



The income distribution over the long run

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Outline of what's to come

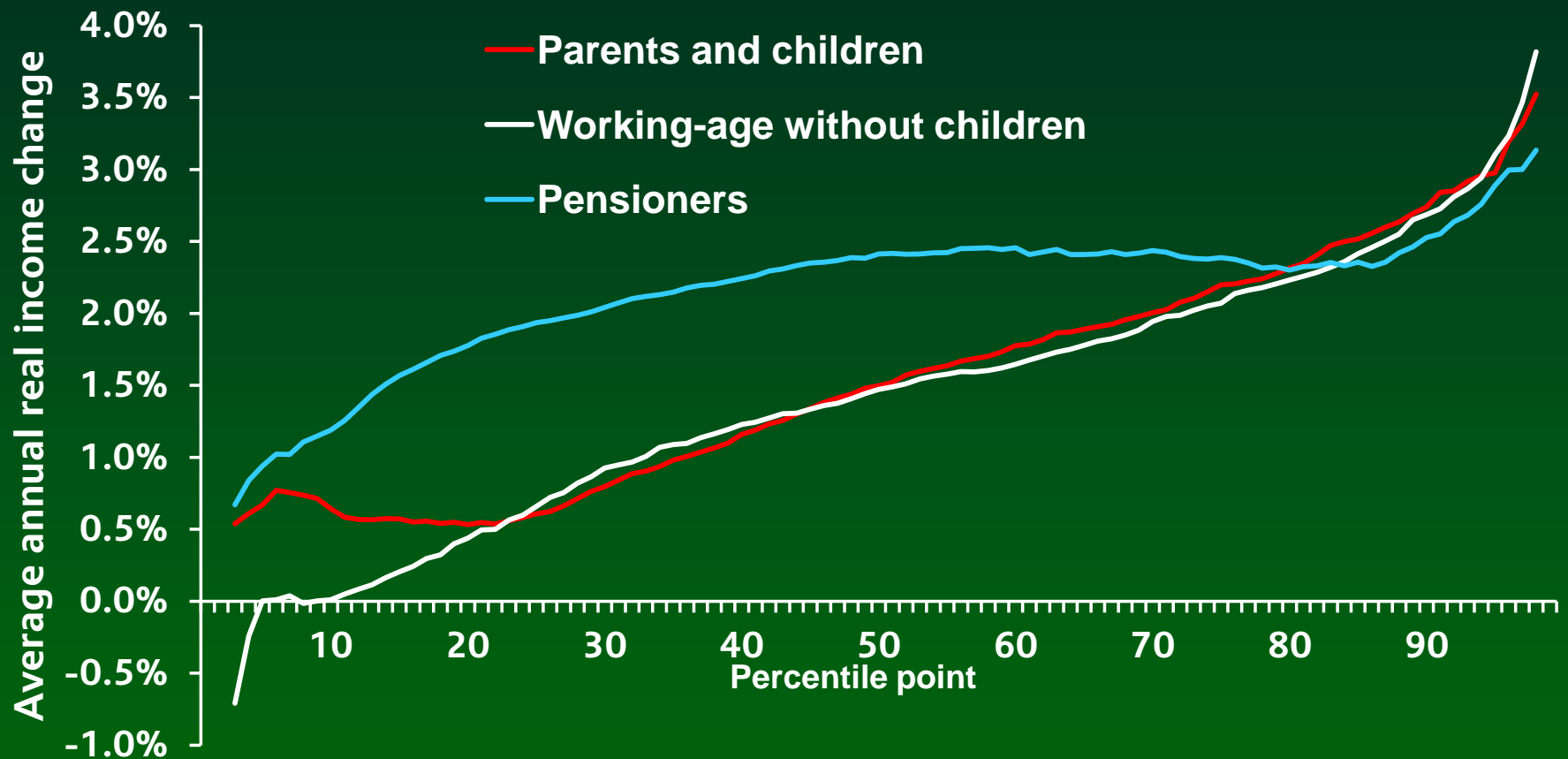
- Changes by family type
 - Income levels
 - Income inequality
- Changes by age
 - Income levels
 - Income inequality
- Conclusions

The big picture

- Over last 30 years, incomes have generally
 1. Grown (e.g. by about 50% at median since 1979; 70% at mean)
 2. Become more unequal
 - ...but at very different speeds for different parts of population

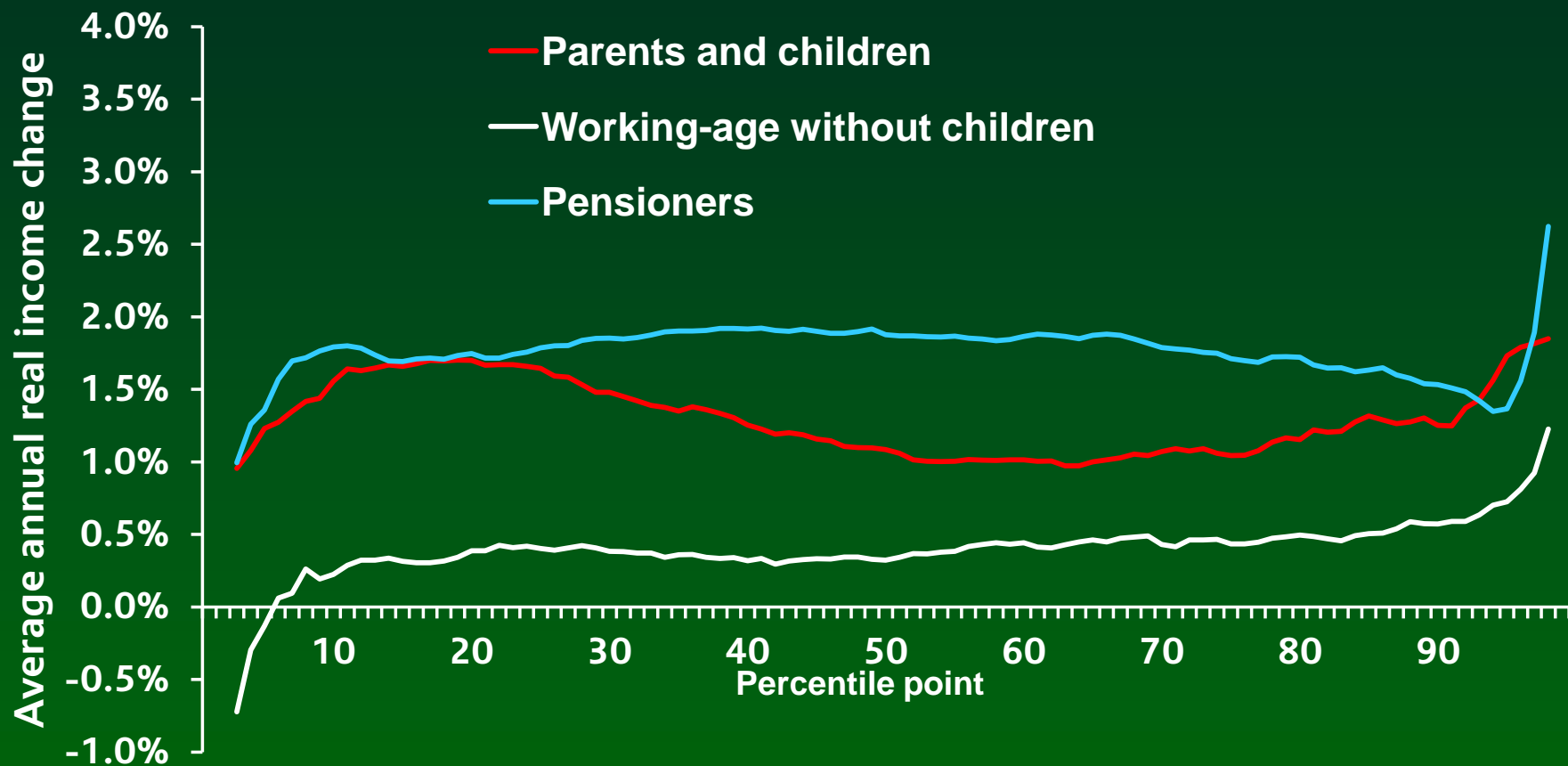
INCOMES BY FAMILY TYPE

Real income growth by percentile point (BHC, GB) 1978-1980 to 1996-97



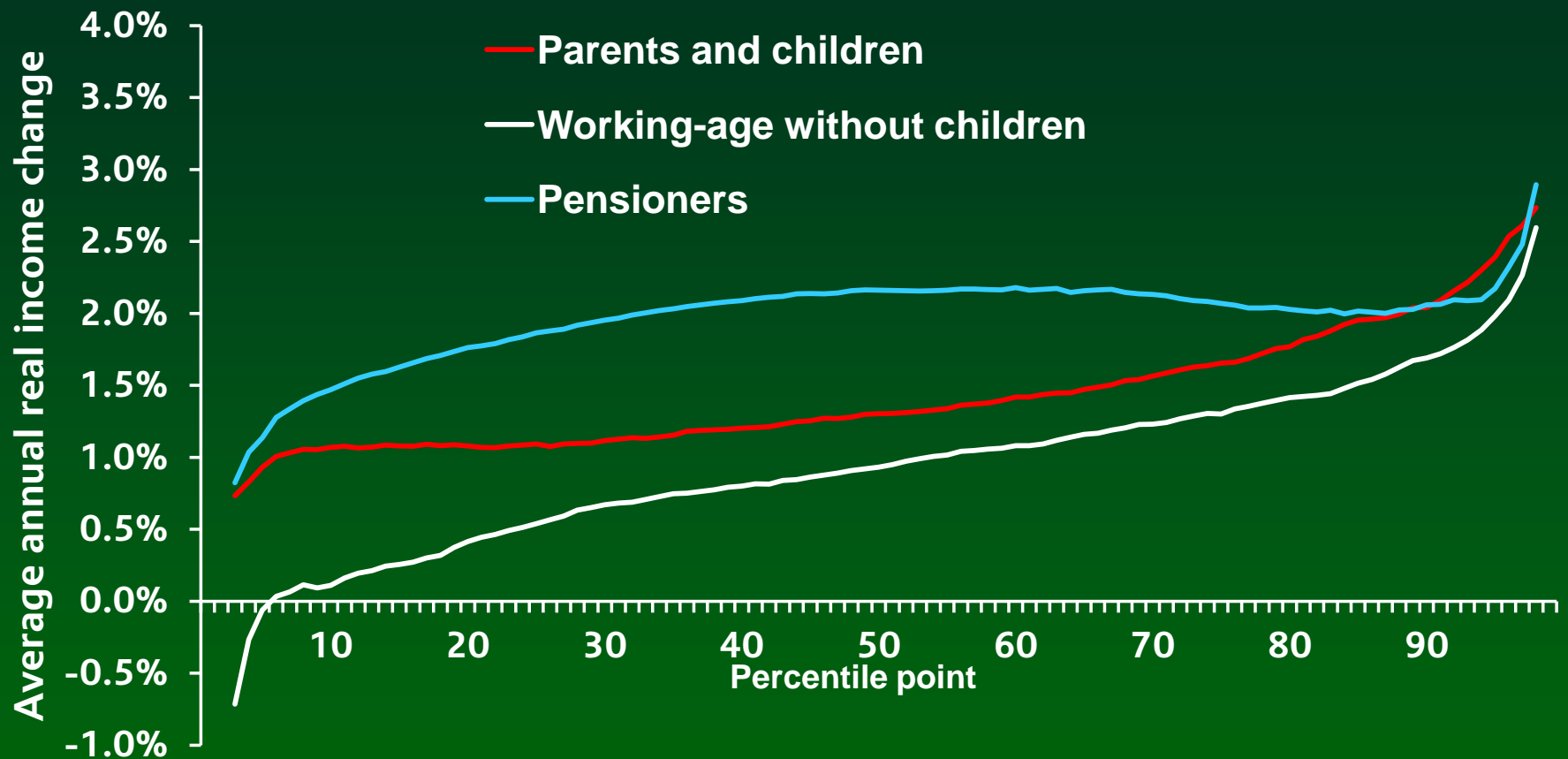
Notes and source: see Figure 5.2 of *Living Standards, Poverty and Inequality in the UK: 2013*

Real income growth by percentile point (BHC, GB) 1996-97 to 2011-12



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Real income growth by percentile point (BHC, GB) 1978-1980 to 2011-12



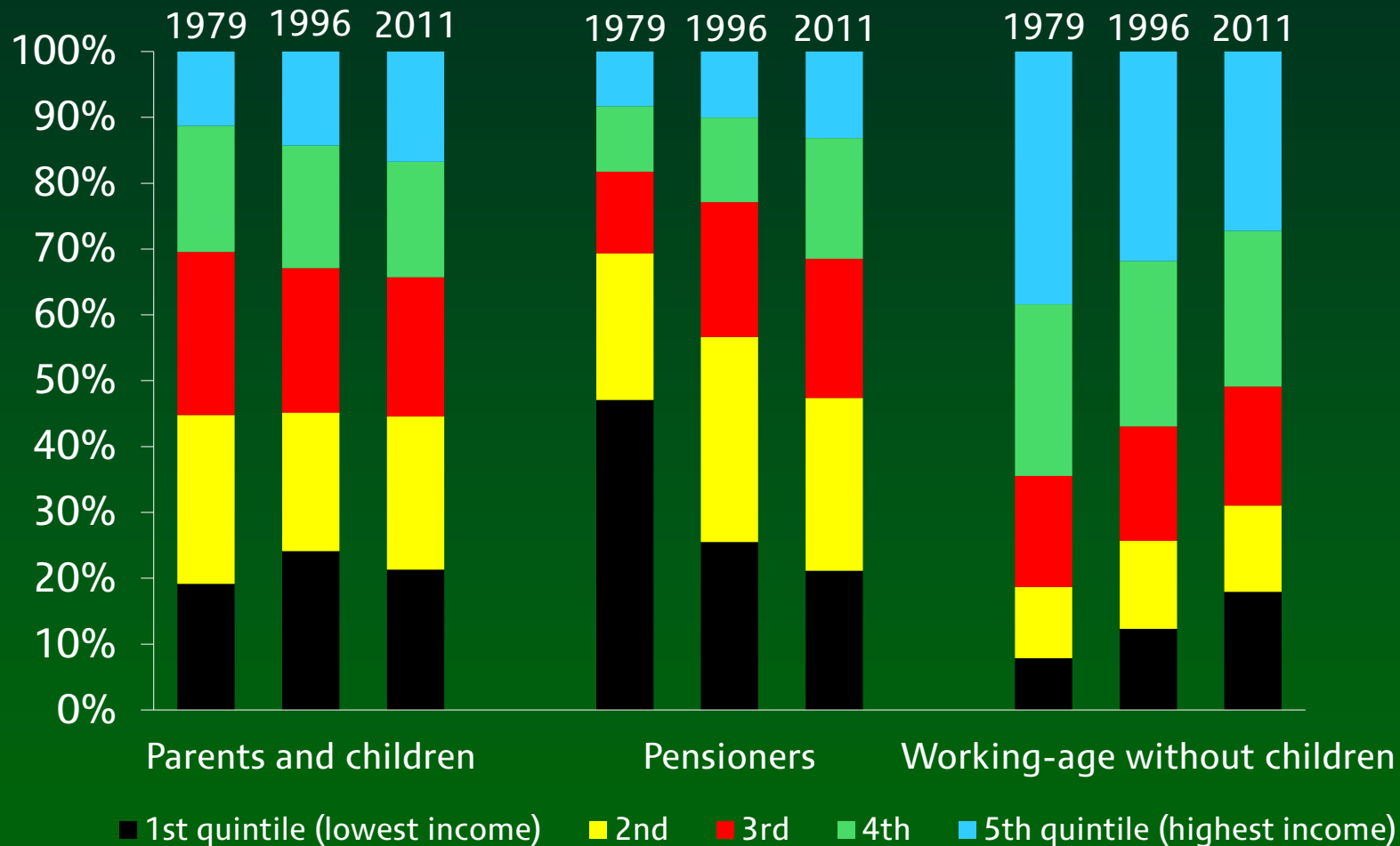
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The big picture

- Over last 30 years, incomes have generally
 1. Grown (e.g. by about 50% at median since 1979; 70% at mean)
 2. Become more unequal
 - ...but at very different speeds for different parts of population
- Higher income growth for pensioners than non-pensioners
 - e.g. ~ 2% per year vs ~ 1% per year at the median
 - Particularly slow growth for working-age childless
- Larger rise in inequality for non-pensioners
 - This has slowed or been (partially) reversed since 1996-97, particularly for families with children

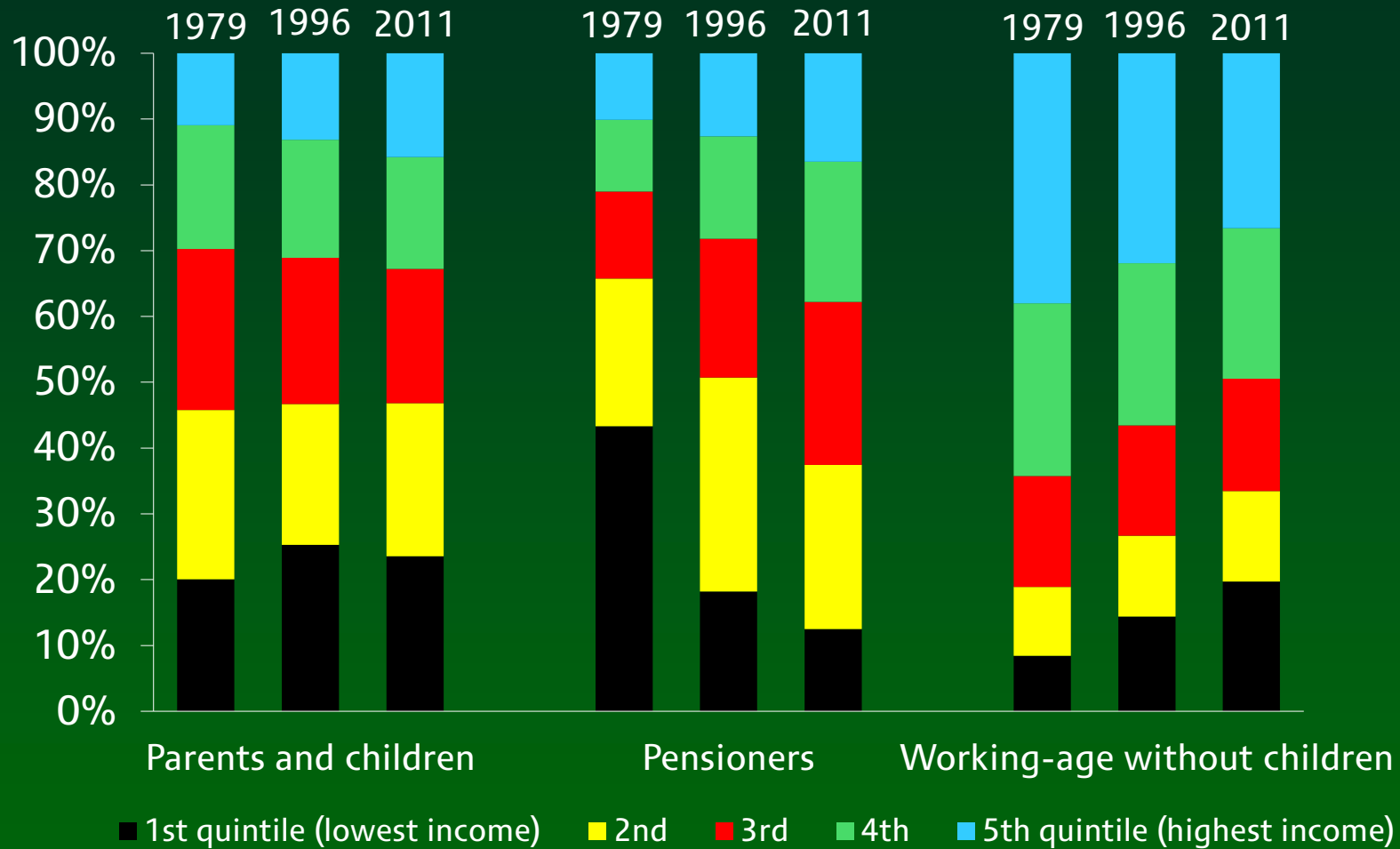
The result: *convergence* across family types

Position in income distribution (BHC, GB)



Notes and source: see Figure 5.1 of *Living Standards, Poverty and Inequality in the UK: 2013*

...and on an after-housing-costs (AHC) basis



Notes and source: see Figure E.1 of *Living Standards, Poverty and Inequality in the UK: 2013*

Summary: convergence across family types

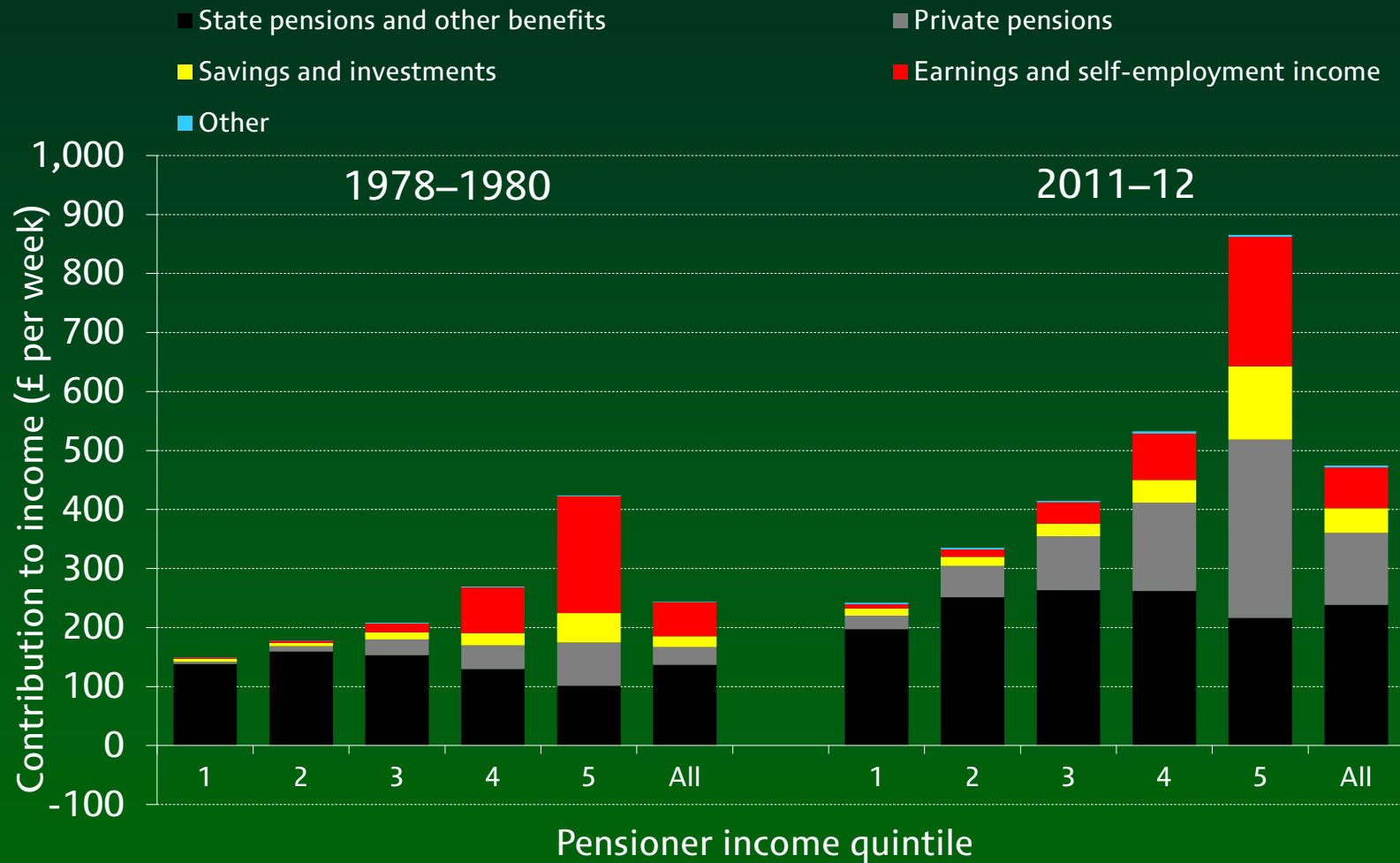
- ‘Catch-up’ of pensioners is most striking
 - % in lowest (BHC) income quintile down from 47% in 1978-1980 to 21% in 2011-12...
 - ...while proportion in top two quintiles rose from 18% to 31%
- Working-age childless (the highest-income group) now less/more likely to be relatively rich/poor
- Parents and children more likely to be relatively rich *and* relatively poor than in late 1970s (more unequal)
 - But % relatively poor has come down since 1996-97

Long run growth in pensioner incomes

1. State benefits

2. Private pensions

Pensioner income sources (GB)



Notes and source: see Figure 5.3 of *Living Standards, Poverty and Inequality in the UK: 2013*

Long run growth in pensioner incomes

1. State benefits

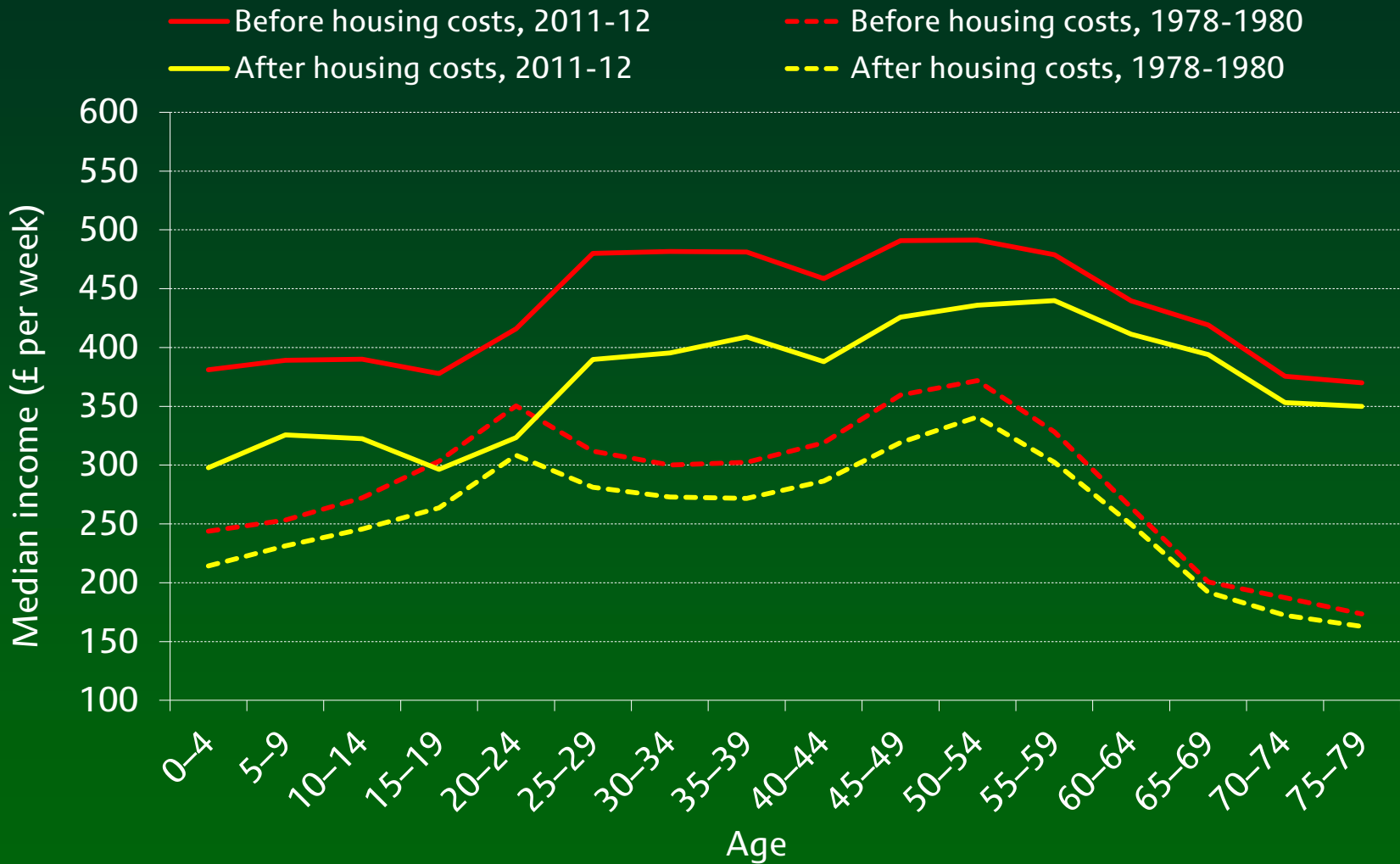
- e.g. more entitlements to state pensions; Pension Credit
- Biggest driver of growth for lower-income pensioners
- Bottom quintile: 43% real growth in benefits income since 1978-80

2. Private pensions

- Biggest driver of growth for higher-income pensioners
- Top quintile: four-fold real growth in private pension income since 1978-80; up from 18% to 36% as share of income

INCOMES ACROSS THE AGE SPECTRUM

Median income by age (GB)



Notes and source: see Figure 5.6 of *Living Standards, Poverty and Inequality in the UK: 2013*

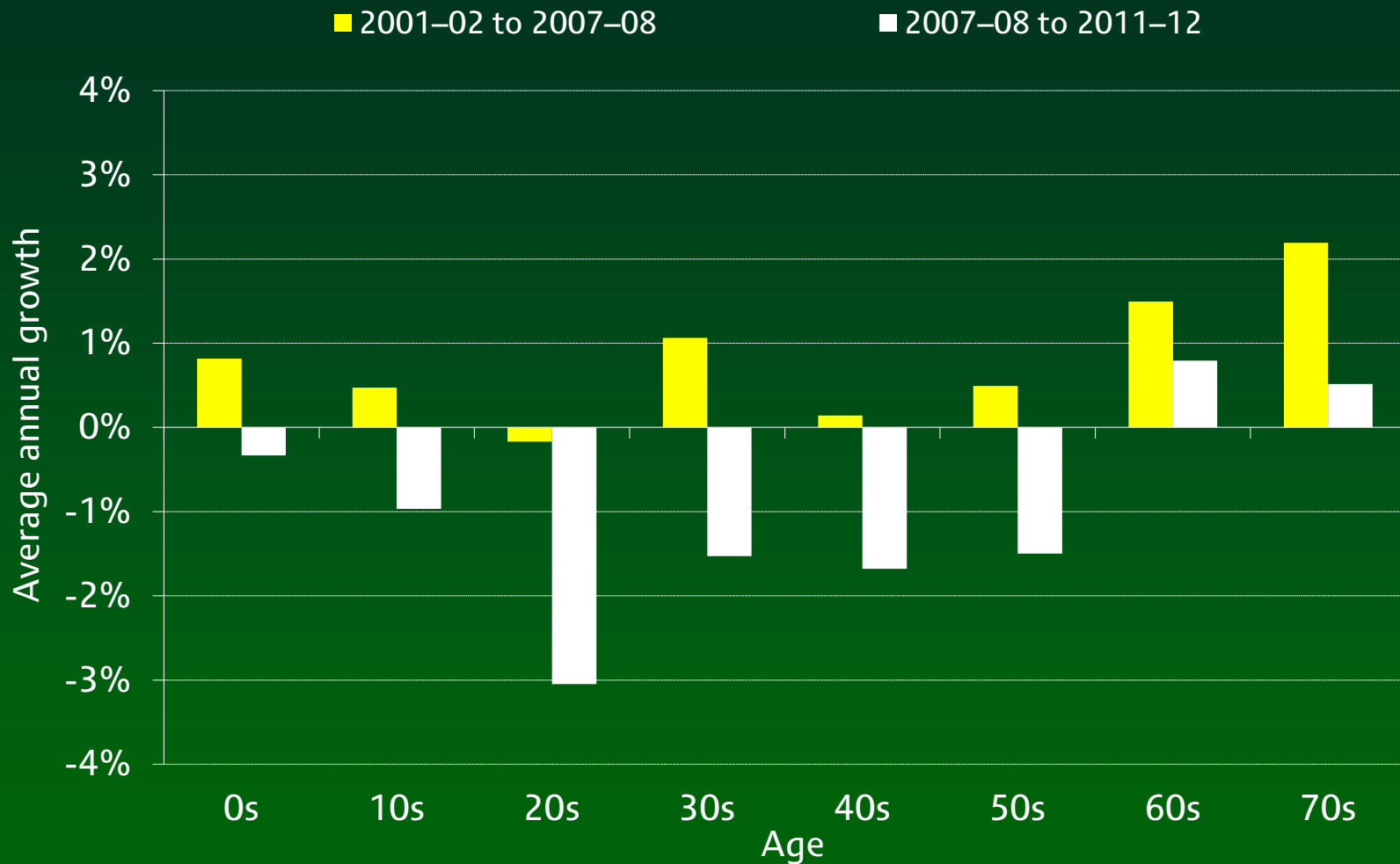
The elderly

- Incomes now dip much less at older ages, especially AHC
 - In 1978-80, median household income for those in late 60s lower than for any younger age-group
 - Now higher than for children; about the same AHC as for those in their early 40s
- And inequality now dips at pensioner ages, especially AHC
 - In early '60s, inequality among pensioners was higher than it is now, and higher than for non-pensioners
 - By 1978-80, inequality quite flat across age spectrum
 - Since late '70s, inequality has risen much less among pensioners

Young adults

- More recent trend is the falling-behind of young adults
- Began pre-recession, and has accelerated since...

Growth in median income by age (BHC, GB)

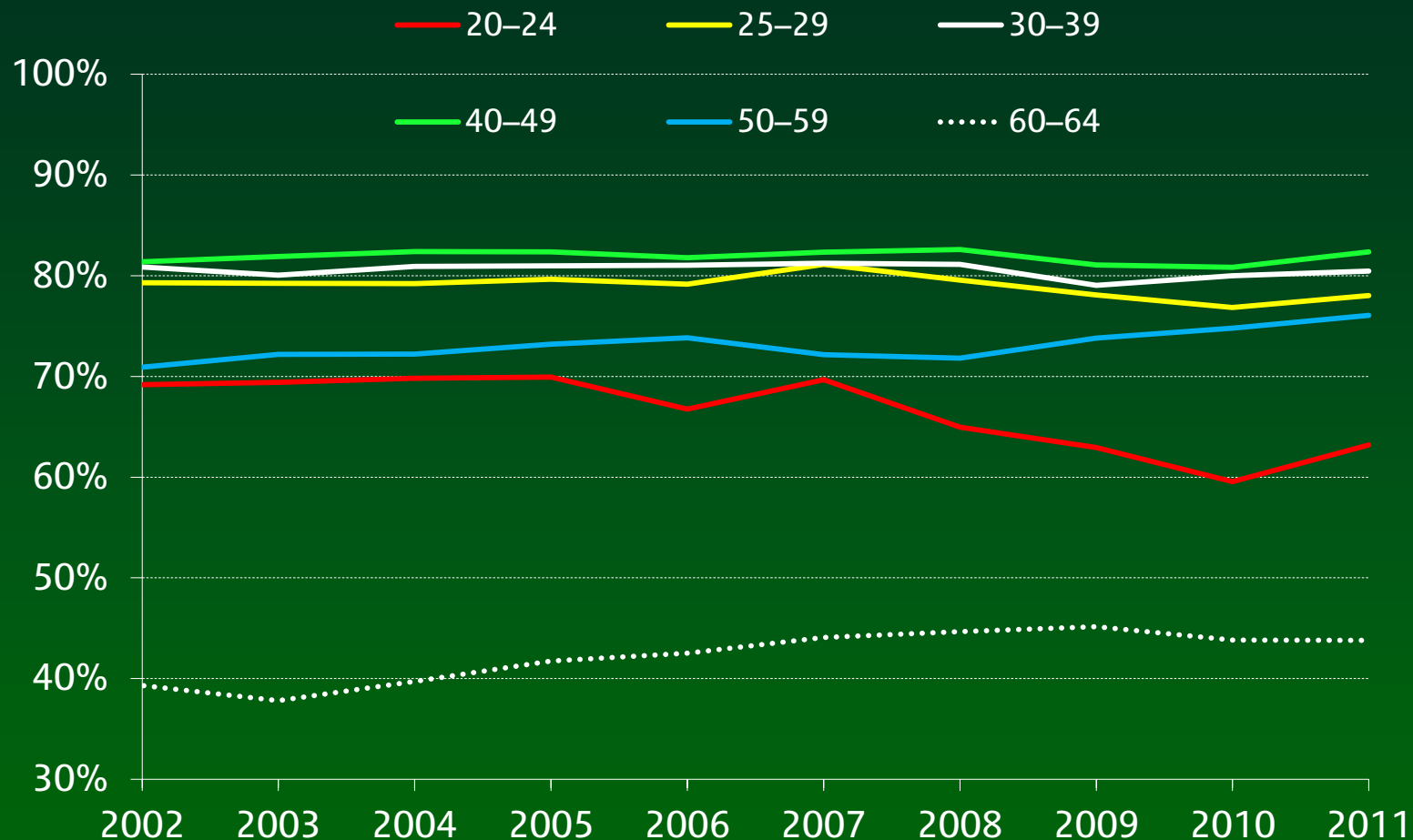


Notes and source: see Figure 5.7 of *Living Standards, Poverty and Inequality in the UK: 2013*

Young adults

- More recent trend is the falling-behind of young adults
- Began pre-recession, and has accelerated since...
 - No growth at median among those in 20s between 2001-02 and 2007-08
 - And a fall of 12% between 2007-08 and 2011-12
- ...which is not surprising, given employment trends

Employment rates by age (GB)

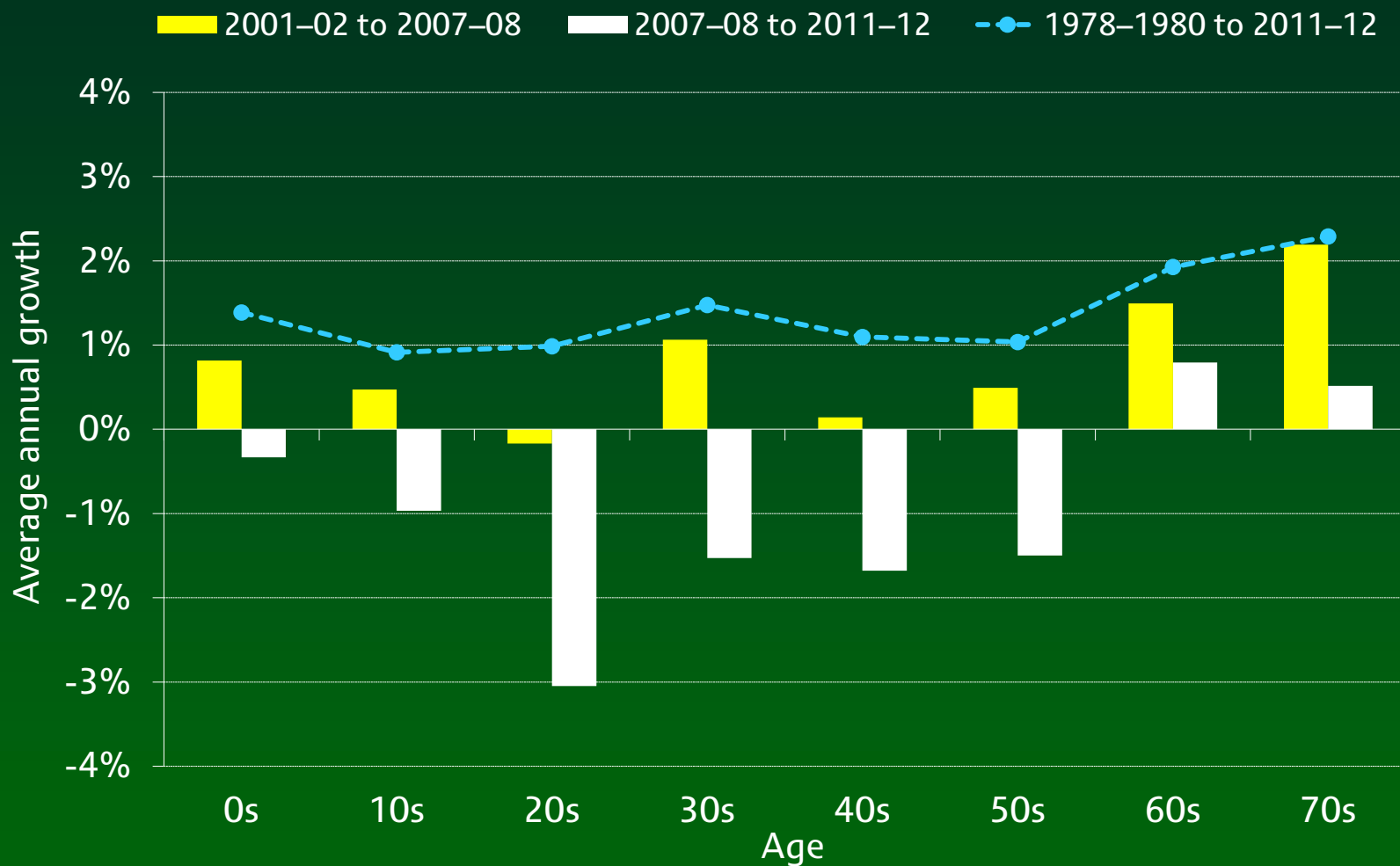


Notes and source: see Figure 5.9 of *Living Standards, Poverty and Inequality in the UK: 2013*

Young adults

- More recent trend is the falling-behind of young adults
- Began pre-recession, and has accelerated since...
 - No growth in median income among those in 20s between 2001-02 and 2007-08
 - And a fall of 12% between 2007-08 and 2011-12
- ...which is not surprising, given employment trends
- Though bear in mind longer term perspective
 - Income growth quite uniform across working-age spectrum since late '70s

Growth in median income by age (BHC, GB)



Notes and source: see Figure 5.7 of *Living Standards, Poverty and Inequality in the UK: 2013*

Incomes for young adults since recession

- About 4 in 10 adults under 30 live with parents
 - So individual incomes of young adults and their partners ('benefit unit' incomes) often only part of total household income
 - Living with parents has reduced the hit to household income for many

Real incomes for adults under 30, 2006-07/2007-08 to 2010-11/2011-12

	Living on own or with partner only	Living with parents	Living with others
Median household income	-10.8%	-5.7%	-14.7%
Median benefit unit income	-10.8%	-16.8%	-16.9%

Notes and source: see Table 5.4 of *Living Standards, Poverty and Inequality in the UK: 2013*

Conclusions

- We've got richer and more unequal in recent decades
- But also big changes to *who* is relatively rich and poor
 - Other groups have been catching up with the working-age childless
- Incomes now dip much less at pensioner ages
- And inequality now *falls* at pensioner ages
- More recent trend is falling-behind of young adults
 - How persistent will effects of these early experiences be for these cohorts?