Living standards, poverty and inequality in the UK: 2020

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UKRI
Economic and Social Research Council
Living standards, inequality and poverty in the UK

Pascale Bourquin, Robert Joyce and Agnes Norris Keiller
Median real UK household income

Average net equivalised household income (£ per week in 2018-2019 prices)

- 2002–03
- 2003–04
- 2004–05
- 2005–06
- 2006–07
- 2007–08
- 2008–09
- 2009–10
- 2010–11
- 2011–12
- 2012–13
- 2013–14
- 2014–15
- 2015–16
- 2016–17
- 2017–18
- 2018–19

BHC income

1.2% per year

-0.6% per year

1.6% per year

No growth

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Living Standards, Poverty and Inequality in the UK: 2020
Median real UK household income

Average net equivalised household income (£ per week in 2018-19 prices)

- **BHC income**
  - 1.2% per year
  - -0.6% per year
  - 1.6% per year

- **AHC income**

No growth

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Median real UK household (AHC) income, by age group

Average net equivalised household income (£ per week in 2018-19 prices)

- **Aged less than 60**
- **All**
- **Aged 60+**

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Real growth in percentiles of household income (AHC) since 2007-08

- 90th percentile
- 50th percentile
- 10th percentile

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Living Standards, Poverty and Inequality in the UK: 2020
How do we measure poverty?

Focus on income poverty

- Can be measured before or after housing costs (BHC or AHC) – we focus on AHC

Absolute poverty

- Fixed poverty line: 60% of median 2010-11 income (inflation adjusted)
  - Approx. £13,200 a year for a childless couple (AHC)

Relative poverty

- Moving poverty line: 60% of contemporary median income
  - Approx. £13,900 a year for a childless couple (AHC)
Absolute poverty rate (AHC) by demographic group

- Children
- All
- Working-age non-parents
- Pensioners
Percentage point change in absolute poverty rate (AHC) over 8-year periods

Note: The absolute poverty line is defined as 60% of median income in the initial year of each eight-year period.
Drivers of mean net income growth between 2016-17 and 2018-19

Contributions to change in net household income

-5%  -4%  -3%  -2%  -1%  0%  1%  2%  3%  4%  5%

Lowest income  20%
Middle income  20%
Highest income  20%
All  20%

Total net income growth
Drivers of mean net income growth between 2016-17 and 2018-19

Contributions to change in net household income

-5% -4% -3% -2% -1% 0% 1% 2% 3% 4% 5%

Lowest income Middle income Highest income All

20% 20% 20%
Drivers of mean net income growth between 2016-17 and 2018-19

Contributions to change in net household income

-5% -4% -3% -2% -1% 0% 1% 2% 3% 4% 5%

Lowest income 20% Middle income 20% Highest income 20% All

Total net income growth
Other
Net employment earnings
Working-age benefits
Relative poverty rates (AHC) among workers by job characteristics (2015–2019)

Note: The sectors classed as being directly affected by the lockdown are (with four-digit Standard Industrial Classification (SIC) codes in parentheses): non-food, non-pharmaceutical retail (4719, 4730–4772, 4776–4799); passenger transport (4910, 4931–4939, 5010, 5030, 5110); accommodation and food (5510–5630); travel (7911–7990); childcare (8510, 8891); arts and leisure (9001–9329 except ‘artistic creation’ 9003); personal care (9601–9609 except ‘funeral and related activities’ 9603); and domestic services (9700). Ease of working from home based on Dingel and Neiman (2020).
Benefit entitlement among workless households (working-age only)

Mean real annual benefit entitlement (2020-21 prices)

£0 £5,000 £10,000 £15,000 £20,000 £25,000 £30,000 £35,000

Temporary increases in 2020-21

2020-21, no temporary measures

- Couple, 3+ children
- Lone parent, 3+ children
- All with children
- All

Note: Entitlements give the mean entitlement among workless households in each category observed in the 2018–19 FRS. To focus on households of working age, we exclude households including any adults aged 60 or over. Monetary values indicate entitlements if making a new benefit claim, ignore free school meals and are expressed in 2020–21 prices using CPI uprating.
Benefit entitlement among workless households (working-age only)

Mean real annual benefit entitlement (2020-21 prices)

- £0
- £5,000
- £10,000
- £15,000
- £20,000
- £25,000
- £30,000
- £35,000

Cuts since 2011-12

Temporary increases in 2020-21

2020-21, no temporary measures

£2,900

£1,600

Note: Entitlements give the mean entitlement among workless households in each category observed in the 2018–19 FRS. To focus on households of working age, we exclude households including any adults aged 60 or over. Monetary values indicate entitlements if making a new benefit claim, ignore free school meals and are expressed in 2020–21 prices using CPI uprating.
Summary

- COVID-19 crisis hit at a time where we are still paying the price of the long hangover from the last recession
  - Years of low earnings growth
  - Pared-back benefit system
- Disappointing median income growth and poverty trends
- Those who look most at risk during pandemic already doing poorly
- Underlines crucial importance of avoiding such severe persistent effects as we bounce back from this recession
Appendix slides
Real growth in percentiles of household income (BHC) since 2007-08

10th percentile

50th percentile

90th percentile

Real growth since 2007-08

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Relative poverty rate (AHC) by demographic group
Jobs and job quality between the eve of the Great Recession and the eve of COVID-19

Pascale Bourquin and Tom Waters
Strong employment growth was one of the success stories of the recovery

Employment rate 25-64
Change in employment by household income

Employment rate 25–64
Change in employment by household income

Employment rate 25–64

Percentage point change in employment rate, 2007–08 to 2018–19

Equivalised AHC household income decile
Change in employment by household income

Employment rate 25–64

Change (right axis)

Equivalised AHC household income decile

Percentage point change in employment rate, 2007-08 to 2018-19
While some groups saw faster growth than others, almost all saw an increase.

Employment rate, 25-64

1. Employment growth in all groups

2. Faster growth for groups with low rates to begin with

3. Doesn’t appear to be ‘hiding’ lower employment rates for others
Which sectors did these jobs appear in?

- Wholesale, retail, transportation
- Human health and social health activities
- Manufacturing
- Professional activities incl. finance
- Education
- Construction
- Accommodation and food services
- Administrative and support services
- Information and communication
- Miscellaneous
- Public admin. & defence, social security
- Electricity, gas, water supply
- Agriculture, forestry, mining

0.0 1.0 2.0 3.0 4.0 5.0
Millions of workers

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How did these trends affect exposure to the COVID-19 crisis?

- **All** of the growth in employment can be accounted for in jobs that can be done from home

- **No change** in the share of the workforce in industries that have been shut down

- **Increase** in the share of workers with childcare responsibilities

- **Increase** in the share of workers classified as keyworkers
Changes in reported job ‘quality’ are mixed
Changes in reported job ‘quality’ are mixed

Interest in & value of work
- Job is interesting*
- Can work independently*
- Can help others in job
- Job useful to society**
- Job uses my skills**

Relations with managers, colleagues, firm
- Will work hard to help firm**
- Proud of firm
- Would turn down higher paid job to stay with firm
- Good relations with colleagues
- Good relations with managers

Progression
- Opportunities for advancement are high**

* indicates a statistically significant difference at the 10% level; ** indicates a statistically significant difference at the 5% level.
Changes in reported job ‘quality’ are mixed

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- Opportunities for advancement are high**

Difficulties at work
- Often hard physical work**
- Often stressful*
- Often interferes with family life

Job security
- Job is secure
- Do not worry much about losing job*

Flexibility
- Flexibility in working hours
- Easy to get hour off for personal matters**

* indicates a statistically significant difference at the 10% level; ** indicates a statistically significant difference at the 5% level.
Pay has been very poor
Real growth in hourly wages, 2007 to 2019, age 25-64

Percentile of hourly wage distribution

Real-terms change vs. Percentile of hourly wage distribution for men, women, and all.


**Conclusion**

• Employment growth clearly was very strong, esp. for poorer households

• Come at a time when other labour market outcomes have been mixed (job quality) or poor (pay)

• Current crisis: undercut the one thing holding poverty down

• Challenge for poverty is to get employment back to where it was pre-COVID – as well as the (already existing!) issues of poor pay, insecurity