



November 2022

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Support for households and living standards

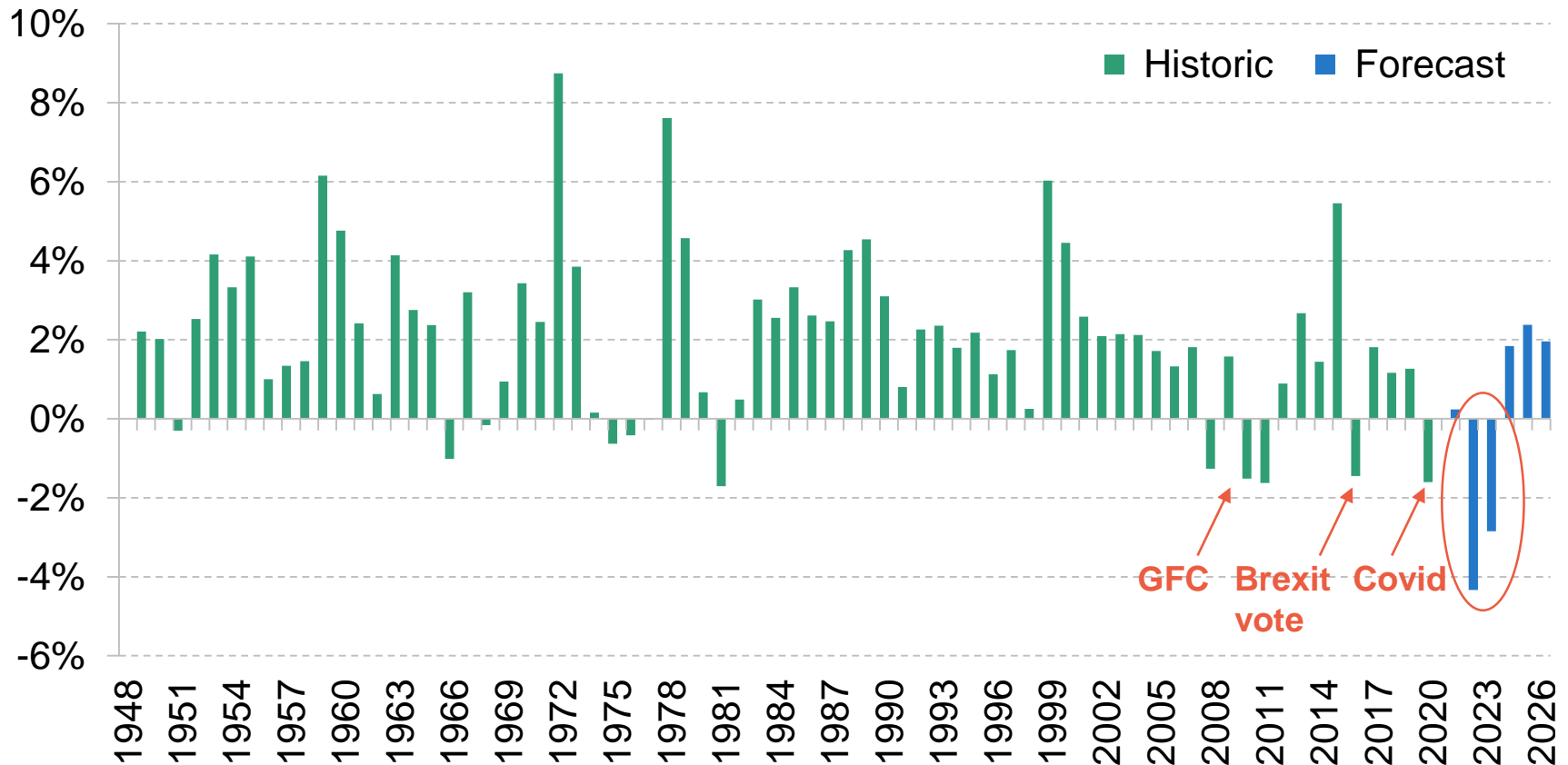
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Economic
and Social
Research Council

Real household disposable income set to fall by 7% over next 2 years

Year-on-year growth in real household disposable income (per capita)

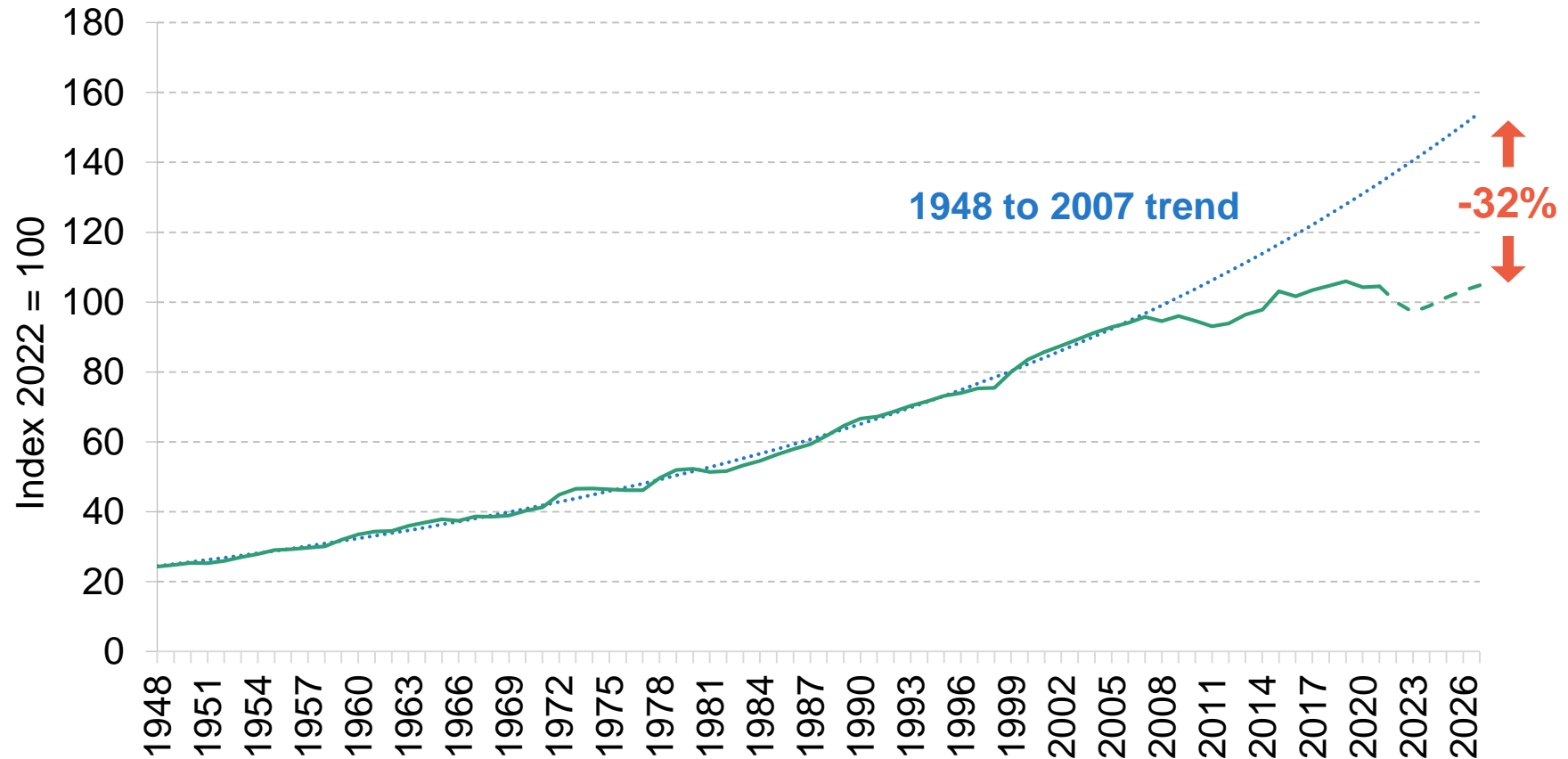


Source: IFS calculations based on ONS UK Economic Accounts (historical RHDl and population statistics), OBR EFO November 2022 (forecast per-capita RHDl)

Notes: Years refer to financial years

Heading for another lost decade

Real household disposable income (per capita)



Source: IFS calculations based on ONS UK Economic Accounts (historical RHDl and population statistics), OBR EFO November 2022 (forecast per-capita RHDl)

Notes: Years refer to financial years. Dashed line is OBR forecast. Dotted line is based on a linear extrapolation of the natural log of the 1948-2007 index

Cost of living support

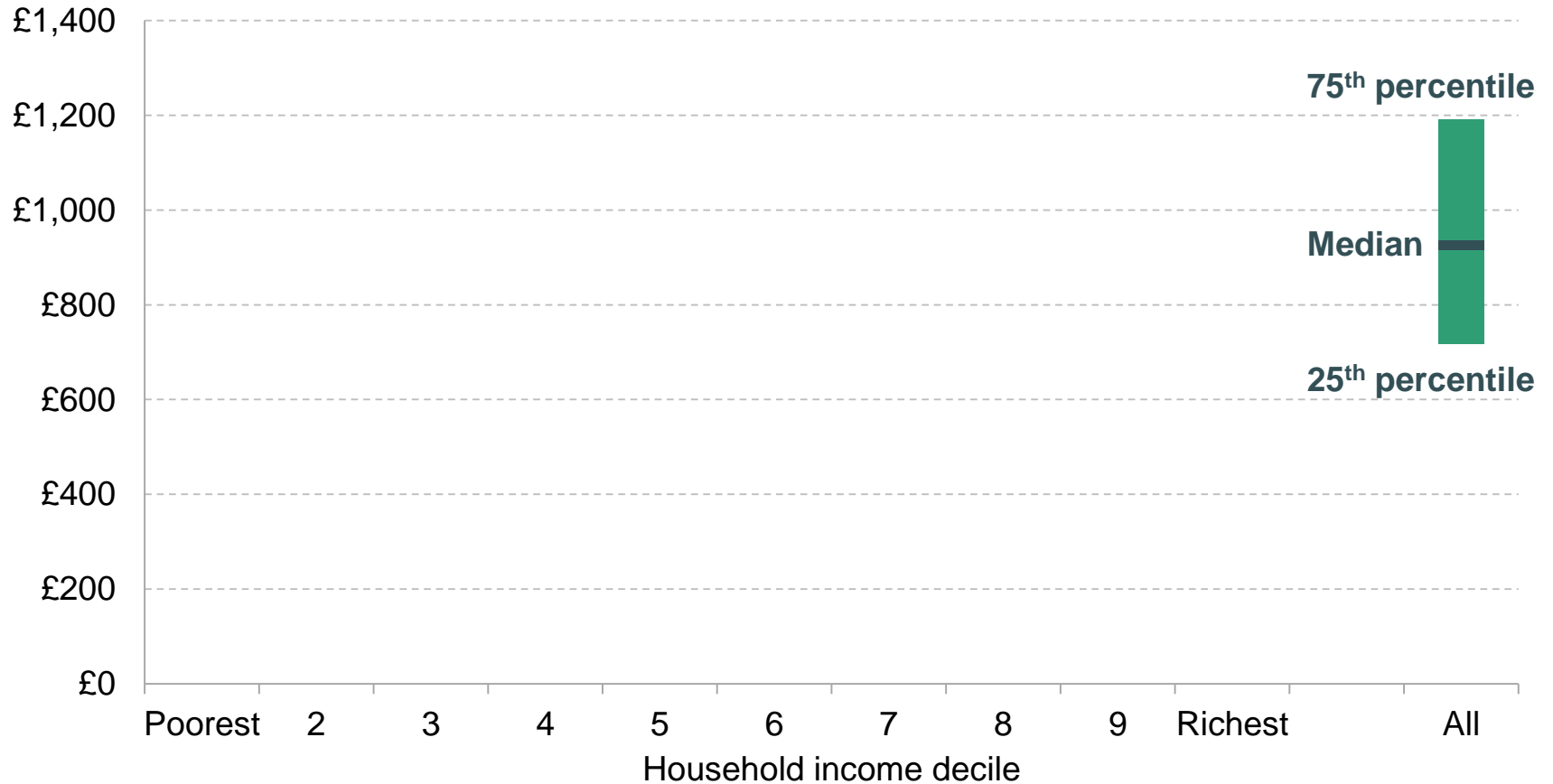
Support for energy bills

Typical energy bill capped at £3,000 per year Apr 2023-Apr 2024

- Estimated £38bn from Apr 2023 (v. £55bn to keep at £2,500 until Sep 2024)
- Median saving of £270 per household compared to no price guarantee
- Median increase in bills of £900 compared to today (with £2,500 cap and £400 near-universal energy rebate); £1,800 compared to 2021-22

But big variation in bills depending on energy usage

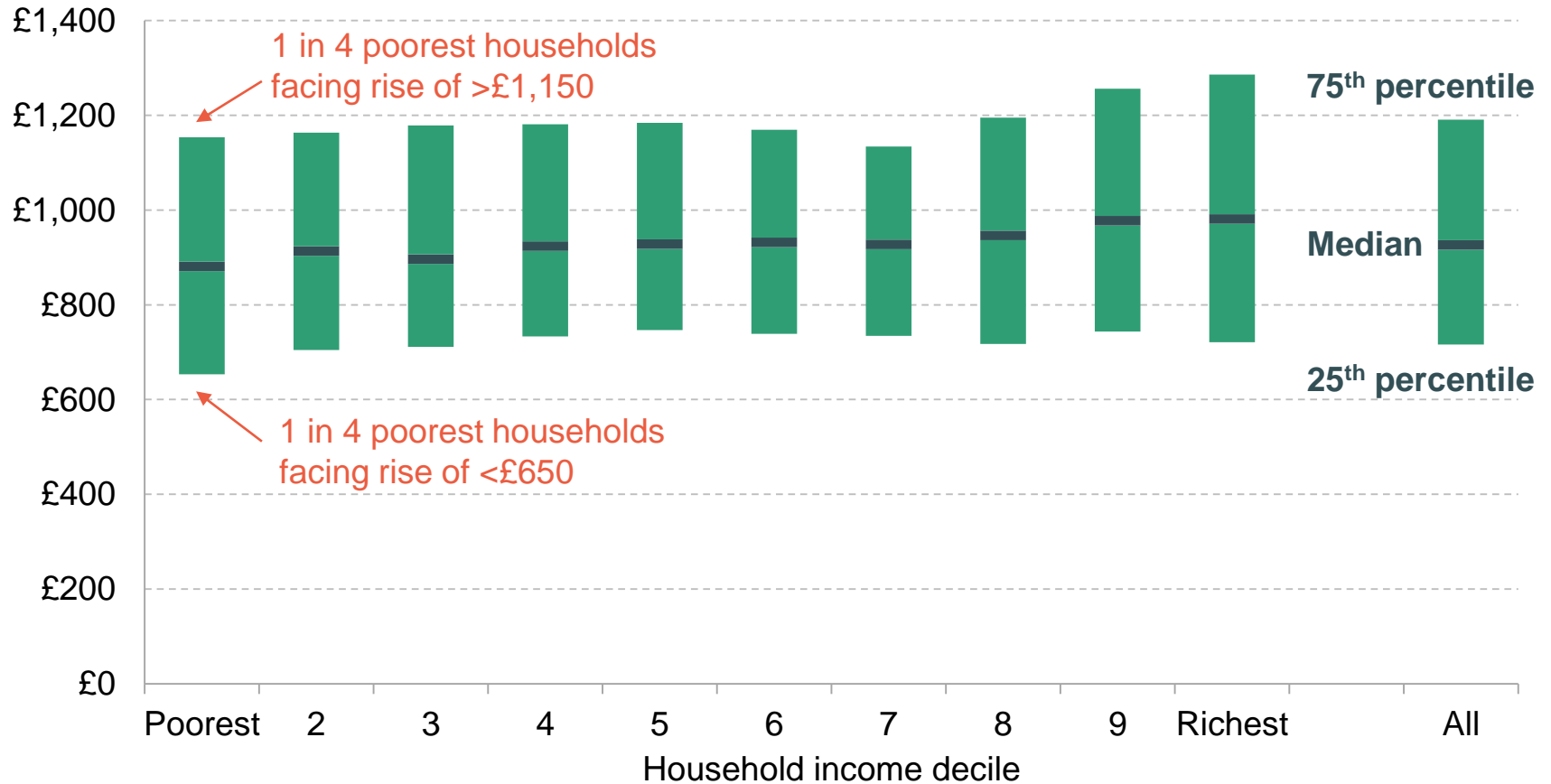
Increase in energy bills from today to 2023–24



Source: IFS calculations using price cap forecasts from Cornwall Insights, energy spending data from 2019 Living Costs and Food Survey.
Notes: 2023 Q4 forecast used for the energy price cap in Q1 2024 (for which forecasts are not yet available). Energy bills in 2022–23 capped at £2,500 and discounted by £400.

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Cost of living grants

- £11bn in 2023–24
- Targeted support only
 - £900 for households on means-tested benefits
 - £300 for pensioners
 - £150 for those on disability benefits

Main working-age and disability benefits uprated with CPI (10.1%)

- Real benefits won't return to pre-pandemic levels until Apr 2024

One-off uprating of benefit cap with CPI

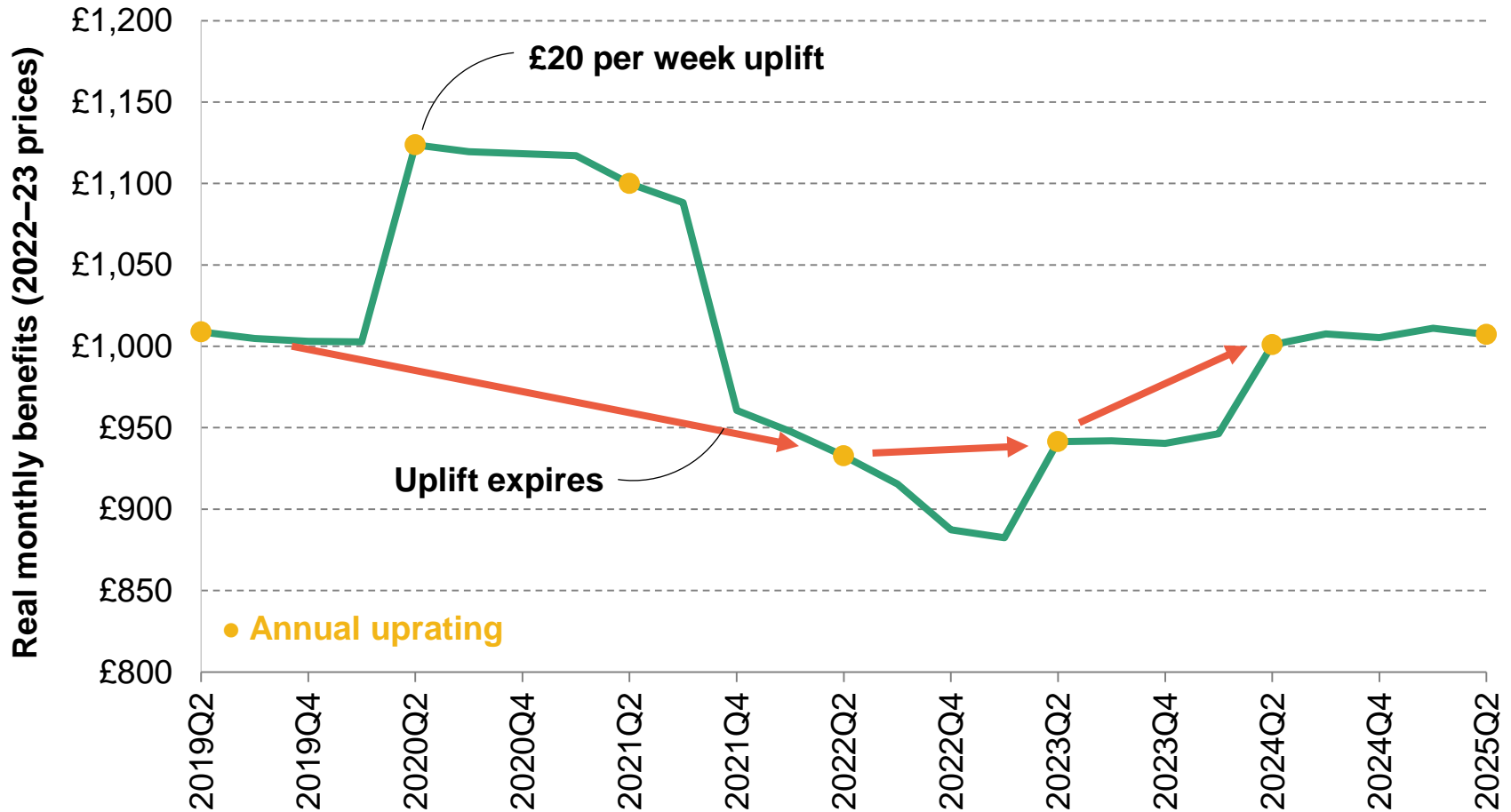
- £20,000 for couples and single parents; £13,400 for singles (higher in London)
- Frozen since Apr 2016 → 24% increase in prices to Oct 2022
- Around 130,000 households subject to cap in May 2022

Local Housing Allowance rates frozen since Apr 2020

- 6% increase in average private sector rents to Oct 2022 (ONS Index of Private Housing Rental Prices)

Real benefit levels will not return to pre-pandemic levels until April 2024

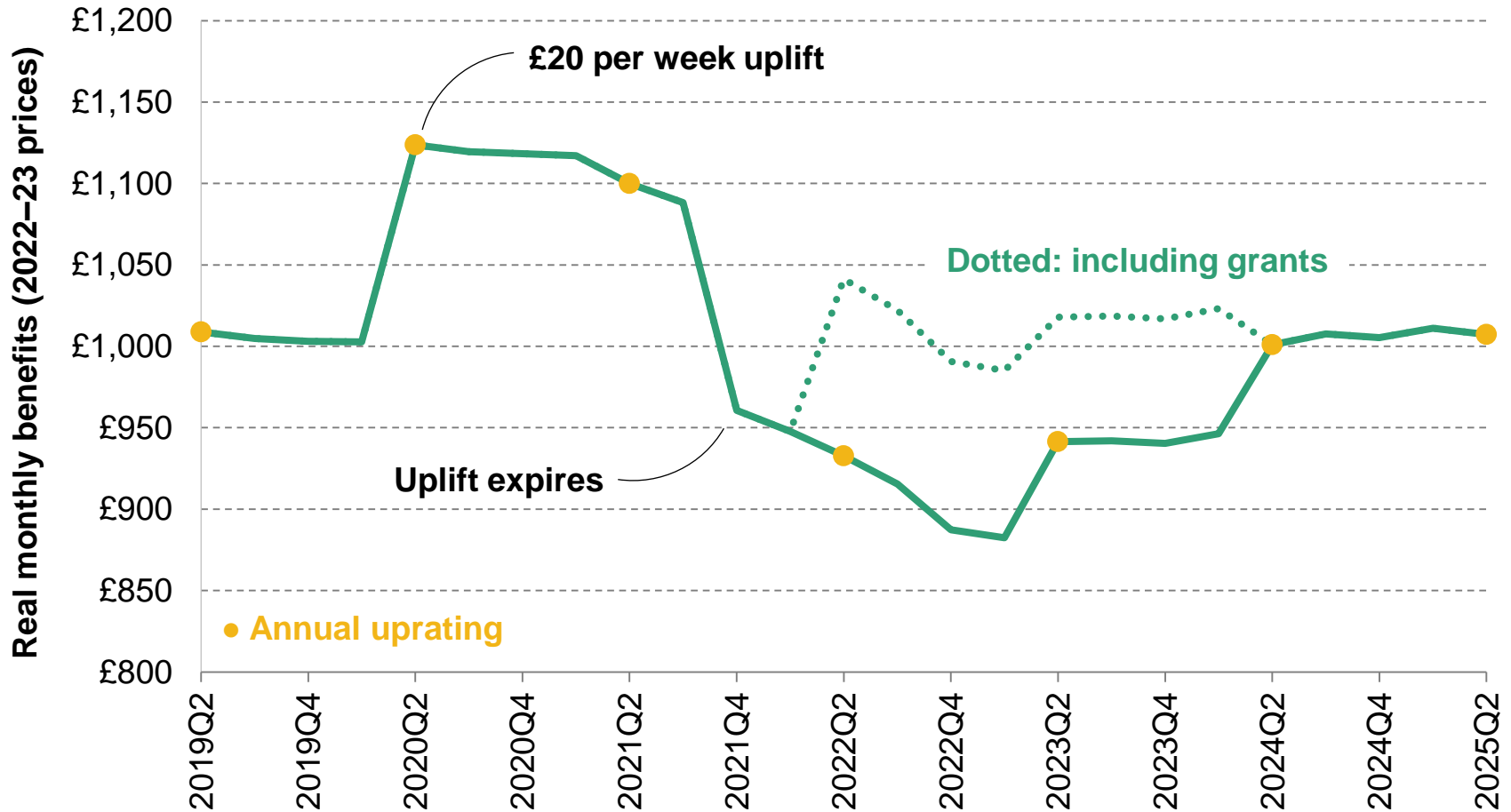
Average real entitlement excl. housing element for out-of-work claimants



Notes: Deflated using CPIH.

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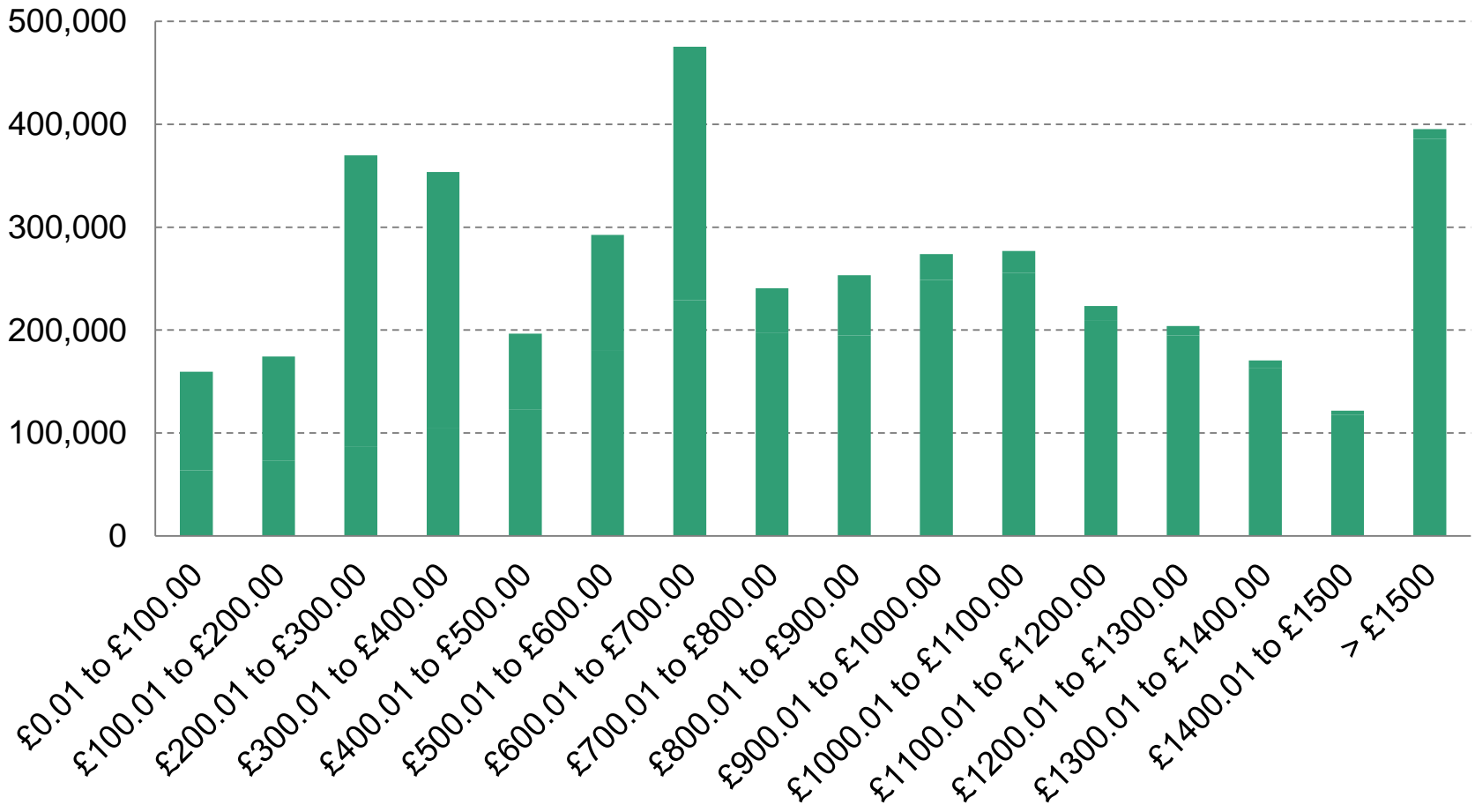
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Huge variation in UC receipt

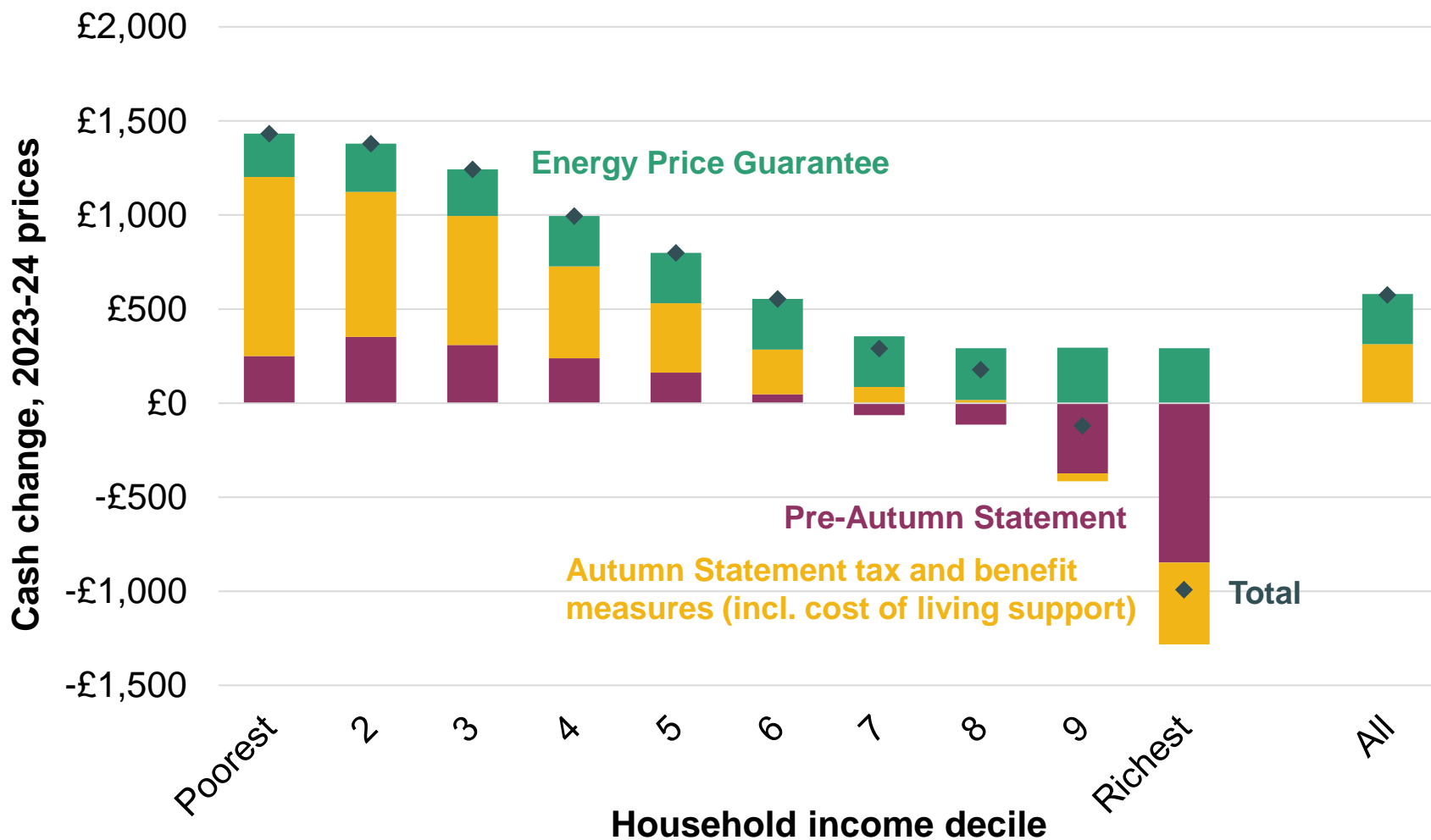
Distribution of households by monthly UC receipt, May 2022



Source: DWP Stat Xplore

Distributional analysis 2023–24

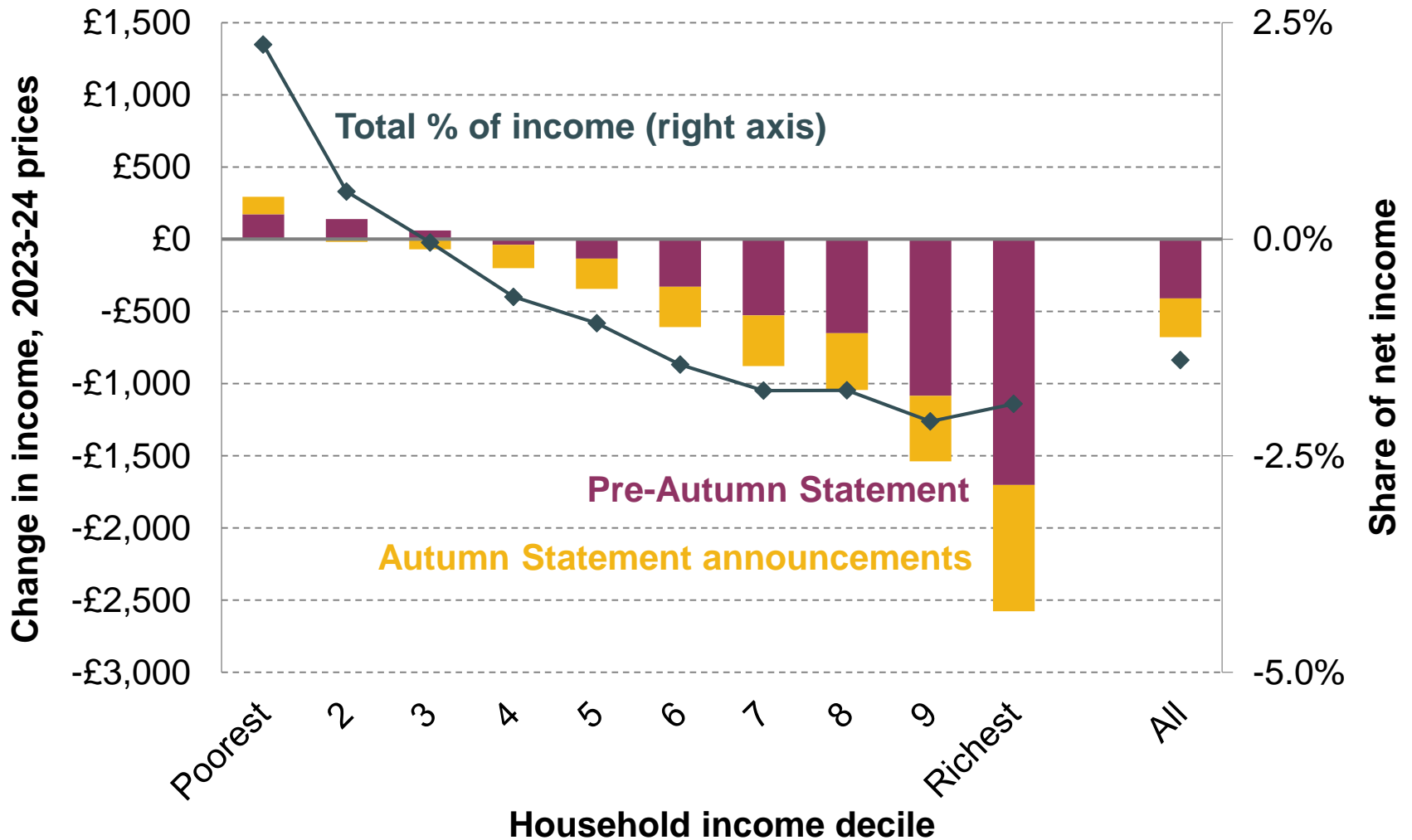
Cash change in 2023–24 from tax and policy measures implemented since Nov 2021



Notes: Assumes rise in employer NICs is borne by employees.

Distributional analysis 2027–28

Long-run income change from tax and benefit measures implemented since Nov 2021



Notes: Assumes rise in employer NICs is borne by employees.

Another lost decade of income growth and two worst years on record

Another large package of support for energy bills

- But median household still faces £900 rise in energy bills compared to this year; £1,800 compared to last year
- Cost of living support targeted at benefit recipients, pensioners, disabled

‘Ordinary’ benefit rates will still lag pre-pandemic values in real terms until April 2024

- Part of reason for cost of living grants
- But flat rate grants not a good substitute for uprating benefits

Overall progressive package of policies

- Poorest households get most in cash terms in 2023–24; richest lose
- In long run (2027–28), tax rises across most of income distribution

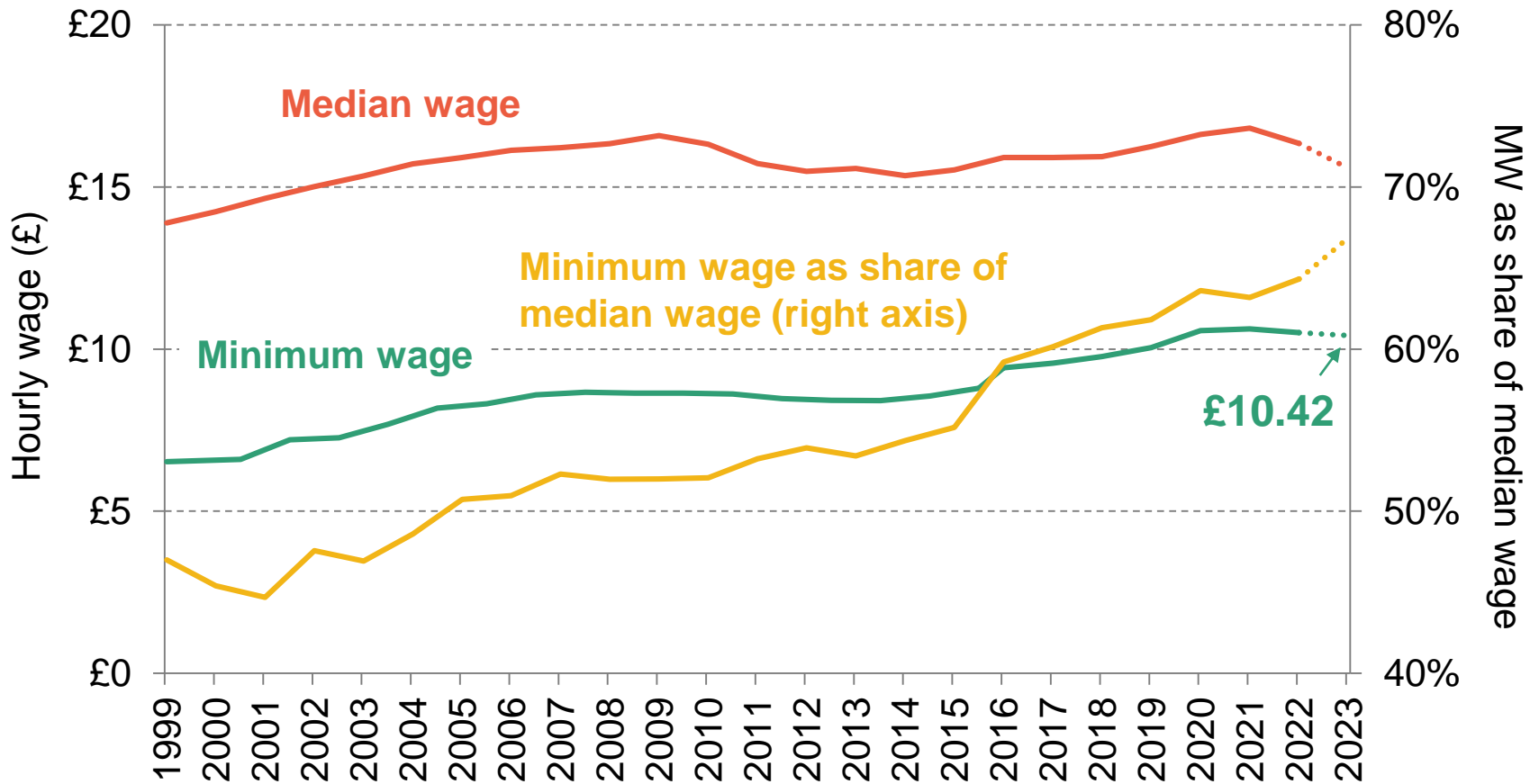
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Minimum wage continues to rise relative to median

Real median and minimum wage over time



Source: ASHE Table 1, LPC, OBR EFO forecasts

Notes: 2023 Q2 prices. Assumes rise in median wage 2022 Q2-2023 Q3 is same as for mean wage.