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Poverty & Inequality in the UK

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May 8th, 2009

Living standards & inequality: what's coming up

Living standards

- Sixth consecutive year of weak income growth
- Bleak outlook for the near future

Inequality

- Now at highest level since our series began in 1961
- Income growth since last year: near-zero at almost every point of the income distribution

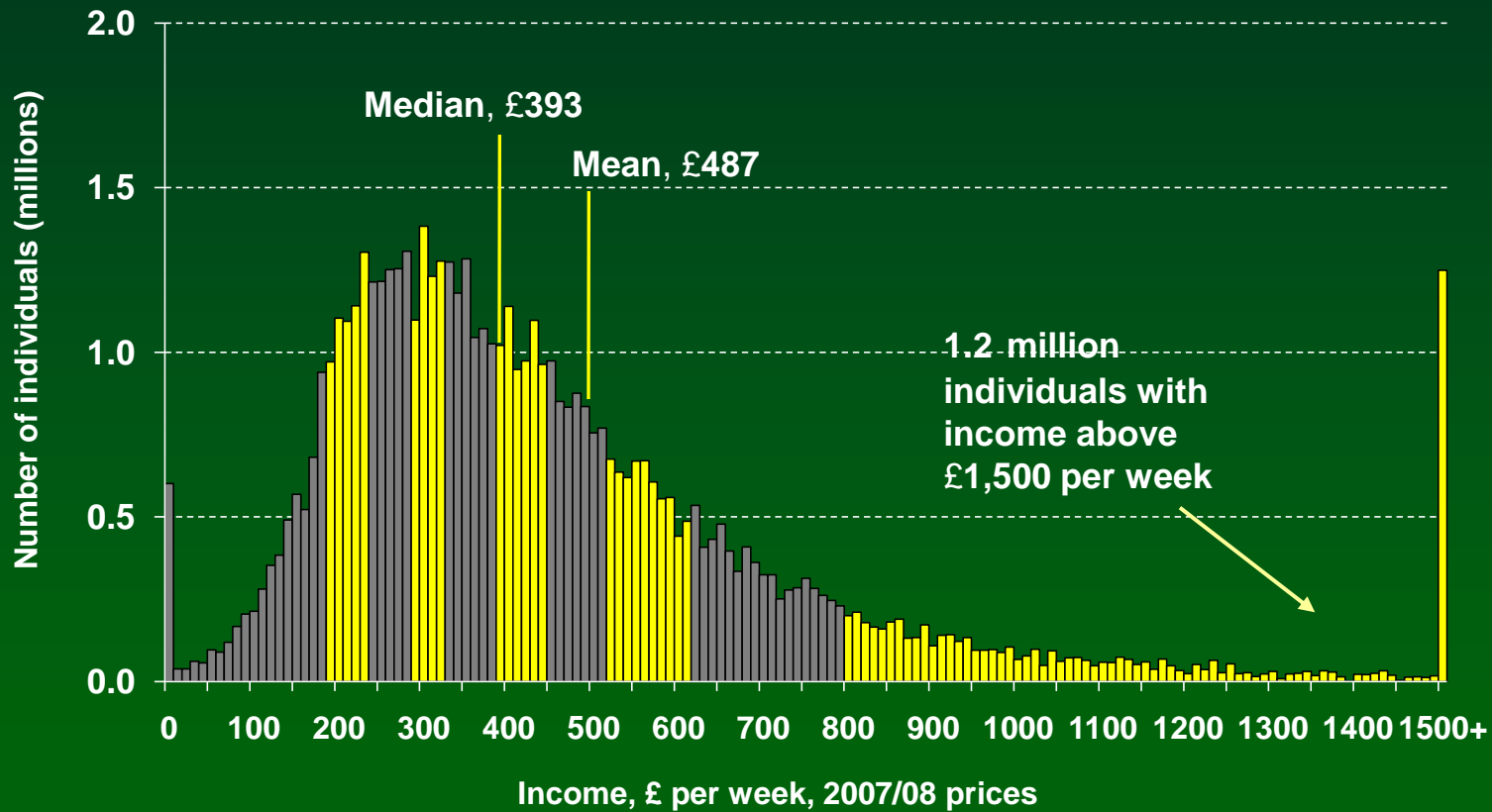
Poverty: what's coming up

- After falling during Labour's first two terms...
 - Most for pensioners and children
 - Longest sustained fall in poverty of recent times
- ... poverty has been rising since 2004/05
 - Pensioner poverty up by 200,000
 - Working-age non-parent poverty up by 400,000
 - Child poverty up by 200,000
- 2010-11 child poverty target likely to be missed

How incomes are calculated

- Net of all direct taxes and benefits
- Measured at the household level
- Adjusted for family size (*equivalised*)
- Presented both before and after housing costs
- GB before 2001, UK figures from 2002-3
 - Will use GB figures for time series of incomes/inequality
- Based on Family Resources Survey (FRS)
 - All statistics subject to sampling error

The UK income distribution in 2007/08



Source: HBAI data

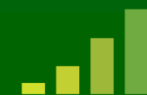


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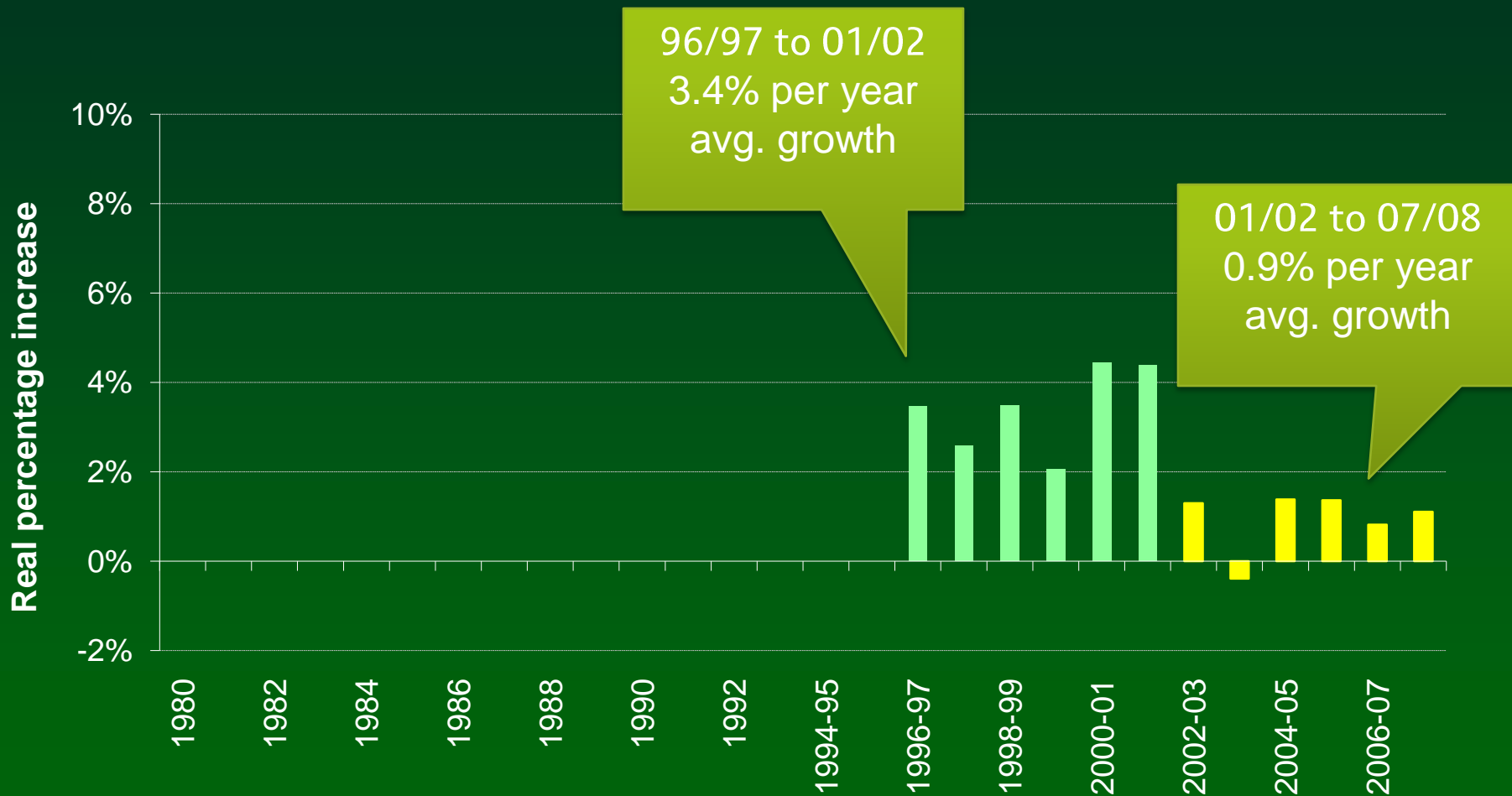
Changes in mean real incomes since 1979 (GB)



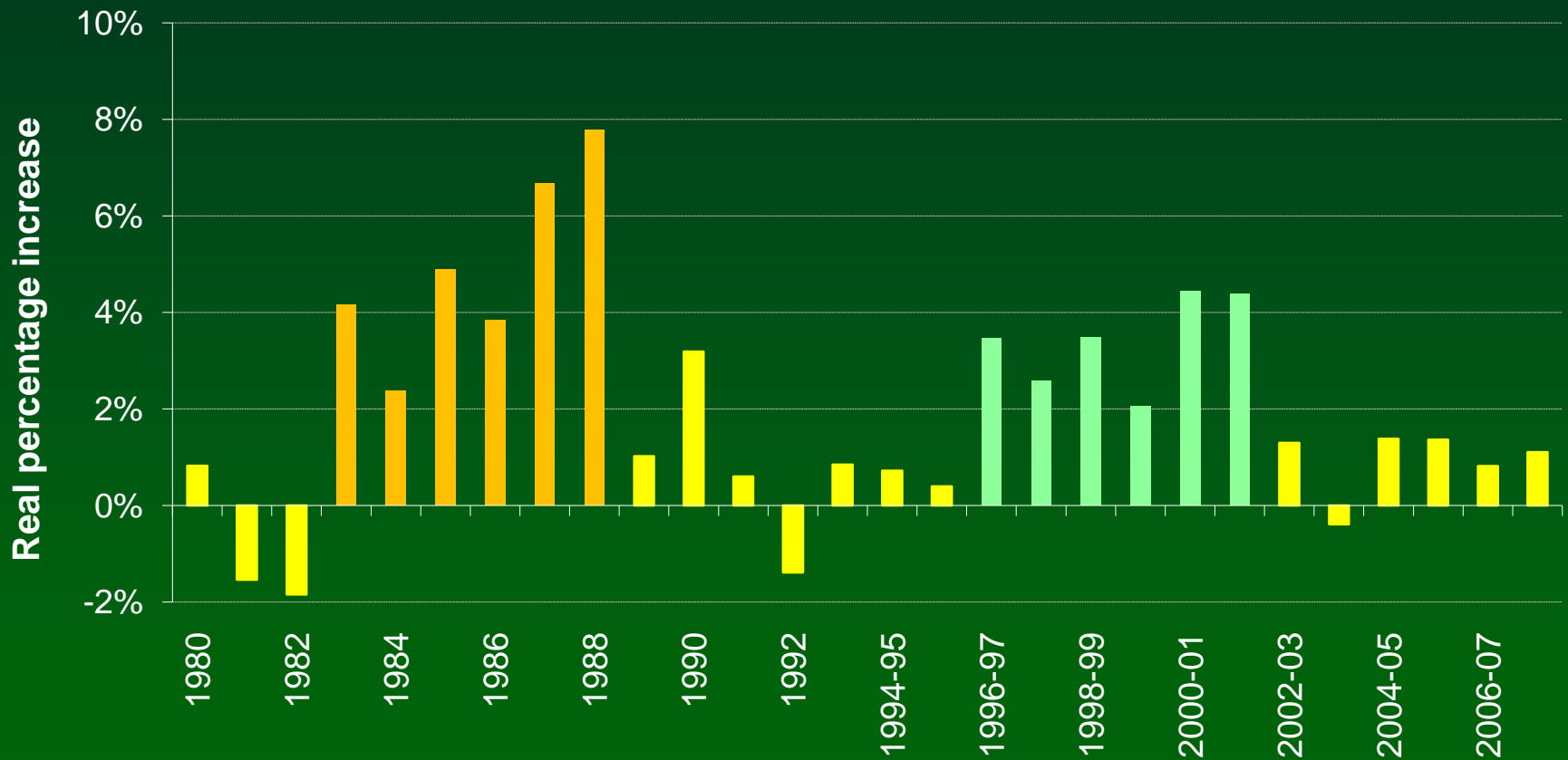
01/02 to 07/08
0.9% per year
avg. growth



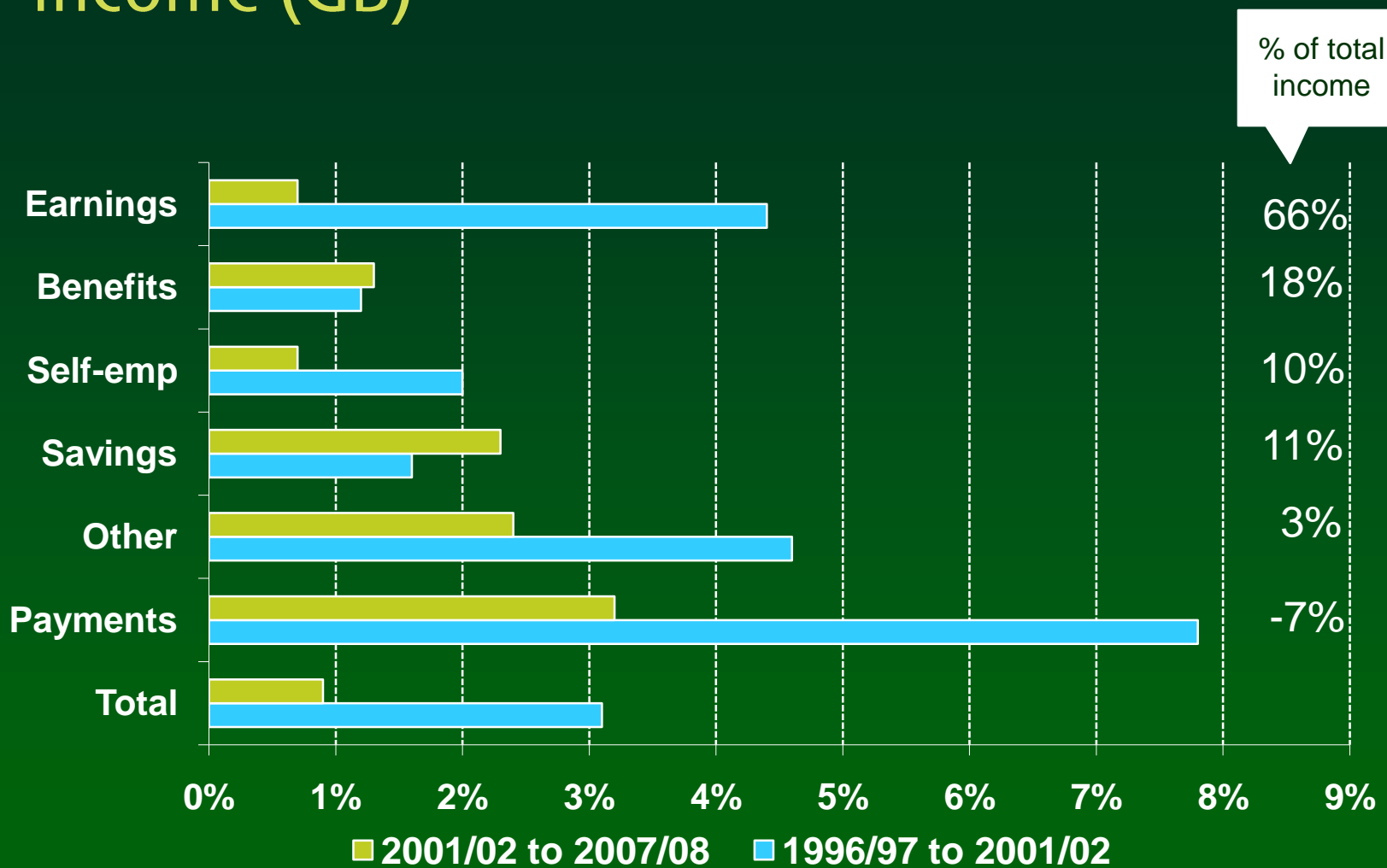
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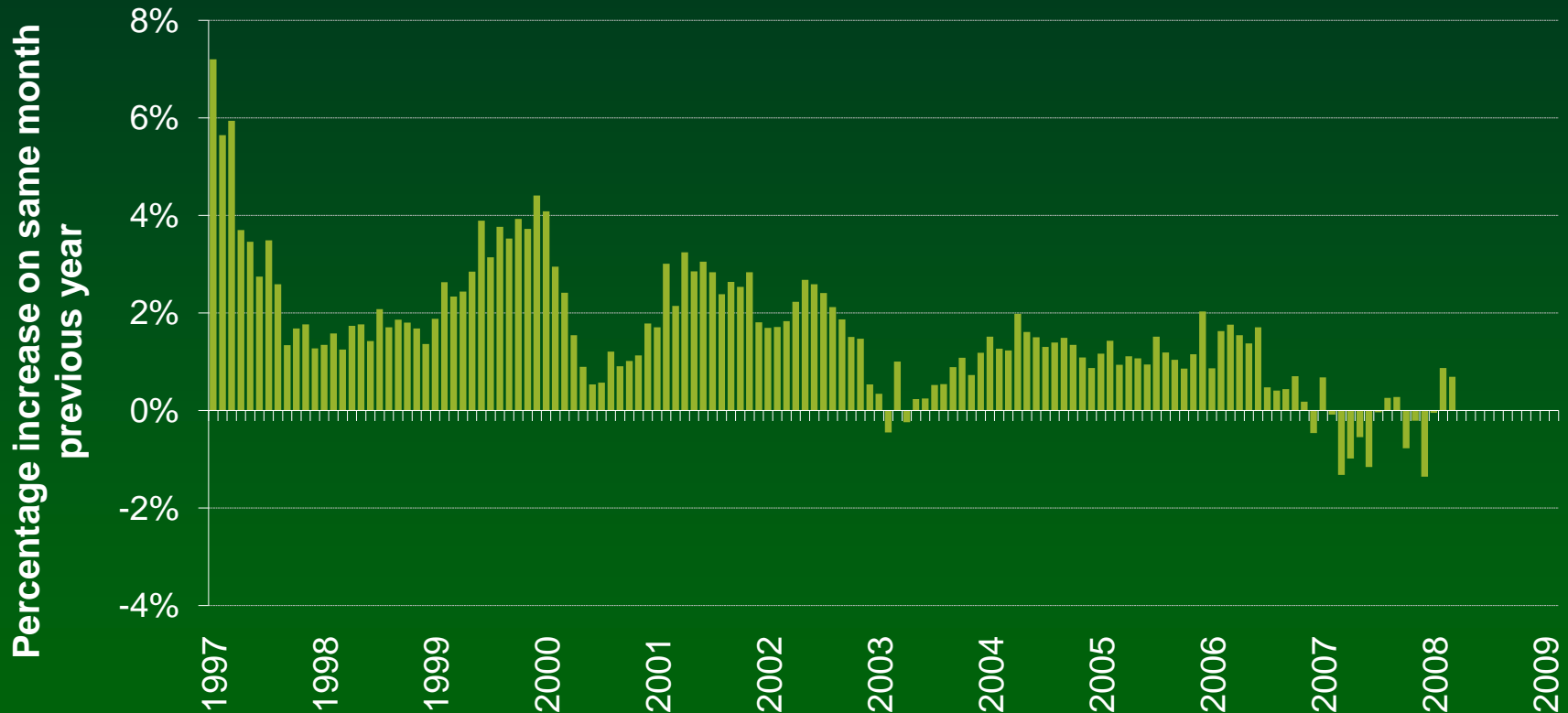


Average annual growth in components of income (GB)



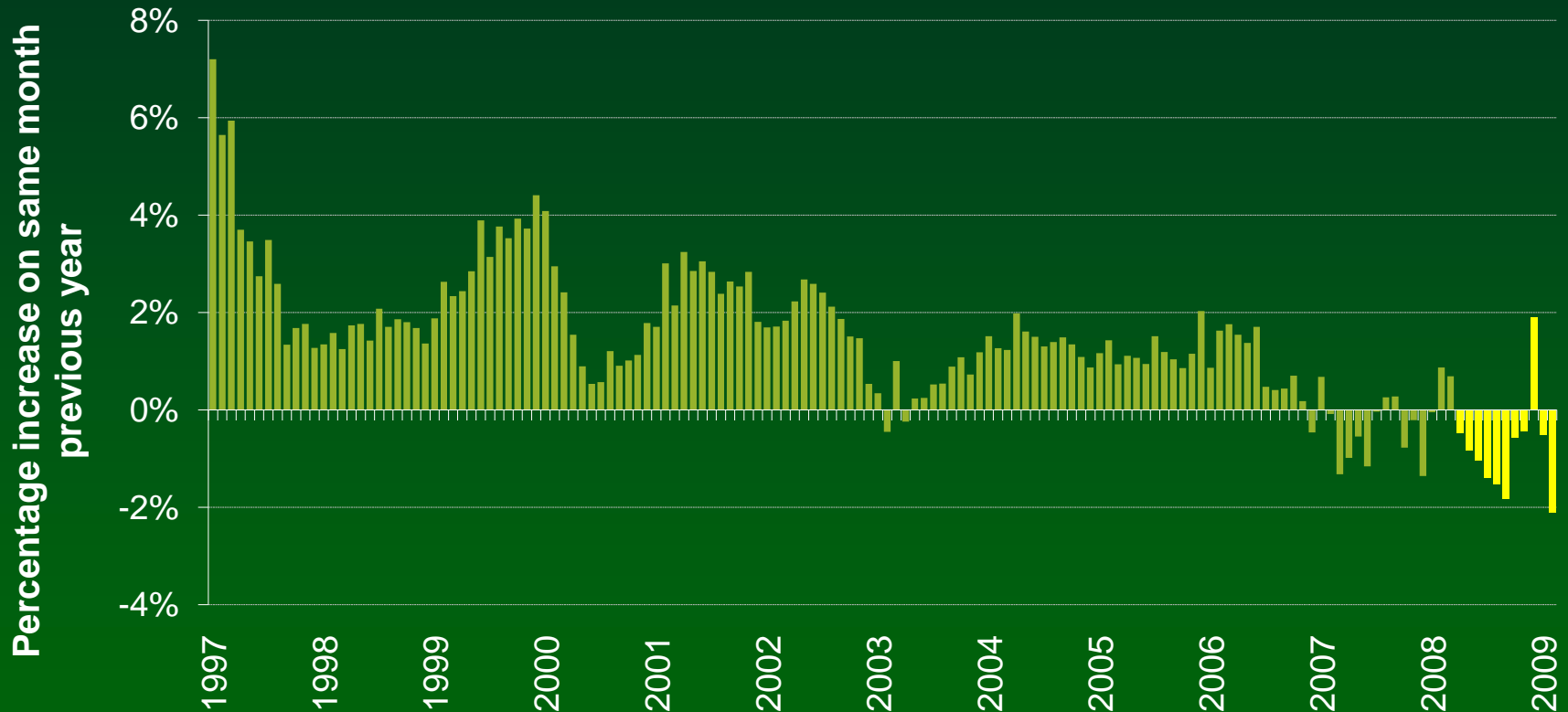
Source: HBAI data

Real earnings growth since 1997 (GB)



Source: Average Earnings Index

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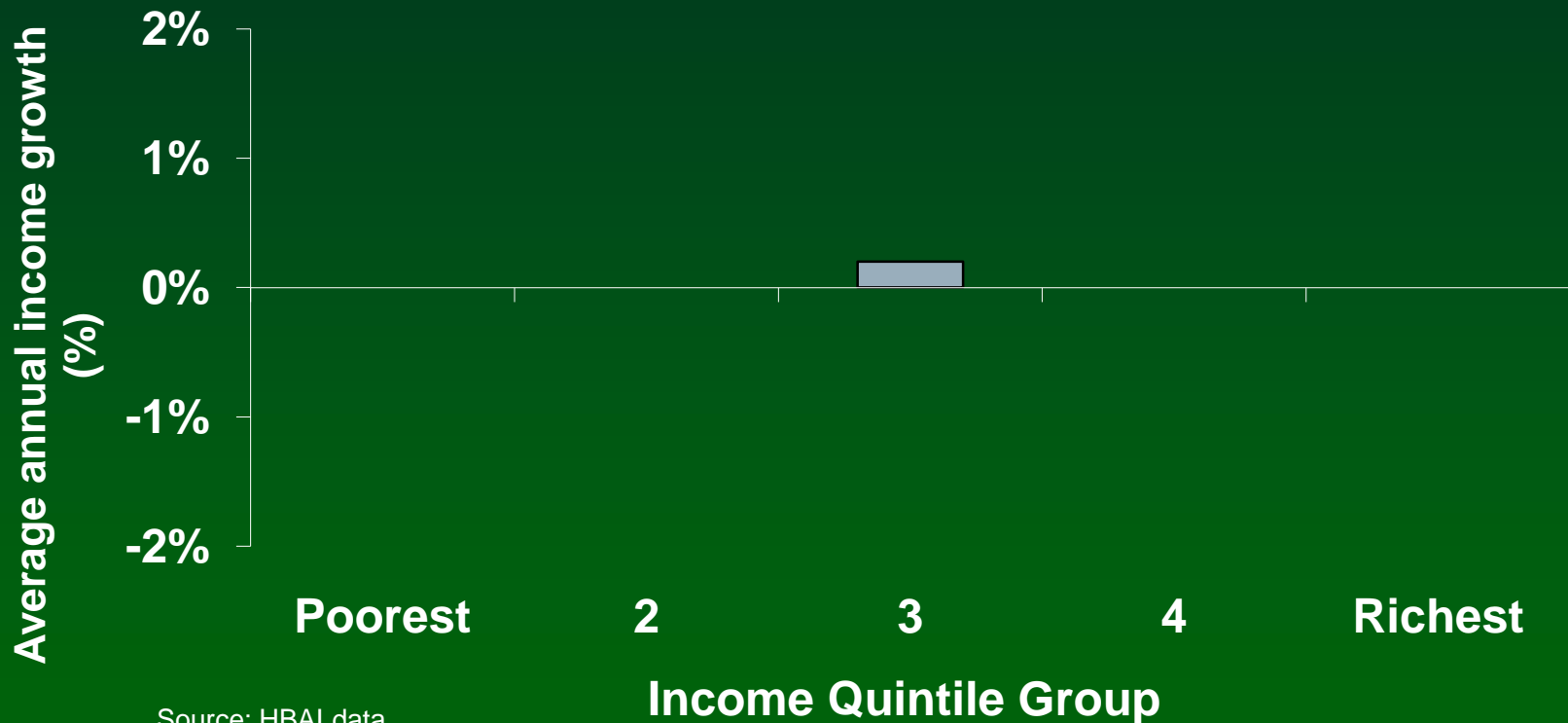
Inequality



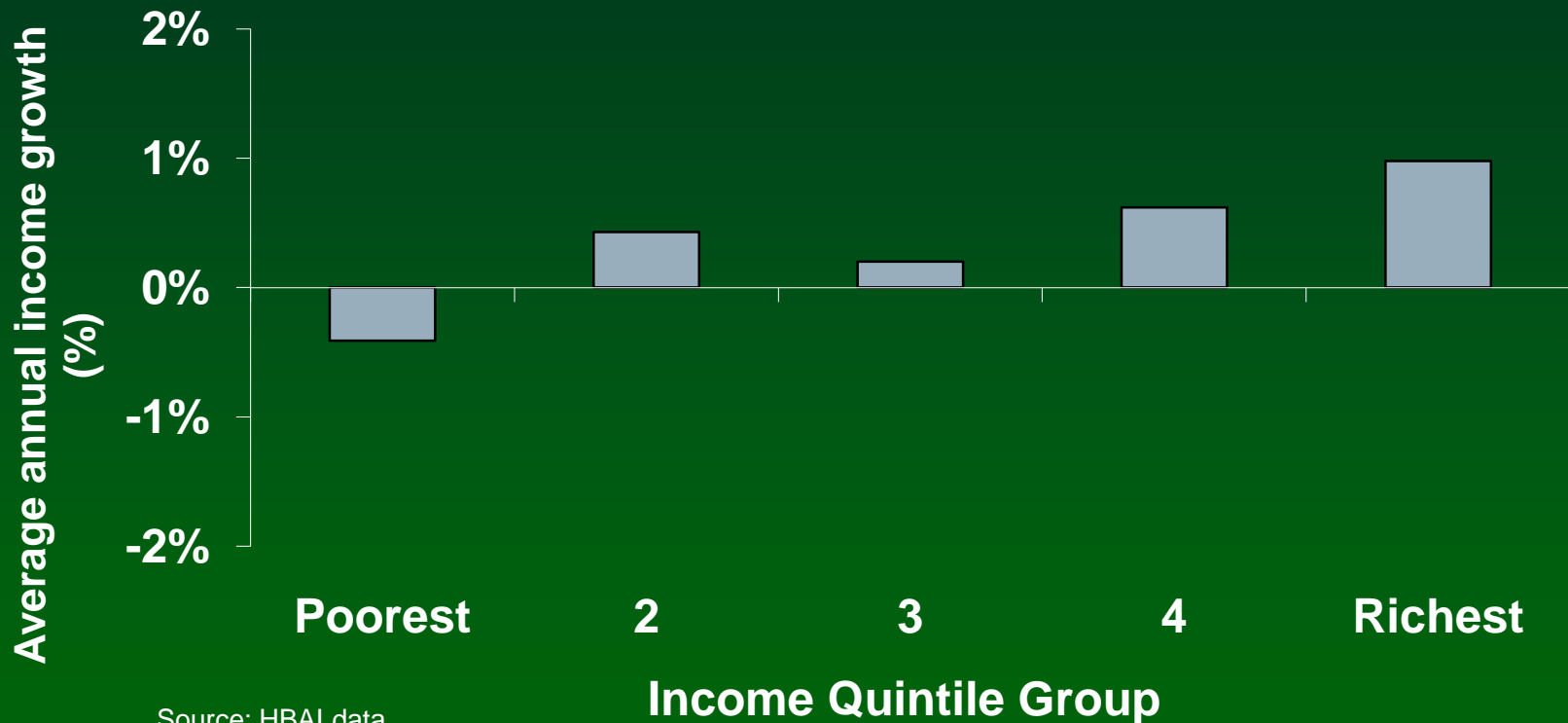
Income inequality

- Popularly defined as ‘the gap between rich and poor’
- No single agreed measure of inequality
- Important to look at a range of graphical and summary measures

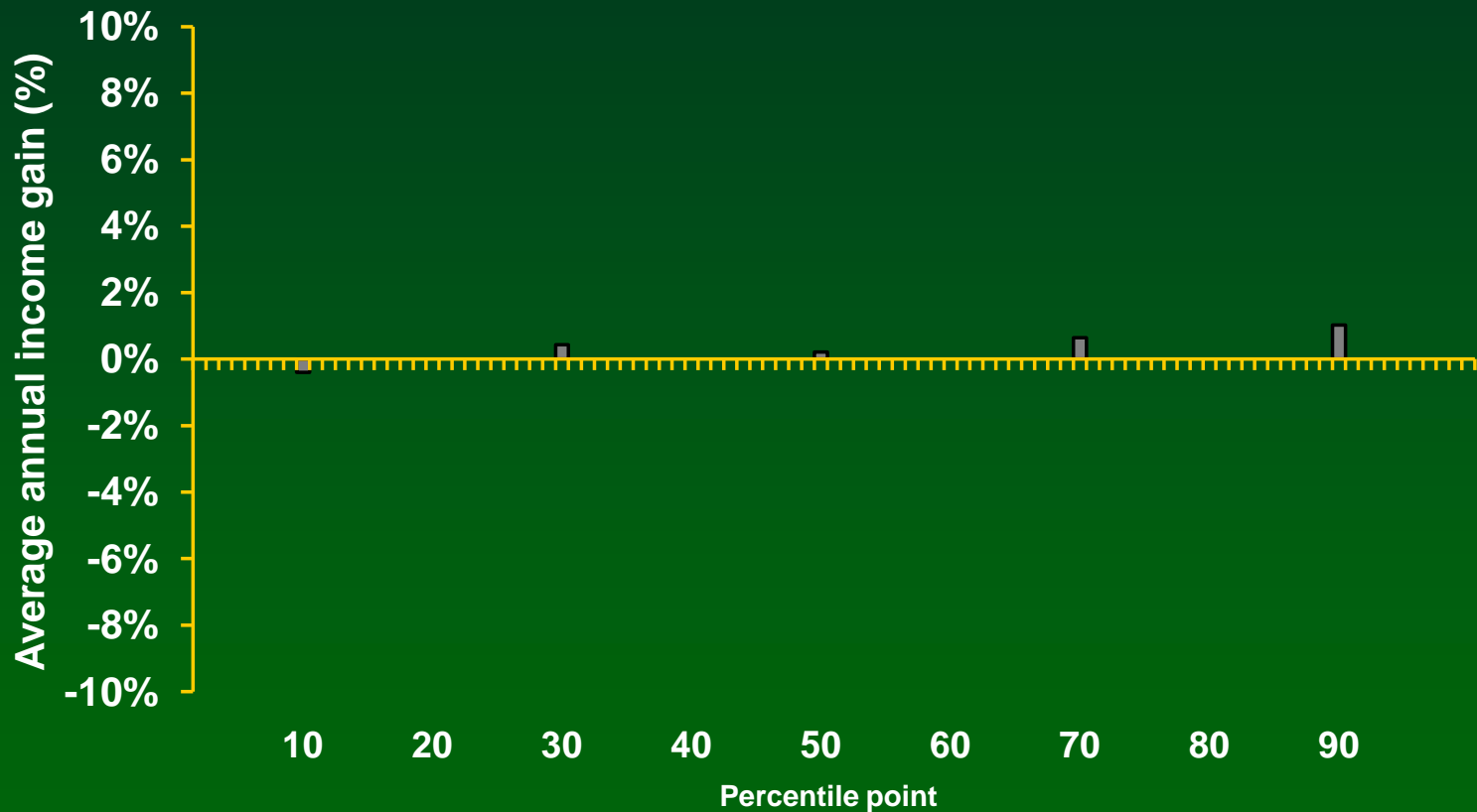
Income changes by quintile group, 2006/07 – 2007/08 (GB)



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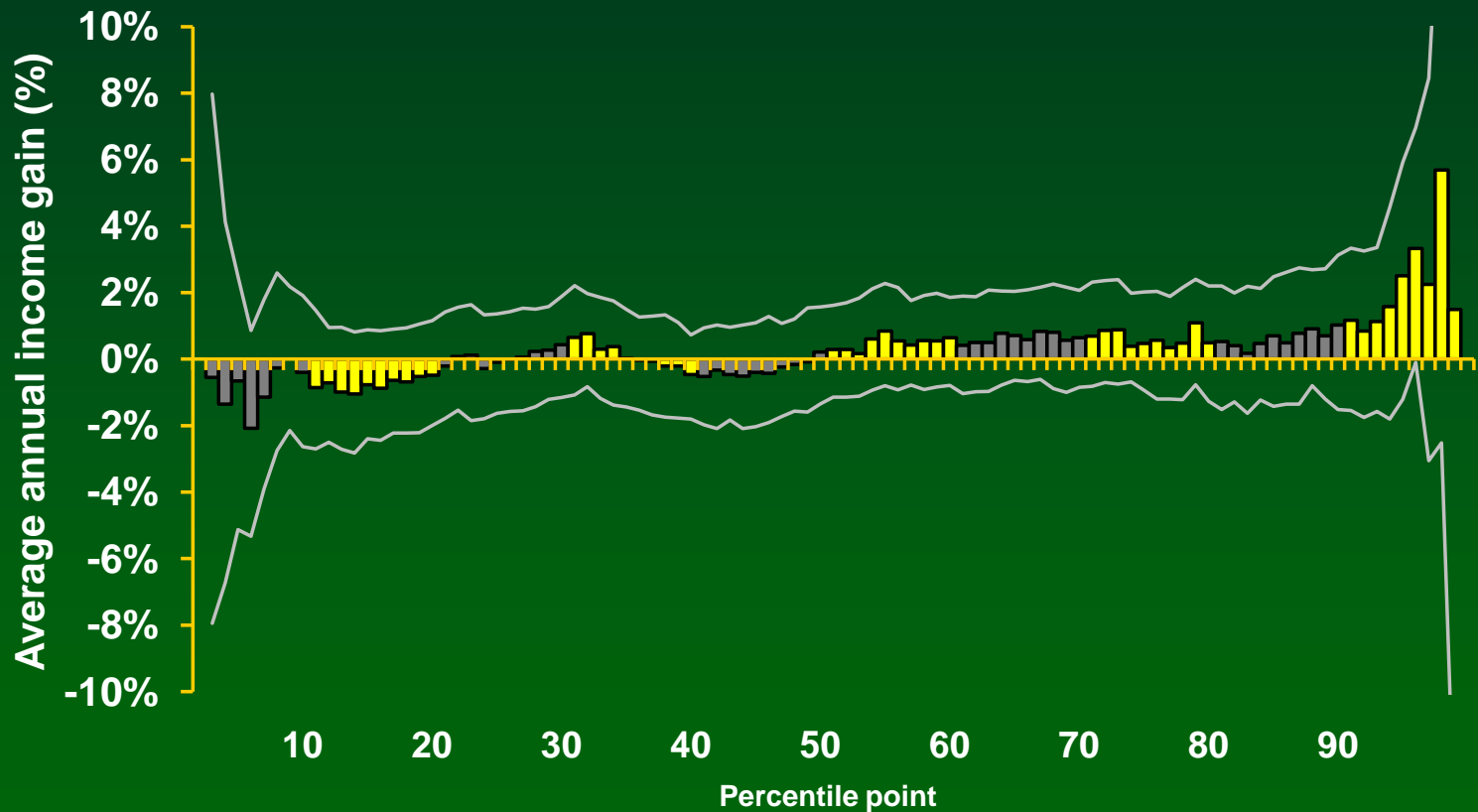


Income changes by percentile group: 2006/7 – 2007/08 (GB)



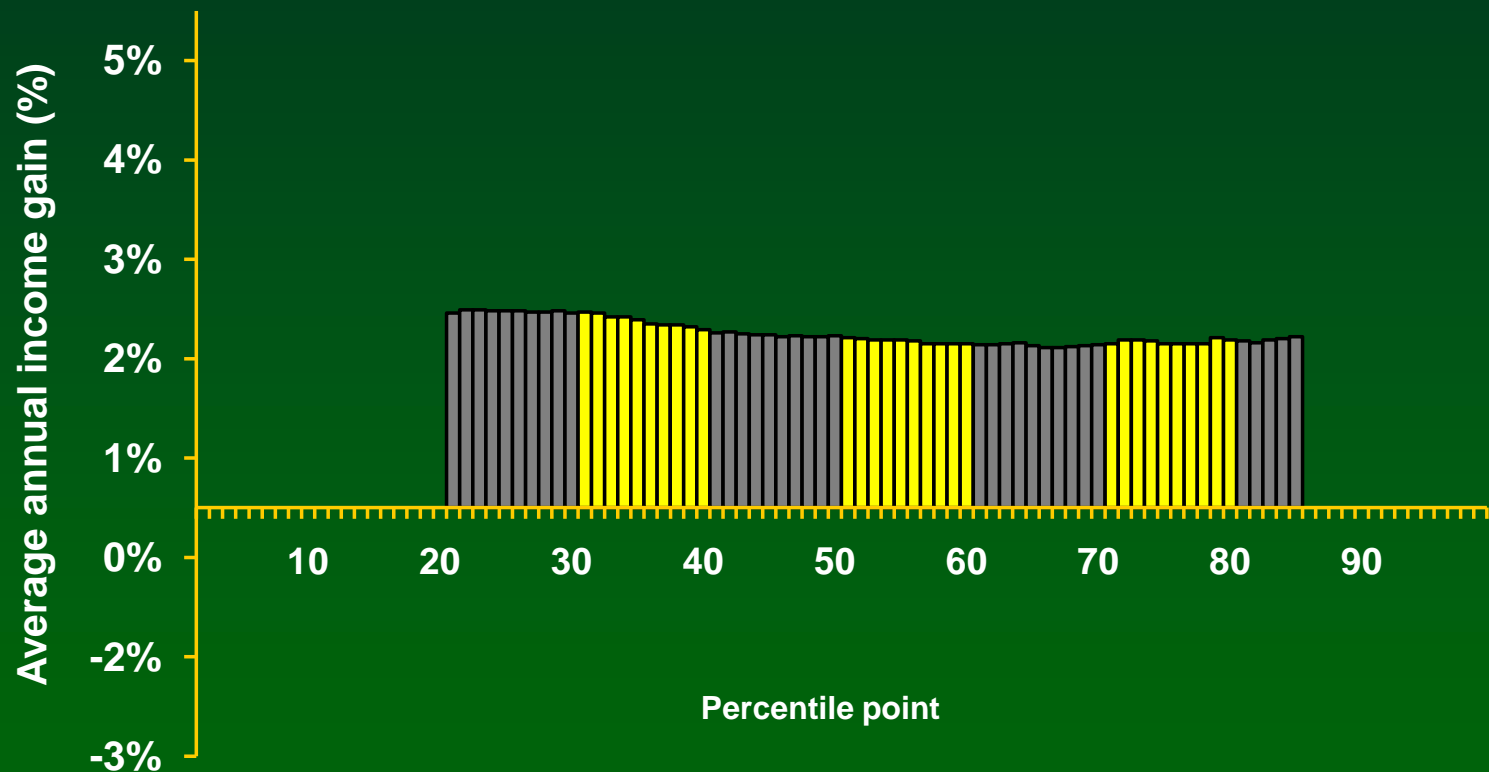
Source: HBAI data

Income changes by percentile group: 2006/07 – 2007/08 (GB)



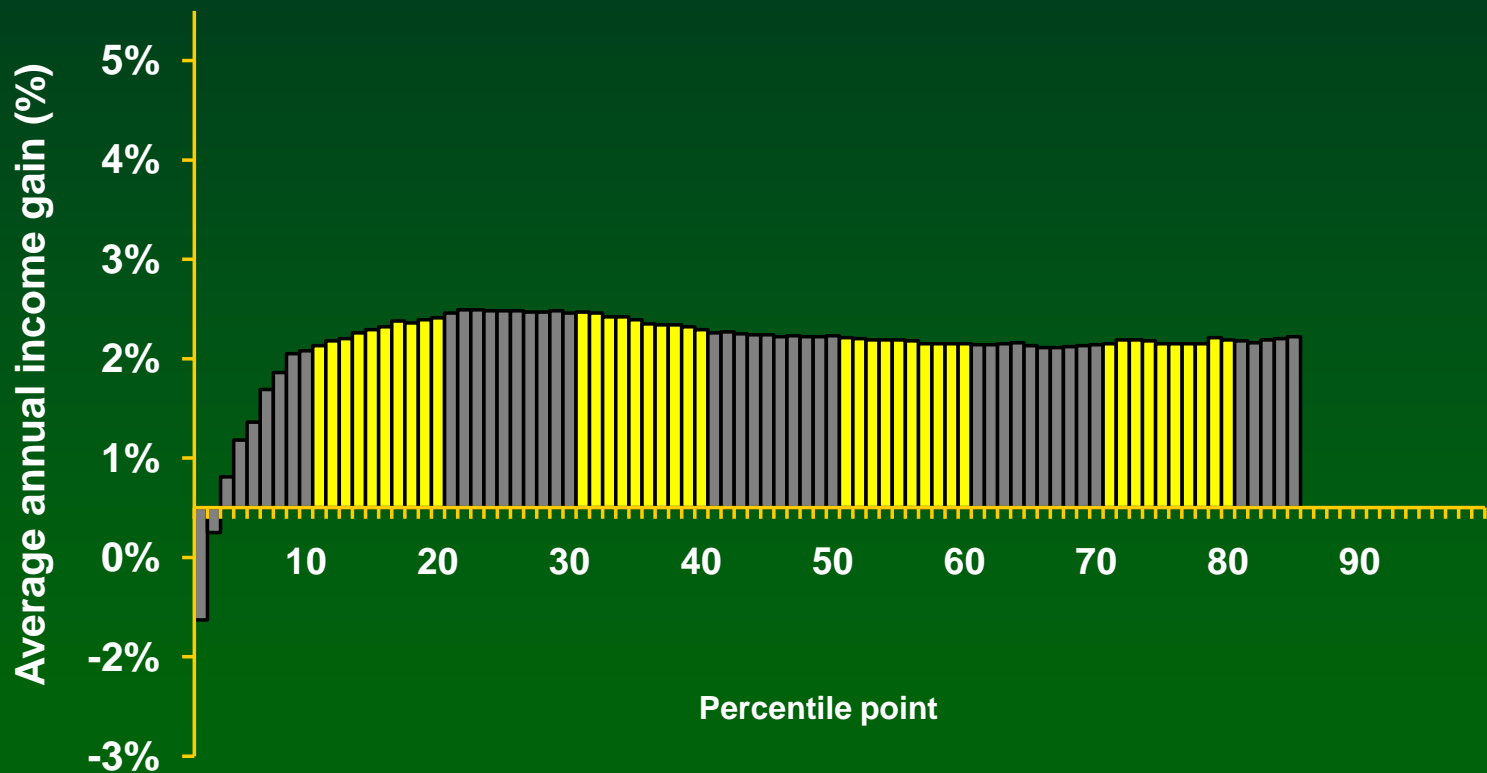
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Income changes by percentile group: 1996/97 – 2007/08 (GB)



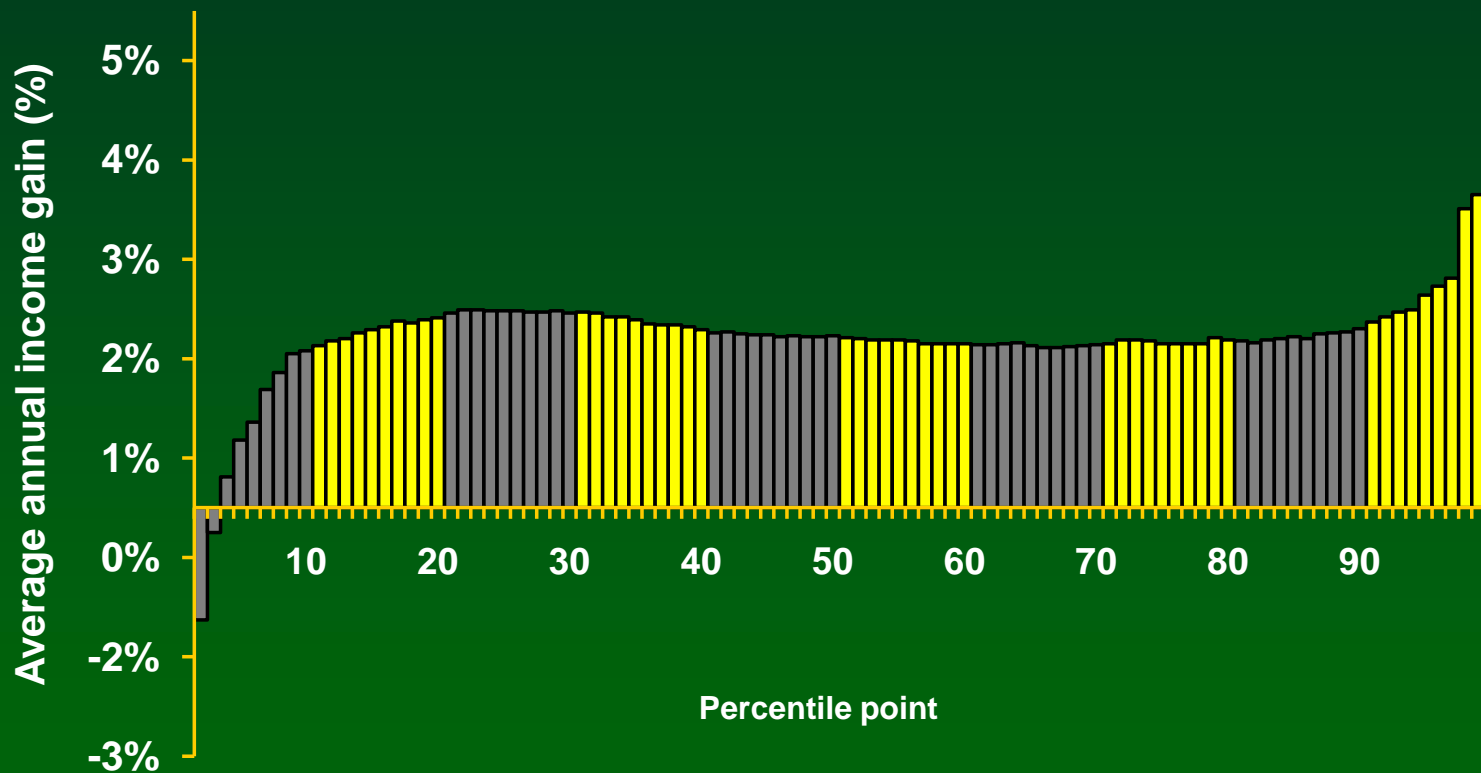
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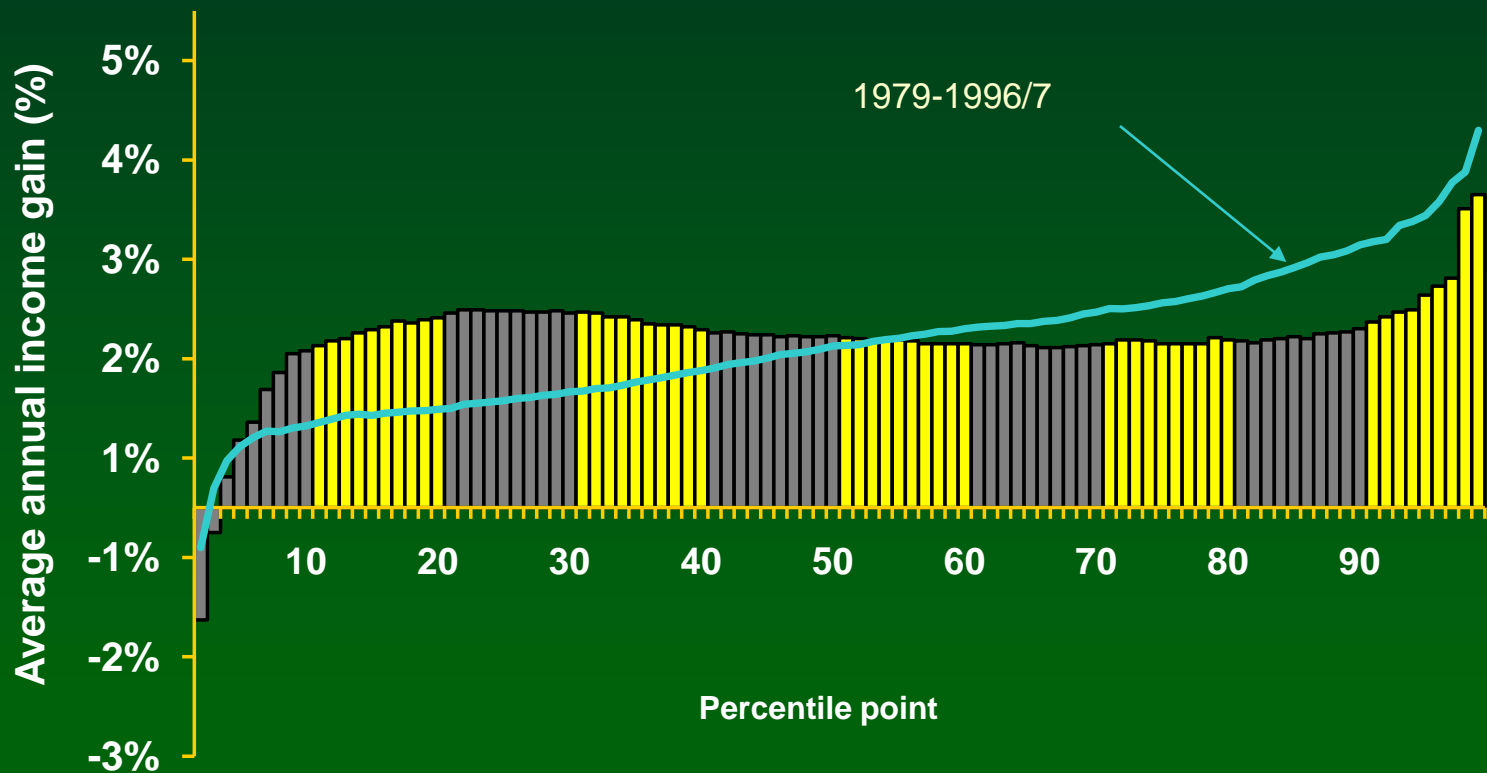
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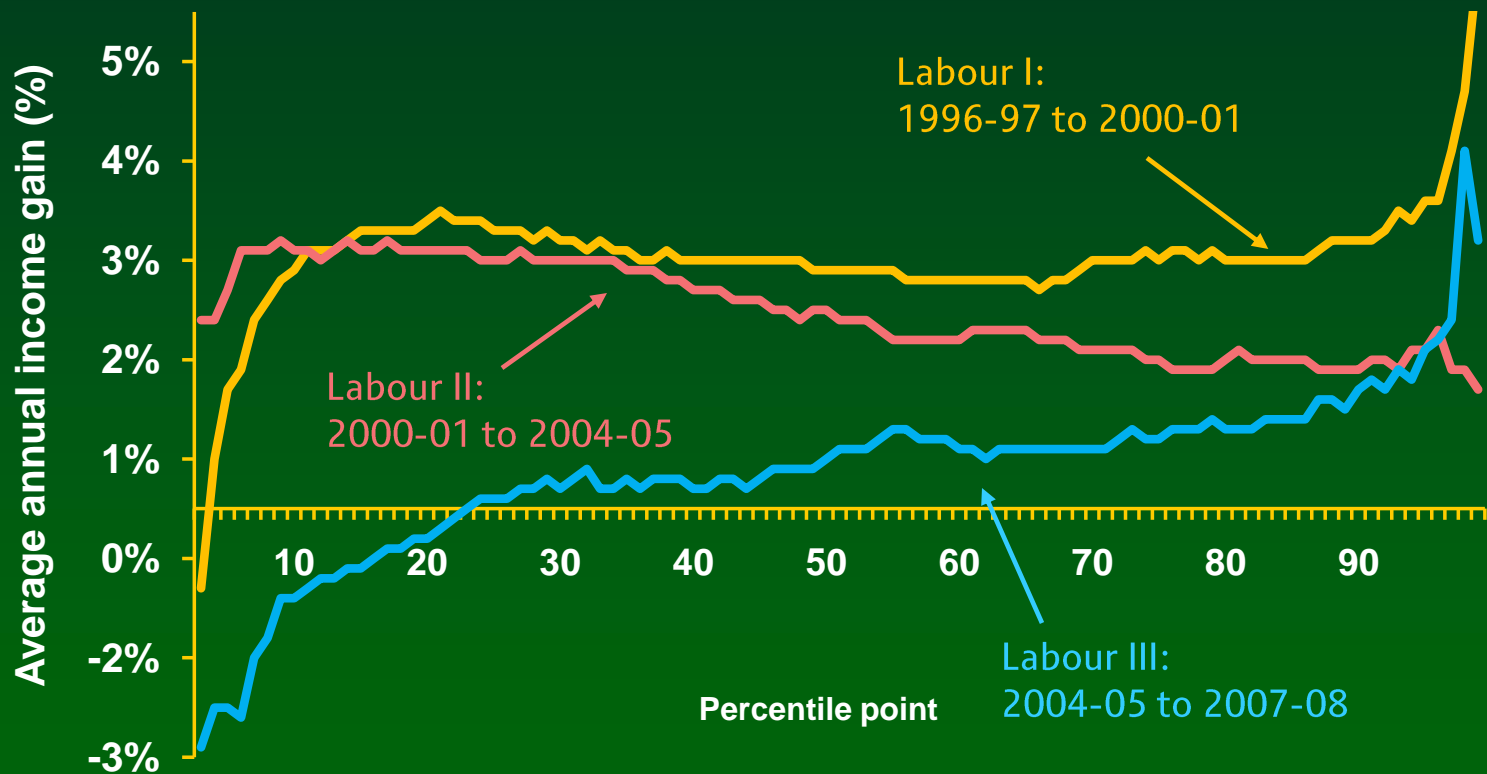
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Income changes by percentile group: 1996/97 – 2007/08 (GB)



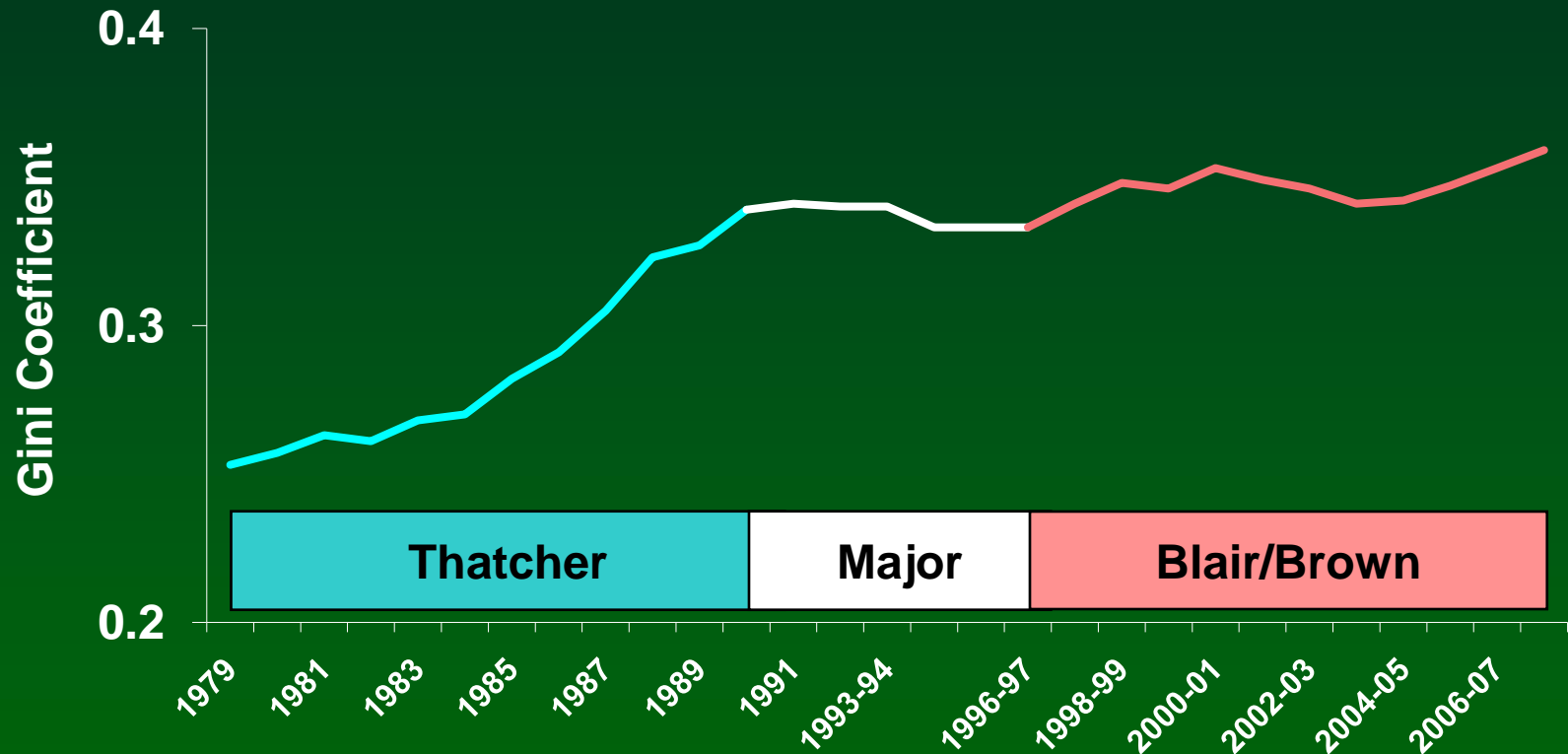
Source: HBAI data

Income changes by Labour Parliament: 1996/97 – 2007/08 (GB)



Source: HBAI data

The Gini Coefficient: 1979–2007/08 (GB)



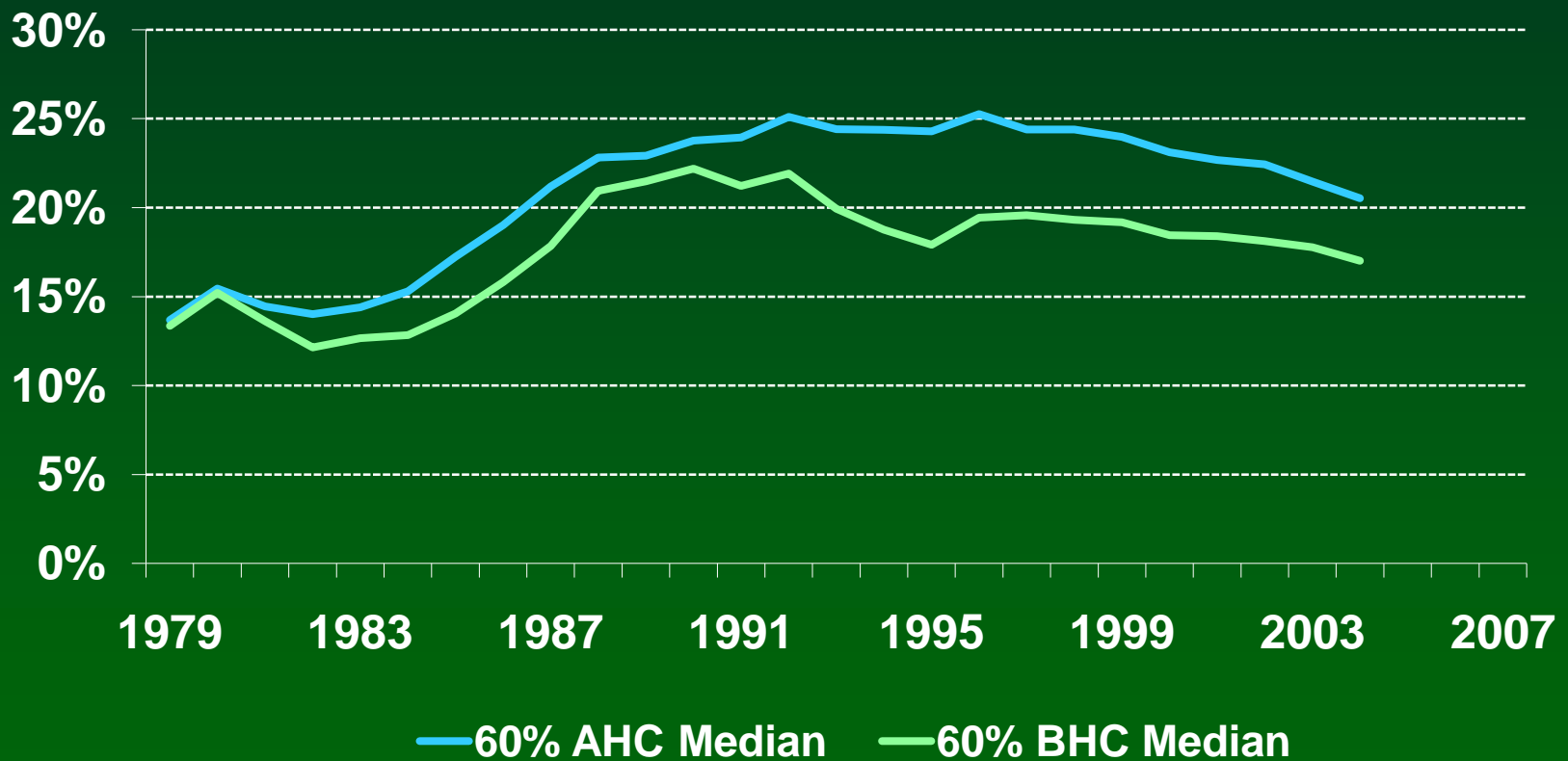
Source: HBAI data

Poverty

Defining poverty for HBAI

- Focus on rates rather than numbers
- Relative notion of poverty
 - Individuals in households below 60% of the contemporary BHC and AHC median
- No account of depth of poverty

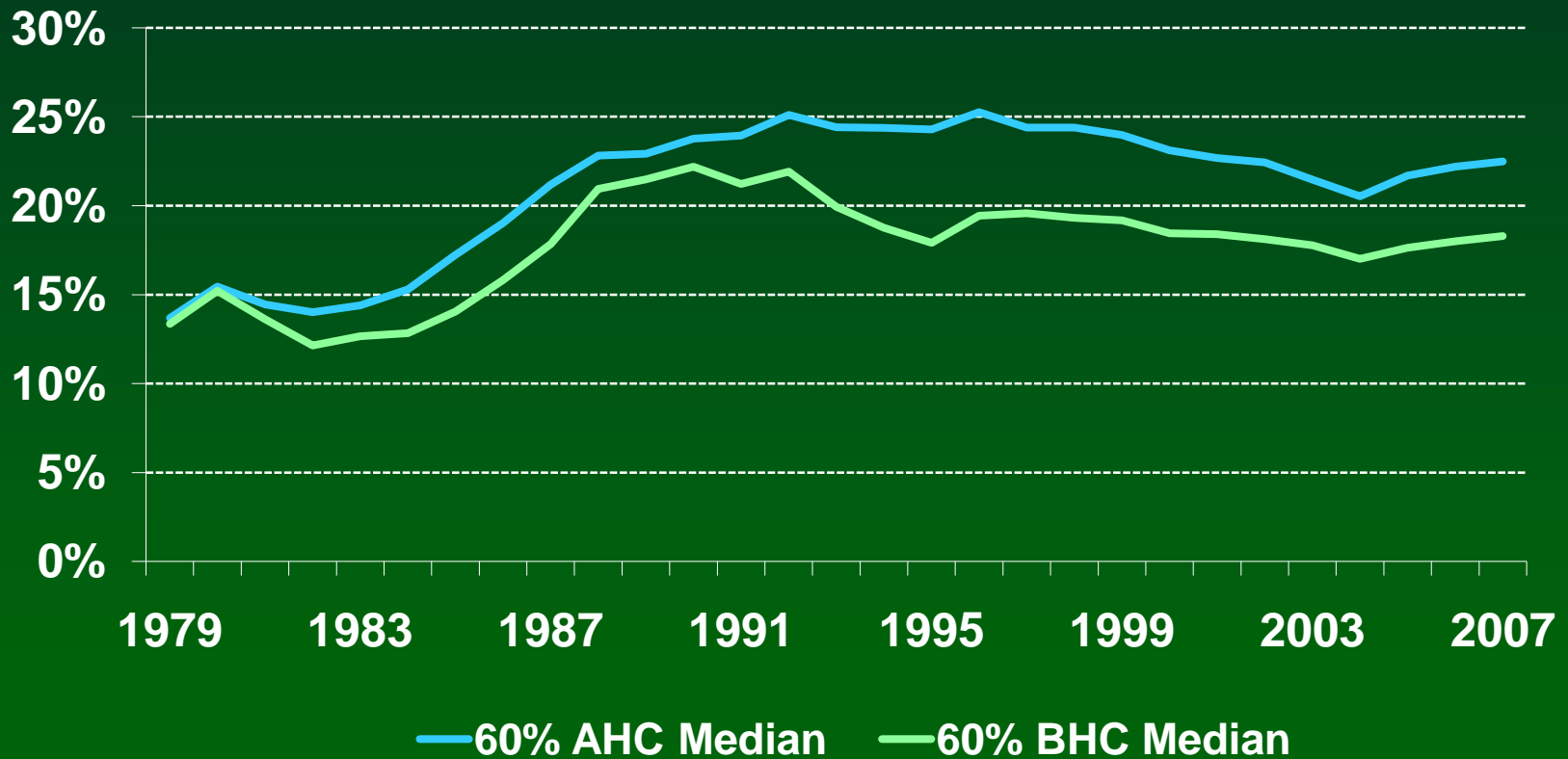
Poverty fell in Labour's first two terms...



Source: HBAI Data (FES and FRS)



... but has been rising ever since



Source: HBAI Data (FES and FRS)



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Across all thresholds?

	70% of BHC Median	60% of BHC Median	50% of BHC Median	40% of BHC Median
1996-97 Rate	28.1	19.4	10.6	4.3

Source: HBAI Data (FRS)



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Labour III Change	+0.6	+1.3	+1.3	+1.1

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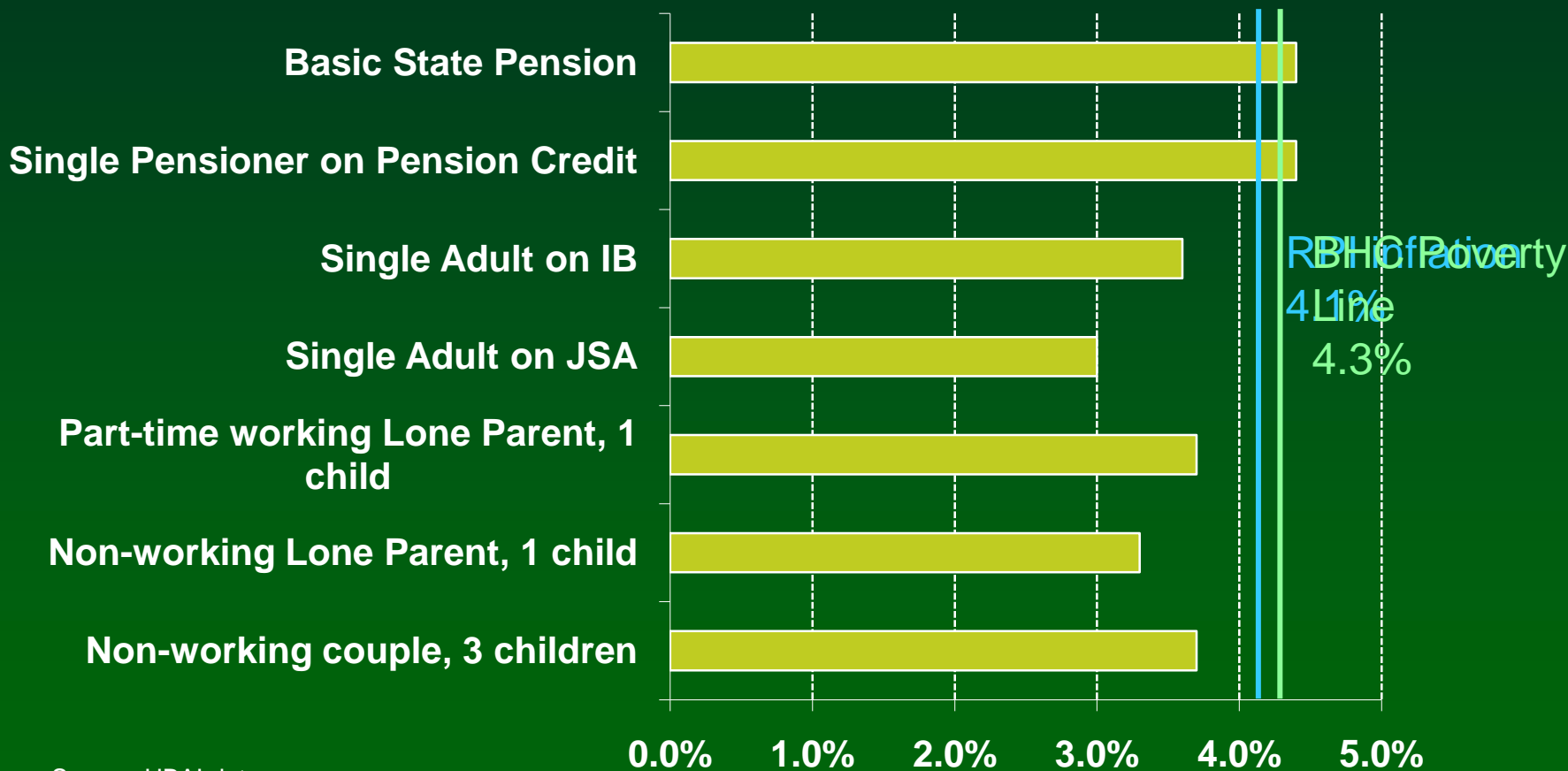
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Labour III Change	+0.6	+1.3	+1.3	+1.1
2007-08 Rate	26.5	18.3	10.8	6.0

Source: HBAI Data (FRS)



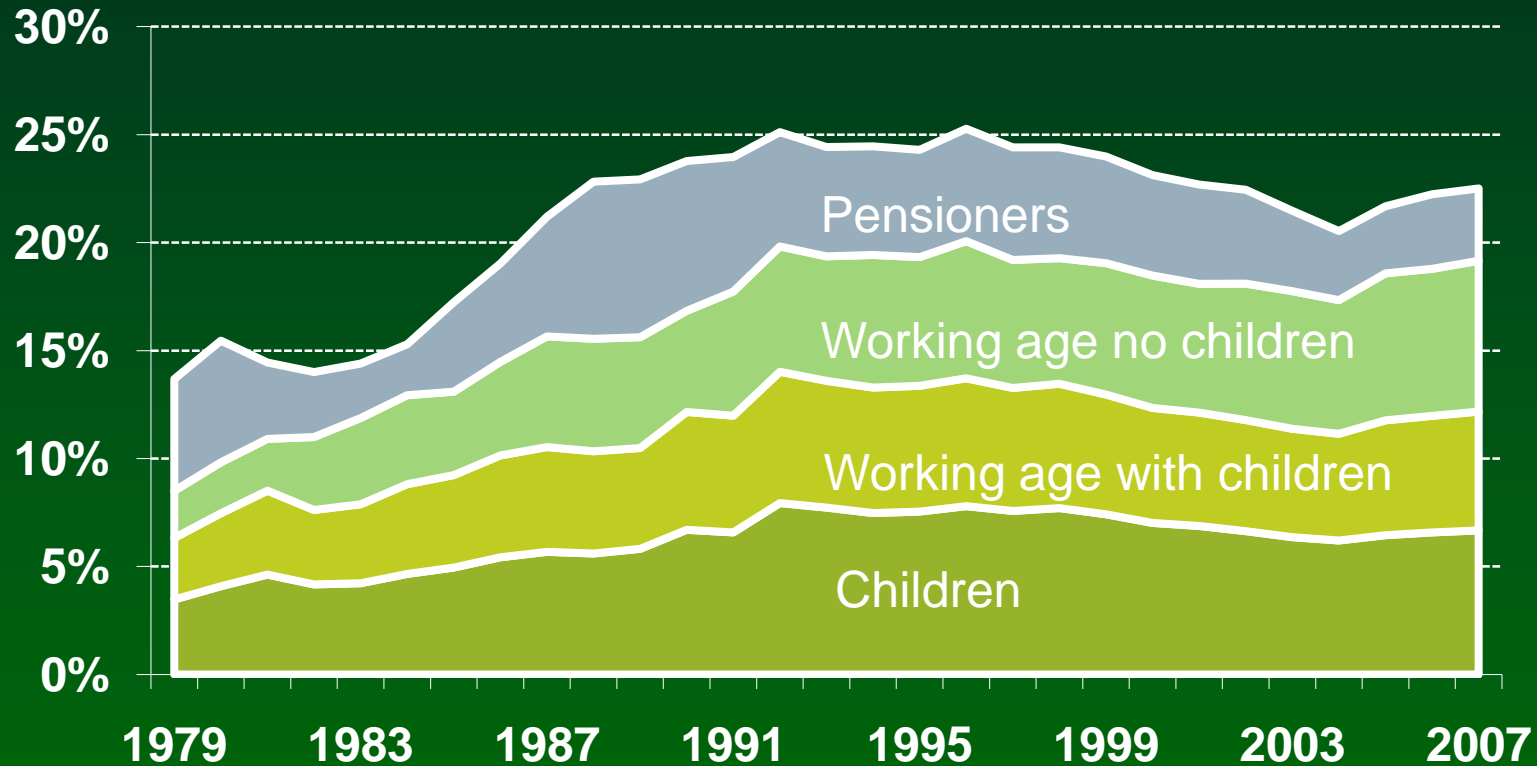
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Growth in benefit entitlements 2006-07 to 2007-08



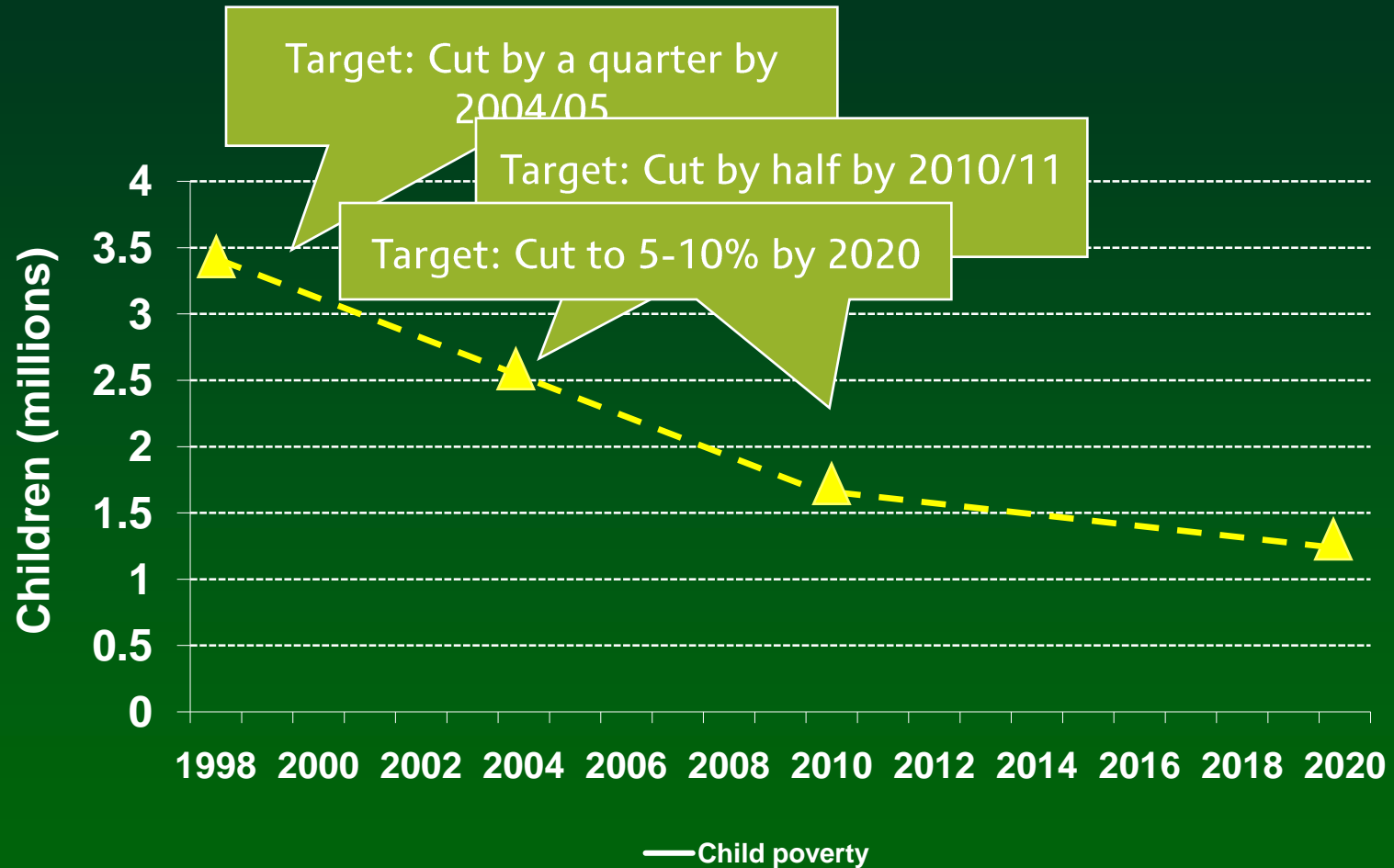
Source: HBAI data

Composition of poverty (AHC)

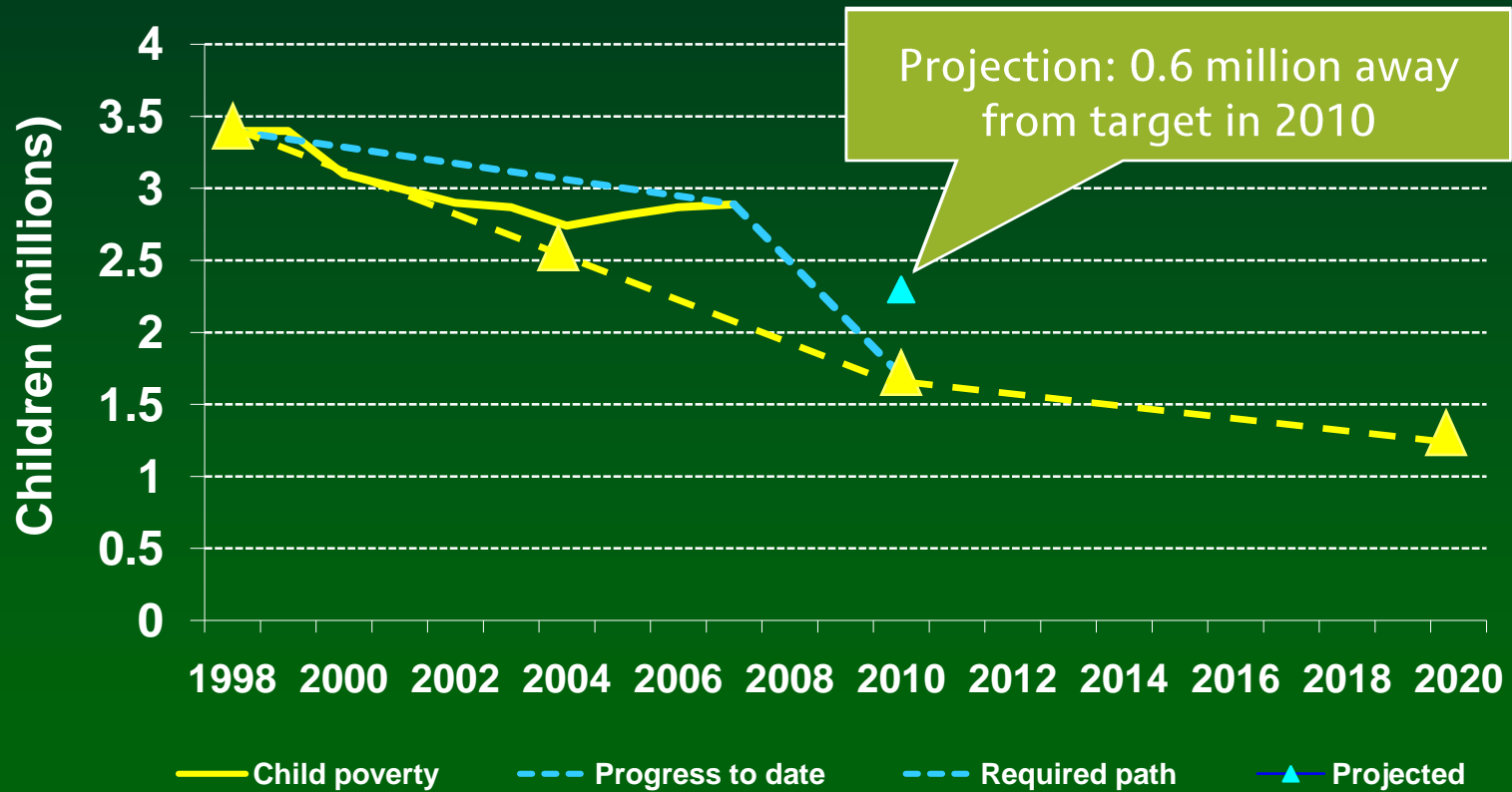


Source: HBAI Data (FES and FRS) and authors' analysis

Child poverty targets



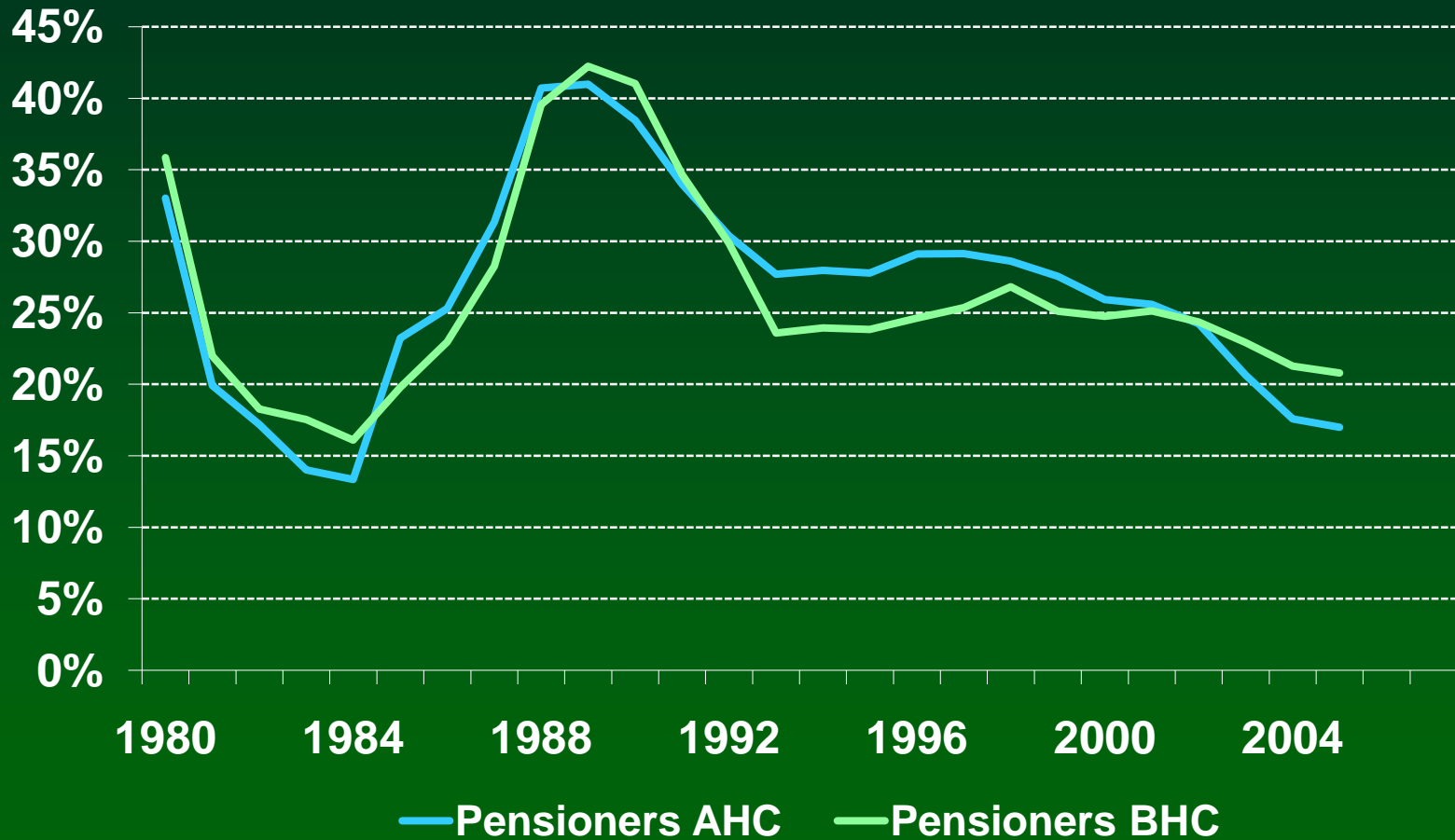
2010 target looks challenging



Recent child poverty increases

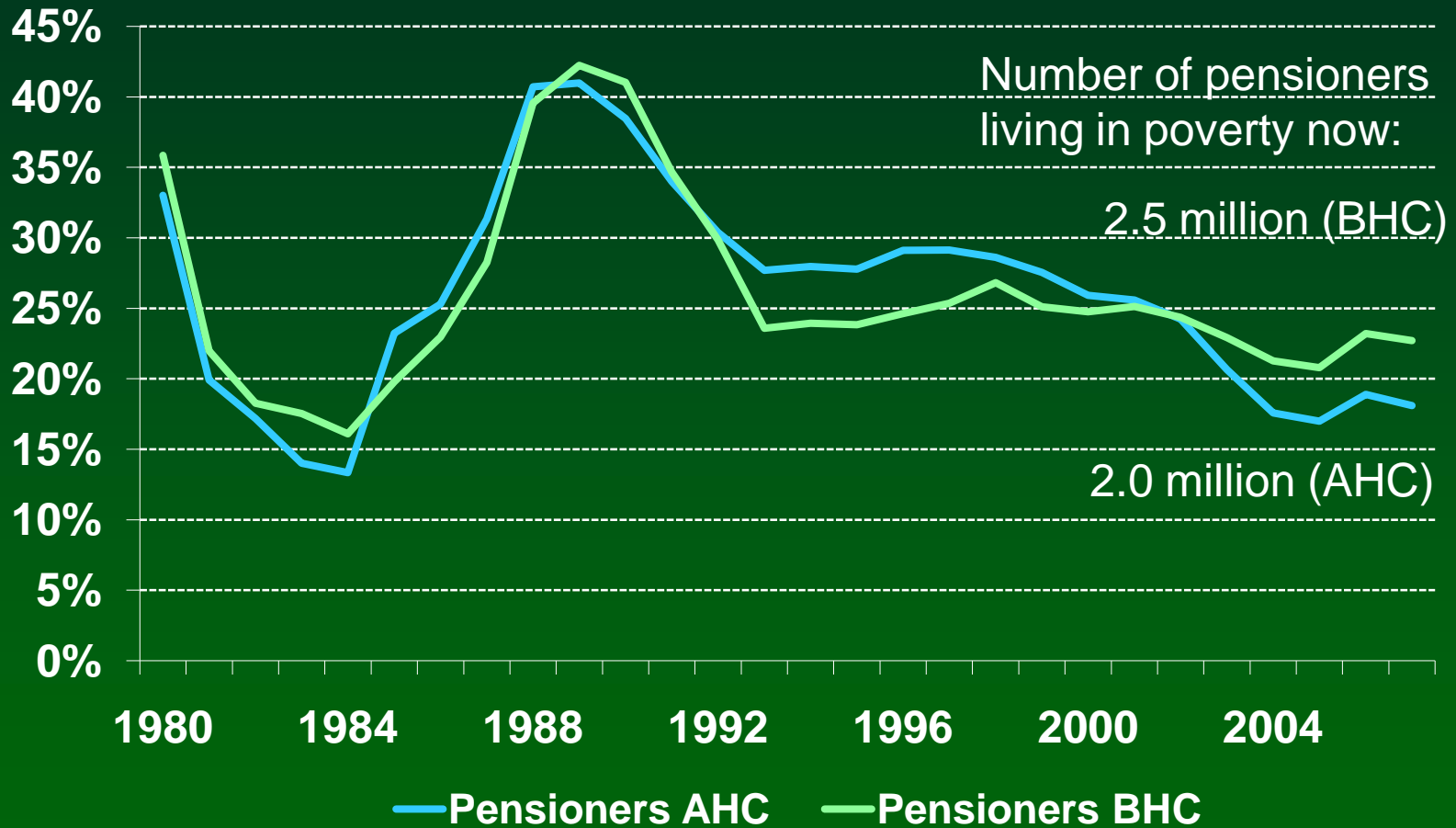
- Driven by large increase in risk of poverty among children in couple families
 - Especially for couples in which only one parent (or neither) works
- ‘Material deprivation and relative low income’ measure of poverty also increased in 2007-08.
 - 17.1% of children now materially deprived, on low incomes
 - Increase of 200,000 children from 06-07
 - Driven by rising deprivation, not rising income poverty

Pensioner poverty fell until 2005-06



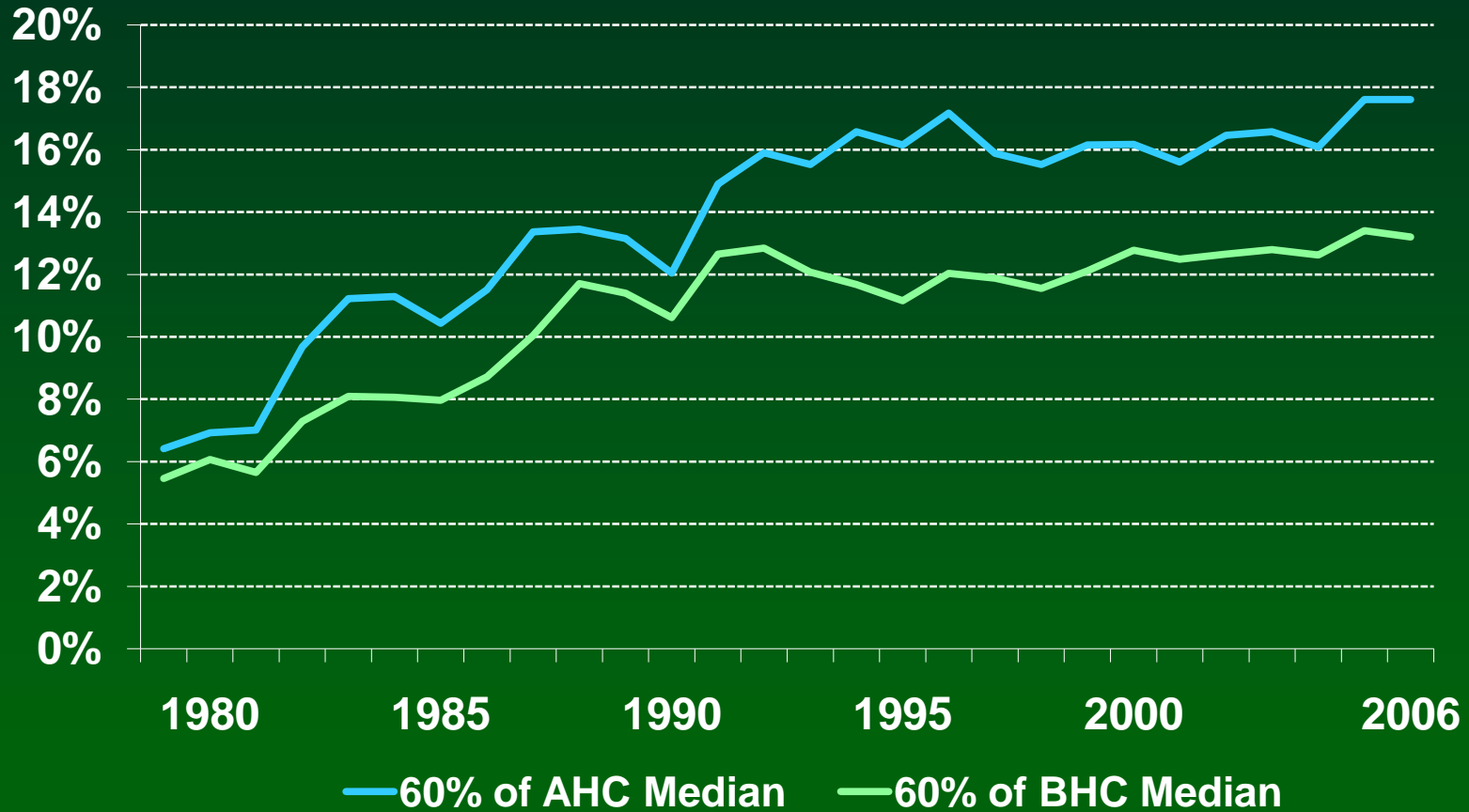
Source: HBAI Data (FES and FRS)

... then ticked up



Source: HBAI Data (FES and FRS)

Working-age adults without dependent children



Source: HBAI Data (FES and FRS)



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Living standards & inequality: summary

Living standards

- Sixth consecutive year of weak income growth
- Even bleaker outlook for the near future

Inequality

- At highest level since our series began in 1961
- Income growth since last year: near-zero at almost every point of the income distribution

Poverty: summary

- Relative poverty has been rising since 2004/05
 - Pensioner poverty up 200,000
 - Working-age non-parent poverty up 400,000
 - Child poverty up 200,000
- Absolute poverty has also been rising over this period (albeit slowly)
- 2010-11 child poverty target likely to be missed