

# Equality

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*Adapted from The Case for Universal Basic Services (2020), Polity Books, p. 35-58*

Public services reduce income inequalities by providing a social wage that is worth much more to people on the lowest incomes. A study of OECD countries found that poor people would have to spend three quarters of their income on essential services such as healthcare and education if they had to purchase them directly. Services reduced income inequality by an average of 20%<sup>1</sup>. Modelling by the Institute for Global Prosperity found that extending public services to new areas such as transport and access to digital information would have far greater value, proportionately, to low-income households than to rich ones<sup>2</sup>.

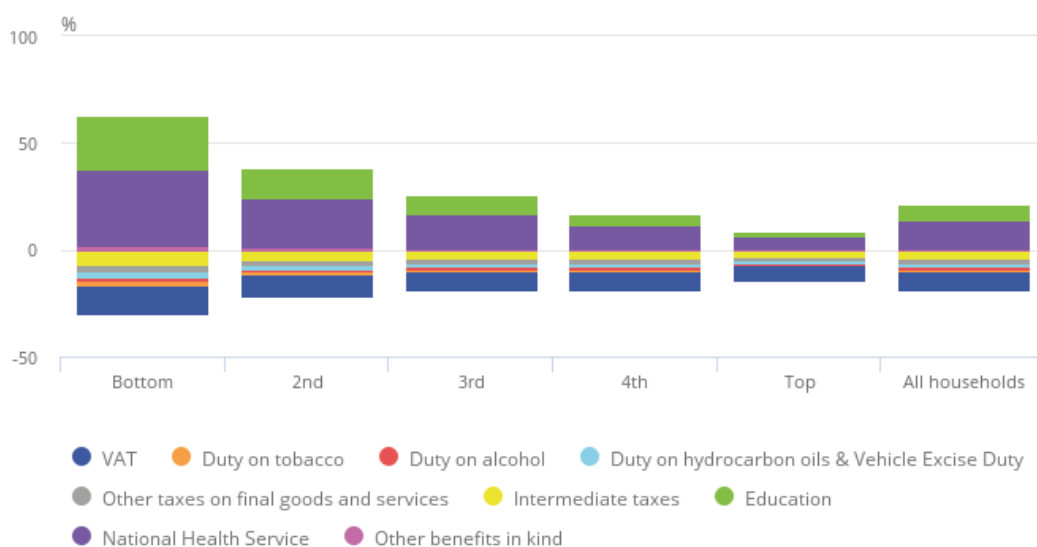
Services bring benefits without which individuals and families would be unable to meet their needs and flourish. Getting an education makes it easier to find work and earn money; access to housing and healthcare means there is less risk of becoming disabled by illness and dependent on care; access to transport and the Internet makes it possible to get work, avoid isolation, use other services, and so on. These things are especially important for low-income families because of the knock-on effects that shield them against accumulating risks and vulnerabilities.

The effects are not just individual: reducing inequalities will benefit society as a whole. As Pickett and Wilkinson have demonstrated, outcomes for a range of health and social problems (physical and mental health, drug abuse, education, imprisonment, obesity, social mobility, trust and community life, violence, teen pregnancies and child wellbeing) are significantly worse in more unequal rich countries<sup>3</sup>.

Some studies have suggested that public services are more likely to benefit those who are better off<sup>4</sup>. It is easy to understand that better-educated, more confident people may find it easier to navigate access to some services and get what they need. Yet overall, there is strong evidence that public services benefit lower-income households disproportionately. A detailed analysis of the distributional effects of the social wage in the UK in 2002 confirmed a consistent pro-poor bias in most services, which had increased

over two decades and continues to this day<sup>5</sup>. The table below shows the distribution of social wage value across income groups in the UK, with the lowest income households receiving more in social wages than they do in cash incomes.

Figure 1. UK: Indirect taxes and benefits-in-kind as a proportion of disposable income by quintile groups, all households, financial year ending 2017.



Source: Office for National Statistics

However, the extent and consistency of the redistributive effects depends on how universal services are designed, delivered and funded – as well as how they interact with each other.

## End Notes

<sup>1</sup>Verbist, G. et al. (2012). 'The Impact of Publicly Provided Services on the Distribution of Resources: Review of New Results and Methods'. OECD Social, Employment and Migration Working Papers, 130: 35.

<sup>2</sup>Ibid, p. 25-26.

<sup>3</sup>Wilkinson, R. G., & Pickett, K. (2010). The spirit level: Why greater equality makes societies stronger. New York: Bloomsbury Press.

<sup>4</sup>Evandrou, M. et al (1993). 'Welfare Benefits in Kind and Income Distribution'. Fiscal Studies. 14(1): 57 – 76.

<sup>5</sup>Sefton, T. (2002). 'Recent Changes in the Distribution of the Social Wage'. CASE Paper 62. London: LSE, p. 46; ONS. (2018). 'Effects of taxes and benefits on UK household income: financial year ending 2017'. Section 4, Fig. 5.