglia	0.365	0.365	0.374	0.387	0.392	0.383	0.366	0.366	0.373	0.372	0.364
East Midlands	0.377	0.373	0.363	0.353	0.346	0.350	0.345	0.349	0.338	0.342	0.349
West Midlands Conurbation	0.402	0.411	0.406	0.391	0.376	0.371	0.361	0.354	0.350	0.352	0.346
Rest of West Midlands	0.348	0.356	0.357	0.355	0.350	0.352	0.350	0.348	0.349	0.348	0.349
Greater Manchester	0.403	0.405	0.410	0.402	0.401	0.404	0.397	0.388	0.382	0.381	0.378
Merseyside	0.390	0.385	0.406	0.396	0.395	0.374	0.363	0.347	0.334	0.344	0.354
Rest of NW	0.399	0.387	0.384	0.397	0.406	0.399	0.386	0.377	0.379	0.378	0.375
South Yorkshire	0.344	0.347	0.355	0.361	0.364	0.352	0.340	0.332	0.328	0.332	0.359
West Yorkshire	0.382	0.397	0.401	0.402	0.388	0.378	0.386	0.394	0.404	0.395	0.389
Rest of Yorkshire & Humberside	0.375	0.389	0.381	0.372	0.352	0.342	0.338	0.330	0.347	0.357	0.368
Tyne & Wear	0.365	0.395	0.401	0.407	0.387	0.384	0.401	0.391	0.377	0.340	0.340
Rest of North	0.348	0.351	0.355	0.350	0.342	0.338	0.347	0.348	0.356	0.345	0.348
Wales	0.366	0.367	0.367	0.372	0.367	0.371	0.375	0.373	0.363	0.346	0.348
Scotland	0.398	0.402	0.409	0.399	0.391	0.383	0.388	0.381	0.375	0.370	0.375
England	0.392	0.393	0.390	0.385	0.381	0.379	0.380	0.377	0.374	0.372	0.376

Source : British Household Panel Study (1991-2003)

Table V: Regional Gini Coefficients for McClements Score Adjusted Monthly Income Data : 1991-2003 (3 year moving averages) Fifteen English regions aggregated into three large regions											
Region	Data Period										
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11
	1991-93	1992-94	1993-95	1994-96	1995-97	1996-98	1997-99	1998-00	1999-01	2000-02	2001-03
Wales	0.366	0.367	0.367	0.372	0.367	0.371	0.375	0.373	0.363	0.346	0.348
Scotland	0.398	0.402	0.409	0.399	0.391	0.383	0.388	0.381	0.375	0.370	0.375
England – South	0.398	0.396	0.390	0.384	0.381	0.380	0.384	0.382	0.379	0.376	0.381
England - Midlands	0.376	0.378	0.372	0.364	0.356	0.357	0.352	0.351	0.346	0.348	0.353
England – North	0.382	0.387	0.391	0.391	0.386	0.379	0.377	0.370	0.372	0.368	0.371

Source : British Household Panel Study (1991-2003)

Table VI: Regional Unemployment Rates : 1991-2003 (3 year moving averages) Fifteen English regions aggregated into three large regions											
Region	Data Period										
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11
	1991-93	1992-94	1993-95	1994-96	1995-97	1996-98	1997-99	1998-00	1999-01	2000-02	2001-03
Wales	9.05	9.79	9.16	9.12	7.82	7.20	7.41	8.03	8.11	7.48	7.24
Scotland	9.88	10.86	9.56	7.81	6.80	6.67	7.30	7.42	7.48	6.74	6.52
England – South	8.04	7.90	6.87	6.18	5.23	5.03	4.31	4.07	3.58	3.37	3.40
England - Midlands	10.08	10.07	9.52	8.77	7.78	7.06	6.36	6.07	6.04	5.82	5.57
England – North	8.96	9.24	8.86	7.81	7.24	6.59	6.47	6.08	6.05	5.76	5.36

Source : British Household Panel Study (1991-2003)

Table VII: Regional Average (McClements Score Adjusted) Monthly Income Data : 1991-2003 (3 year moving averages) : England = 100  
 Fifteen English regions aggregated into three large regions

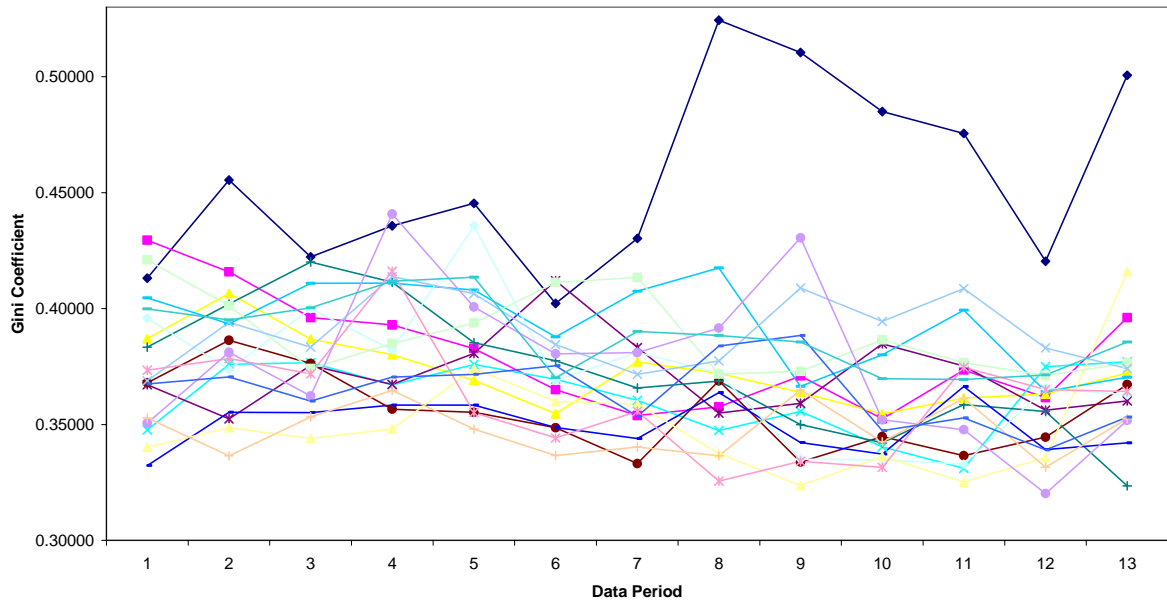
Region	Data Period										
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11
	1991-93	1992-94	1993-95	1994-96	1995-97	1996-98	1997-99	1998-00	1999-01	2000-02	2001-03
Wales	96.78	95.86	92.33	90.28	88.05	88.82	84.65	83.50	81.64	81.76	80.07
Scotland	95.97	95.78	97.01	97.30	95.29	93.51	90.65	89.39	89.38	89.80	89.69
England - South	108.11	108.00	108.53	108.55	109.69	110.49	111.46	111.39	110.64	109.90	109.39
England - Midlands	91.20	90.07	88.92	89.21	89.15	89.84	89.47	89.14	89.21	89.42	90.48
England - North	92.82	93.58	93.39	93.17	91.82	90.54	89.66	89.90	90.98	91.74	91.72

Source : British Household Panel Study (1991-2003)

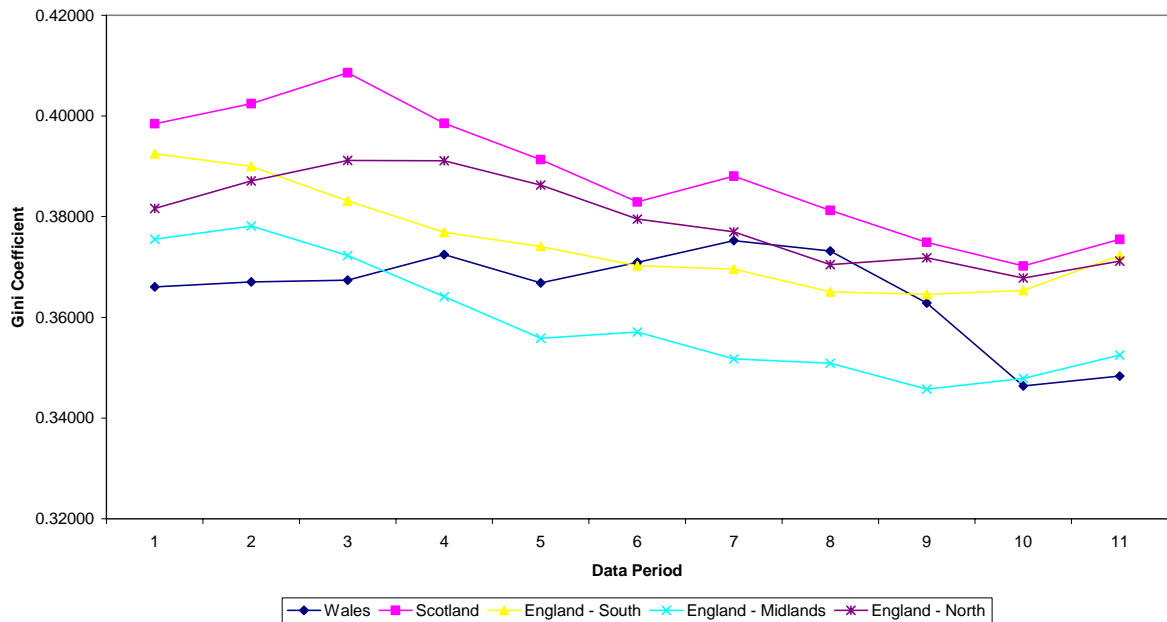
Table VIII: Social Inclusion Estimates 1						
Average Individual Membership and Active Participation in All Organisations 1994-2003						
Fifteen English regions aggregated into three large regions						
Region	Year					
	1994	1995	1997	1999	2001	2003
Wales	2.2770	2.1731	2.1065	2.0414	2.0010	1.8441
Scotland	2.2955	2.3333	2.1387	2.1978	2.0906	2.0399
England - South	2.4190	2.4971	2.3731	2.2031	2.1105	2.0977
England - Midlands	2.2189	2.2683	2.0924	1.9495	1.8397	1.7742
England - North	2.2015	2.2066	2.0760	1.9982	1.9339	1.9842
Scores based upon the following scale : 0 for no membership or activity in an organisation, 1 for a non-active membership, 2 for being active but not a member, and 3 for an active membership						
Source : British Household Panel Study (1991-2003)						

Table IX: Social Inclusion Estimates 2						
Average Individual Membership and Active Participation in Civic Organisations 1991-2003						
Fifteen English regions aggregated into three large regions						
Region	Year					
	1994	1995	1997	1999	2001	2003
Wales	0.9725	0.9613	0.8848	0.8843	0.8616	0.7718
Scotland	0.8499	0.8743	0.7627	0.8362	0.7825	0.7614
England - South	1.1002	1.1327	0.9881	0.8915	0.8150	0.8451
England - Midlands	0.9605	0.9611	0.8222	0.7911	0.7179	0.6319
England - North	0.9506	0.9755	0.8299	0.7614	0.6869	0.7362
As a Percentage of England						
Wales	95.04	91.84	98.18	106.81	114.41	100.65
Scotland	83.06	83.53	84.63	101.00	103.90	99.30
Scores based upon the following scale : 0 for no membership or activity in an organisation, 1 for a non-active membership, 2 for being active but not a member, and 3 for an active membership						
Source : British Household Panel Study (1991-2003)						

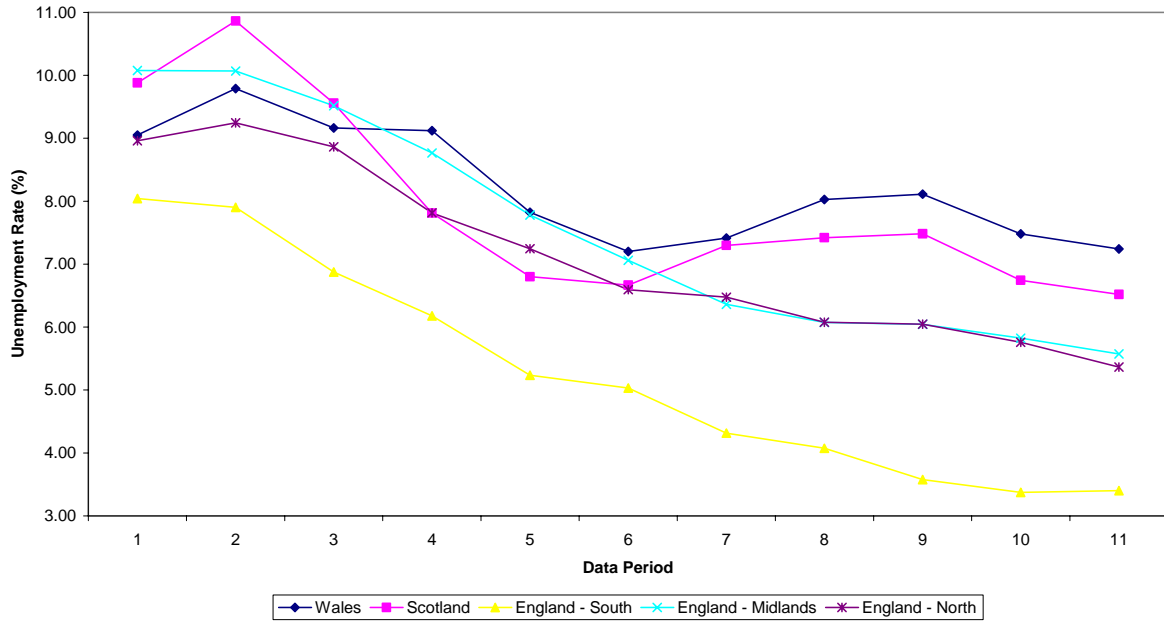
**Figure 1: Gini Coefficients for Monthly Household Income  
18 Regions, Three-year Moving Averages, 1991-93 to 2001-03**



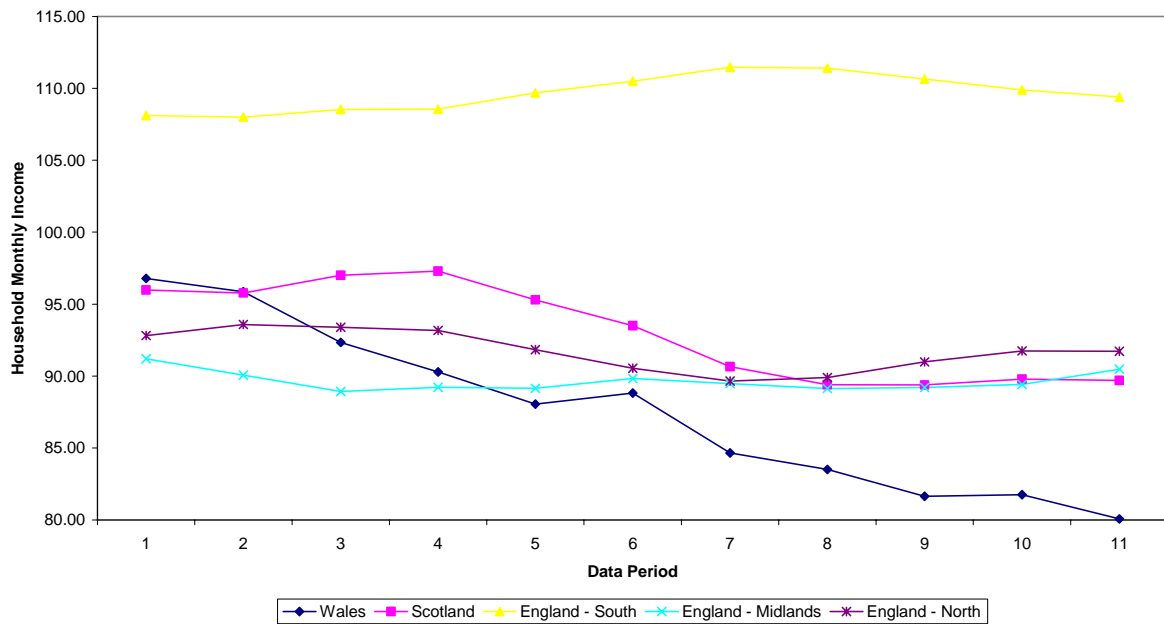
**Figure 2: Gini Coefficients for Monthly Household Income  
5 'Mega-regions', Three-year Moving Averages, 1991-93 to 2001-03**



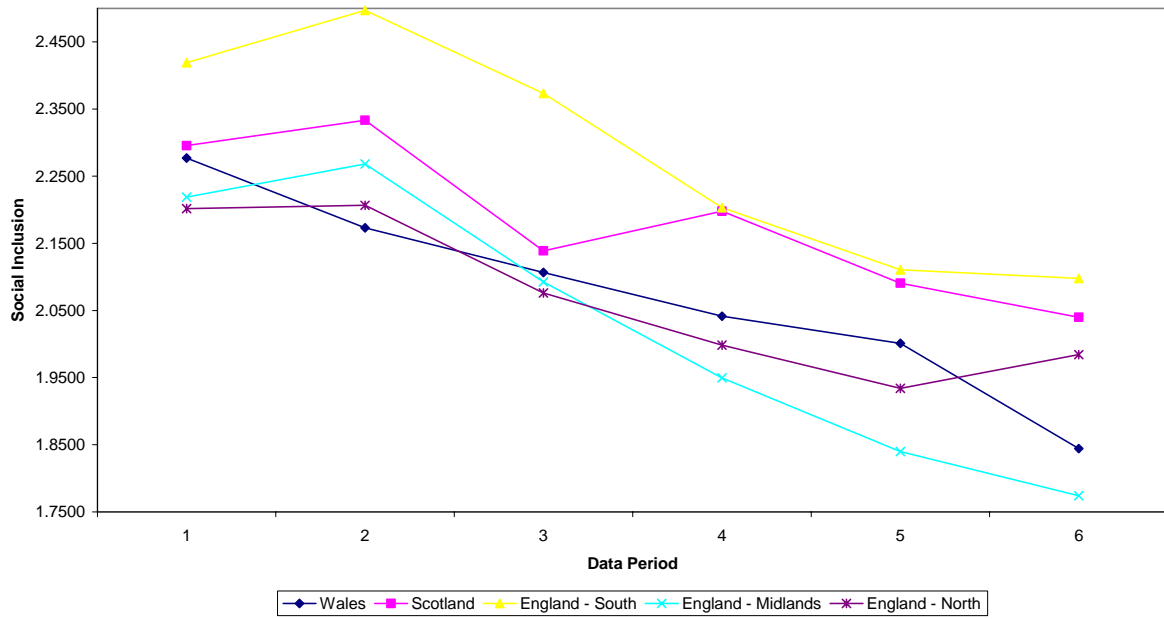
**Figure 3: Unemployment Rates**  
**5 'Mega-regions', Three-year Moving Averages, 1991-93 to 2001-03**



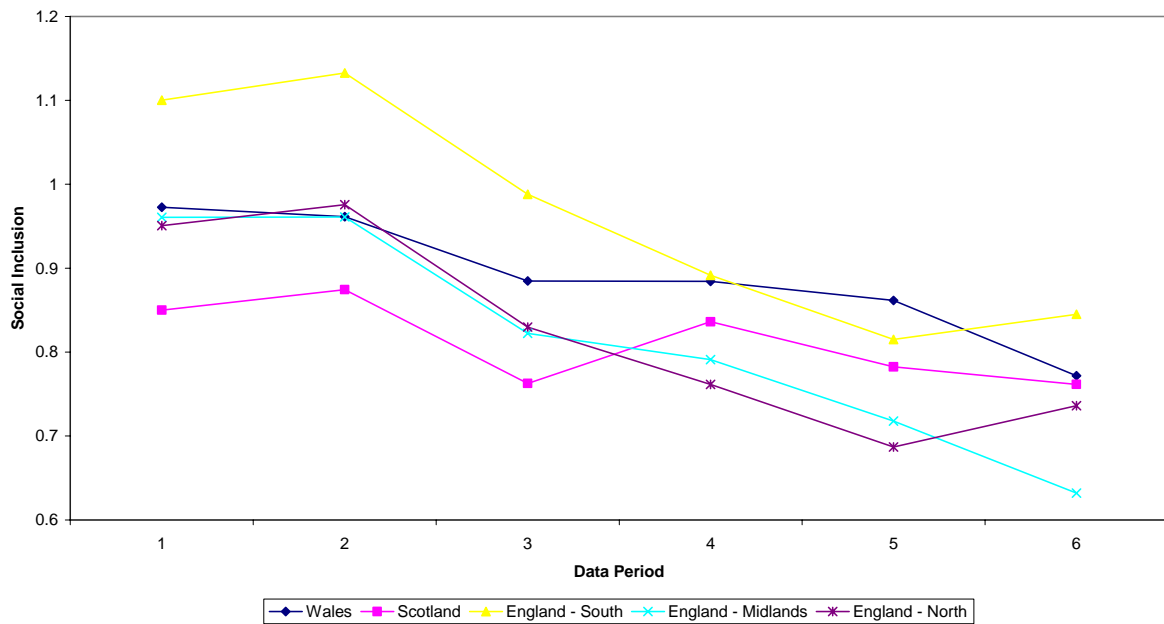
**Figure 4: Average Household Monthly Income (England=100)**  
**5 'Mega-regions', Three-year Moving Averages, 1991-93 to 2001-03**



**Figure 5: Social Inclusion Measure 1 (Membership Of, And Activity In, All Listed Organisations)  
1994, 1995, 1997, 1999, 2001, 2003**



**Figure 6: Social Inclusion Measure 2 (Membership Of, And Activity In, All Listed Organisations)  
1994, 1995, 1997, 1999, 2001, 2003**





## Appendix 1

The McClements score rises as (a) the number of household members rises and (b) as the composition of the household shifts towards those member types with a higher cost of living, most typically adults. For a household incorporating just a couple the McClements Score is one. Larger, more costly households, would have a McClements Score greater than one while smaller, less costly households, would have a McClements Score less than one. The raw monthly income data was corrected by dividing it by the McClements Score, thus making single person households appear more affluent, and multiple person households appear less affluent, than is implied on the basis of just the raw household income data alone.

The household's McClements Score is based on the following values:

Head of household	0.61
Spouse of head of household	0.39
First 'other' adult	0.46
Each additional 'other' adults	0.36
Each child $\geq$ 13 years, < 16 years	0.27
Each child $\geq$ 11 years, < 13 years	0.25
Each child $\geq$ 8 years, < 11 years	0.23
Each child $\geq$ 5 years, < 8 years	0.21
Each child $\geq$ 2 years, < 5 years	0.18
Each child less than 2 years	0.09

Gini coefficients use a single statistic ranging from 0 (complete equality) to 1 (maximum inequality) to represent the inequality seen in a particular variable (Kukwani 1977; Kukwani 1984). A reduction in a Gini coefficient is consistent with a more equal distribution of the variable in question. However, no widely-accepted / utilised methodology exists for evaluating the significance or substantiveness of a reduction in a Gini coefficient.

Further information on both the McClements Scale and Gini coefficients can be found in Lambert (2001).

## Appendix 2

The following organisation types were included in the analysis presented in Table 8 (all organisations) and Table 9 (civic organisations only)

- political party
- trade union
- environmental group
- parents association
- tenants / residents group
- voluntary service group
- other community group
- Women's Institute
- women's group
- pensioners group

The following organisation types were included in the analysis presented in Table 8 (all organisations) only

- religious organisation
- social group
- sports club
- professional organisation
- scouts / guides
- other organisation

Individual organisation engagement totals are calculated on the basis of the following scale:

- 0 for no membership or activity in an organisation
- 1 for a non-active membership of an organisation
- 2 for being active in an organisation but not a member
- 3 for an active membership in an organisation

The value obtained for an individual is the *sum* of the values for them across all of the organisations in that analysis (sixteen values for Table 8, ten values for Table 9).