Inequality and the very rich: what do we know?

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The characteristics and incomes of the top 1%

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From joint work with Barra Roantree and Tom Pope

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4 phases of postwar income inequality
Inequality in net household equivalised incomes

Source: Households Below Average Income.
Notes: Great Britain only.
4 phases of postwar income inequality
Inequality in net household equivalised incomes

Stable inequality
‘80s inequality boom

Top 1% share (left axis)
90/10 ratio (right axis)

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Notes: Great Britain only.
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- Stable inequality
- ‘80s inequality boom
- Top 1% still racing away, inequality elsewhere stable
- After Great Recession

Source: Households Below Average Income.
Notes: Great Britain only.
Outline

Income levels at the top

Who has incomes this high?

Where does the income come from?

How stable is the income?
Inequality explodes towards top of distribution
Levels of personal taxable income, 2014–15

Sources: Survey of Personal Incomes and HMRC self-assessment data.
Notes: From Figure 3 of Joyce, Pope and Roantree (2019).
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Notes: From Figure 3 of Joyce, Pope and Roantree (2019).
Huge “between-group” disparities at the top too 99th percentile income by gender and region

Source: HMRC self-assessment data.
Notes: From Figure 5 of Joyce, Pope and Roantree (2019).
...even more so at more extreme end of the distribution

Composition of top income groups by age, region and gender

Source: HMRC self-assessment data.
Notes: From Figure 9 of Joyce, Pope and Roantree (2019).
Density of top 1% by parliamentary constituency
Number per 1000 adults, 2014-15

Source: HMRC self-assessment data.
Notes: From Figure 8 of Joyce, Pope and Roantree (2019).
Where does their income come from?
Breakdown of the income of the top 1%

- Employment, 59.2%
- Partnership, 17.7%
- Dividends, 11.3%
- Self-employment, 3.6%
- Pensions, 2.5%
- Other, 5.8%

Source: HMRC self-assessment data.
Notes: From Figure 10 of Joyce, Pope and Roantree (2019).
Tax due on a job generating £200,000, by legal form

Source: HMRC self-assessment data.
Notes: From Figure 11 of Joyce, Pope and Roantree (2019).
Income dynamics: the top 1% is not a very stable group

Probability of remaining in top 1% for those in it this year

Source: HMRC self-assessment data.
Notes: From Figure 14 of Joyce, Pope and Roantree (2019).
High-income partners seem to have most stable incomes.

Probability of being in top 1% 5 years later, by main income source

Source: HMRC self-assessment data.
Notes: From Figure 17 of Joyce, Pope and Roantree (2019).
Summary

Income disparities at the very top dwarf those elsewhere in distribution

Top 1% is a very unrepresentative group
With geographic concentration increasing

About one third are business owners
With associated tax breaks

Not a stable group
About half will drop out of the top 1% at some point in next 3 years
Significantly more than 1% will be in the top 1% at some point