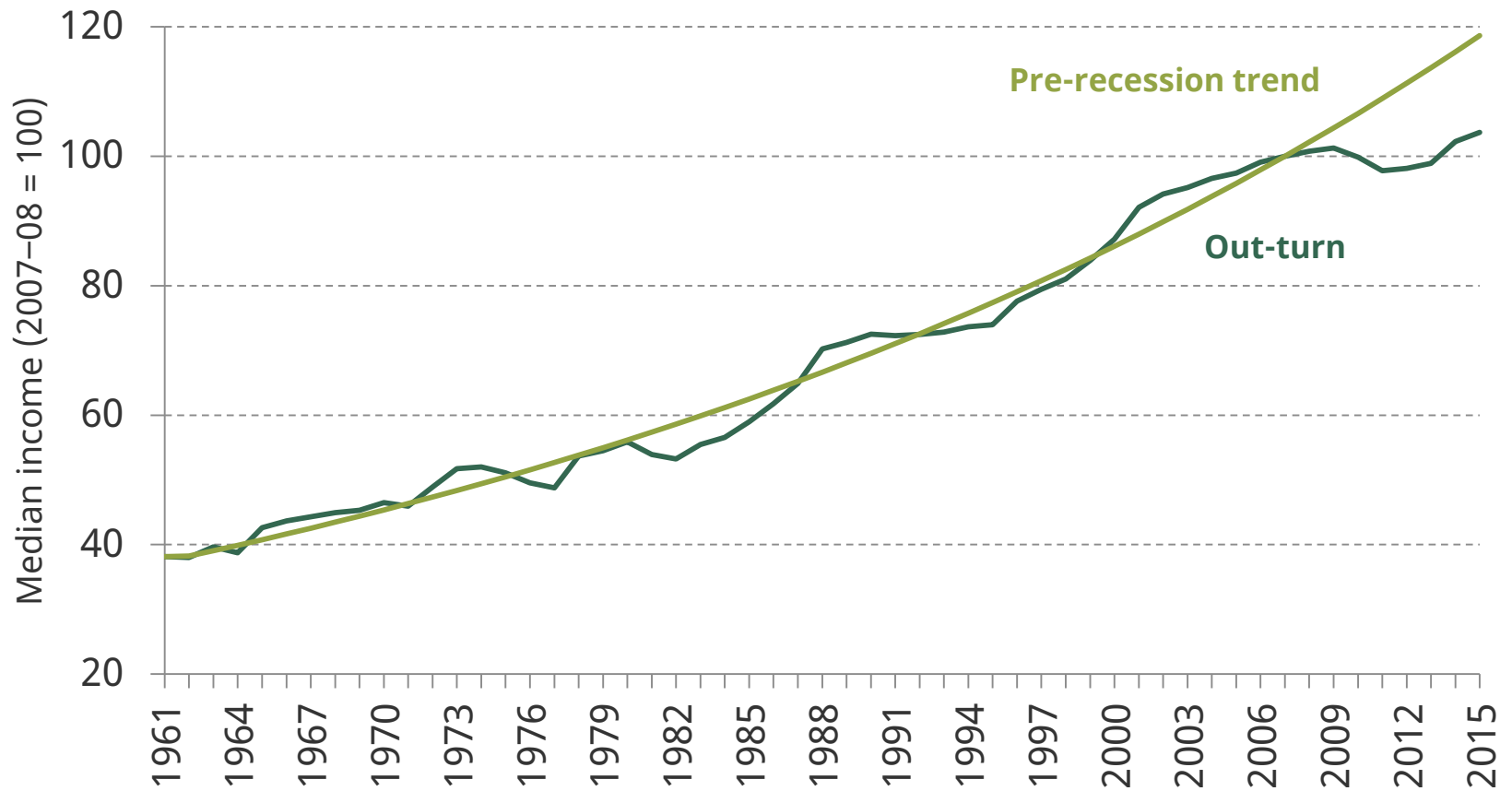


# Living Standards

Agnes Norris Keiller

# Living standards over the last five decades



Source: Authors calculations using the Family Expenditure Survey and Family Resources Survey, various years.

# What do we mean by “income”?

## Income is measured:

- Net of direct taxes and benefits
- At the household level
- Both before and after housing costs have been deducted (“BHC” and “AHC”)

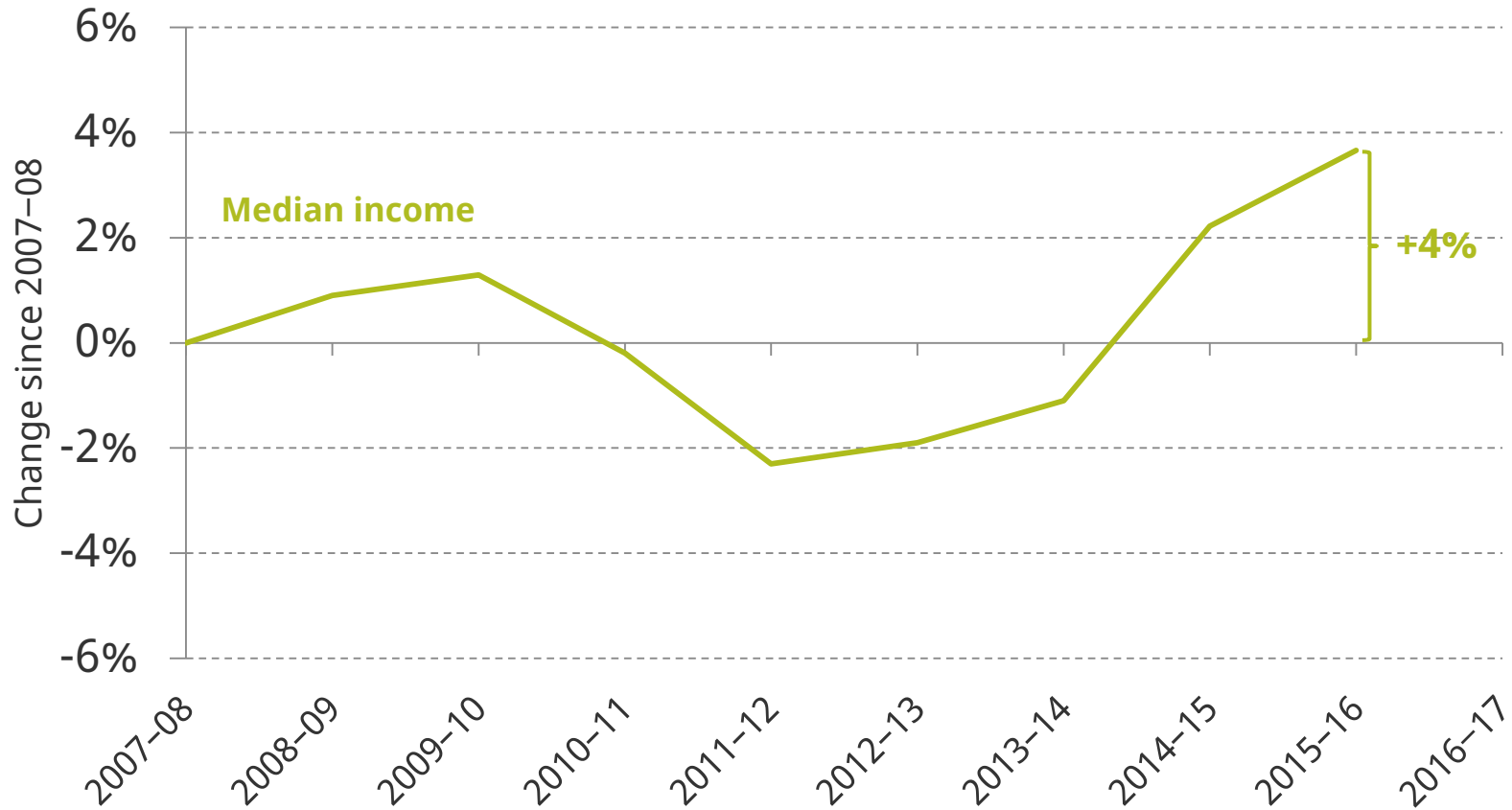
## Income is adjusted to account for:

- Differences in household size and structure (“equivalisation”)
- Inflation over time (using variants of the CPI)

## Latest income data available for 2015–16

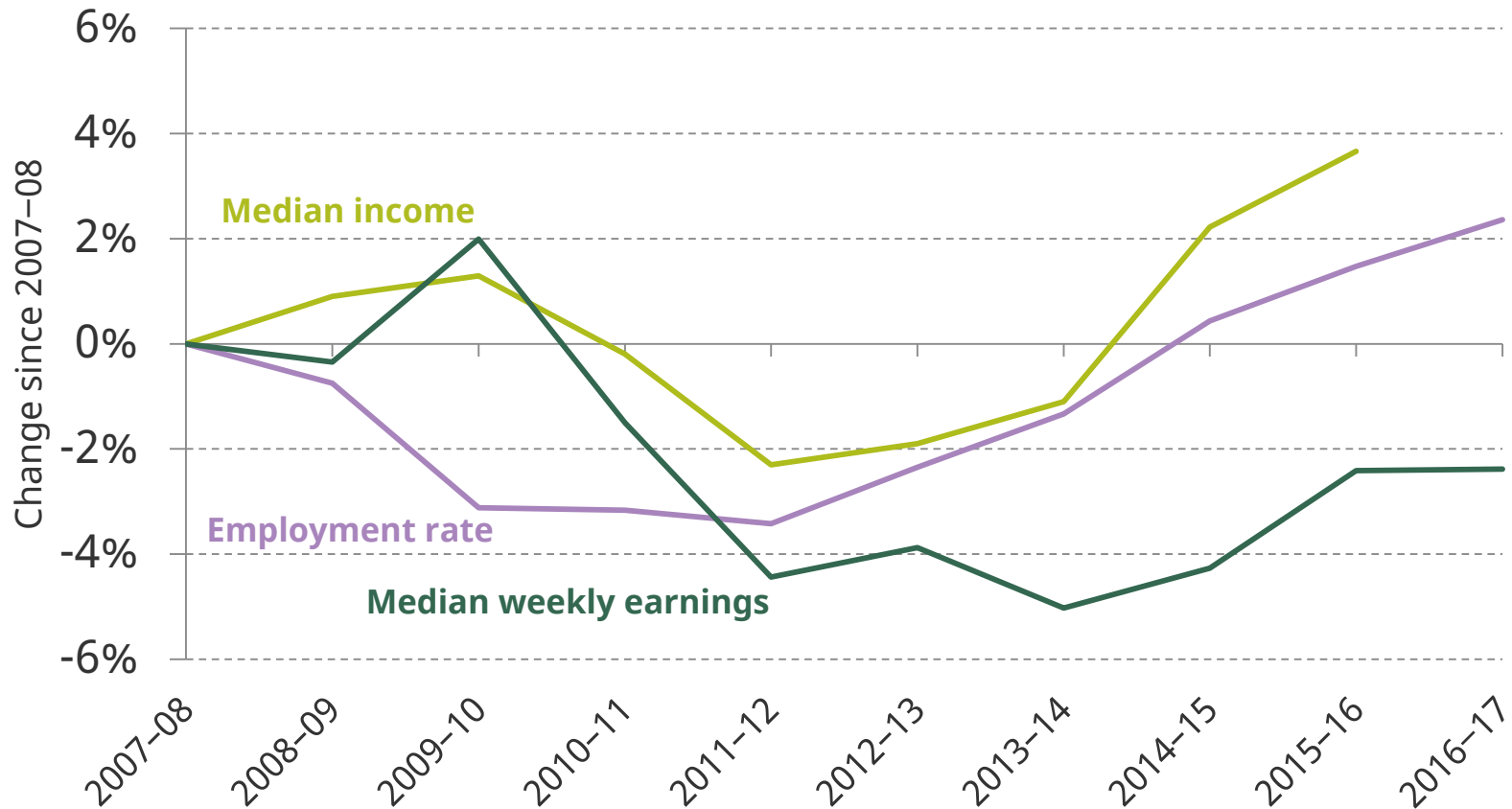
## Same definition as used in official income statistics

# Income and the labour market since the recession



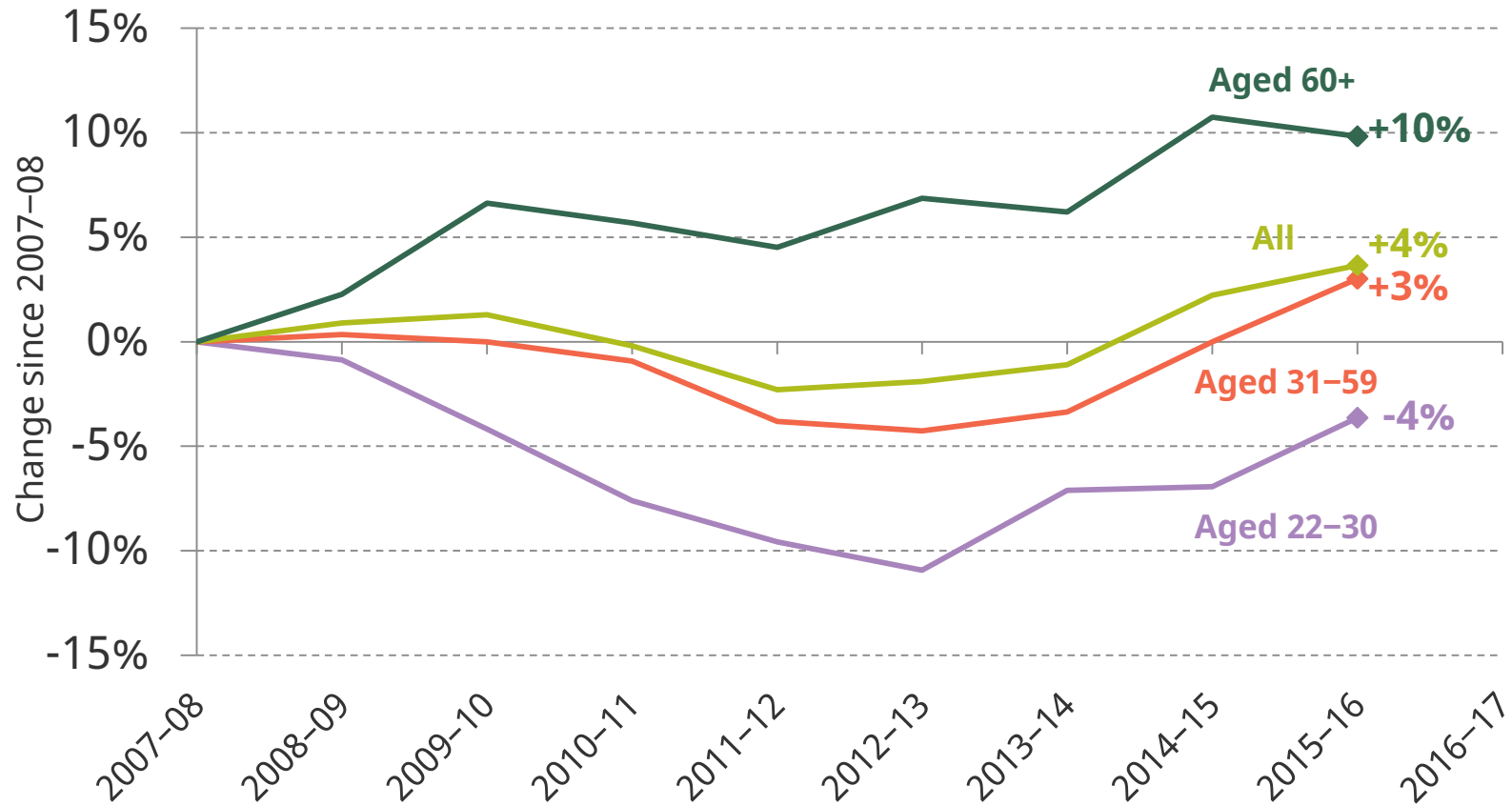
Source: Figure 2.2 of *Living Standards, Poverty and Inequality in the UK: 2017*

# Income and the labour market since the recession



Source: Figures 2.2, 2.4 and 2.5 of *Living Standards, Poverty and Inequality in the UK: 2017*

# Median income by age group since the recession



Source: Figures 2.2 and 2.7 of *Living Standards, Poverty and Inequality in the UK: 2017*

# Income dynamics

**Usually focus on changes in incomes across entire population (or specific groups)**

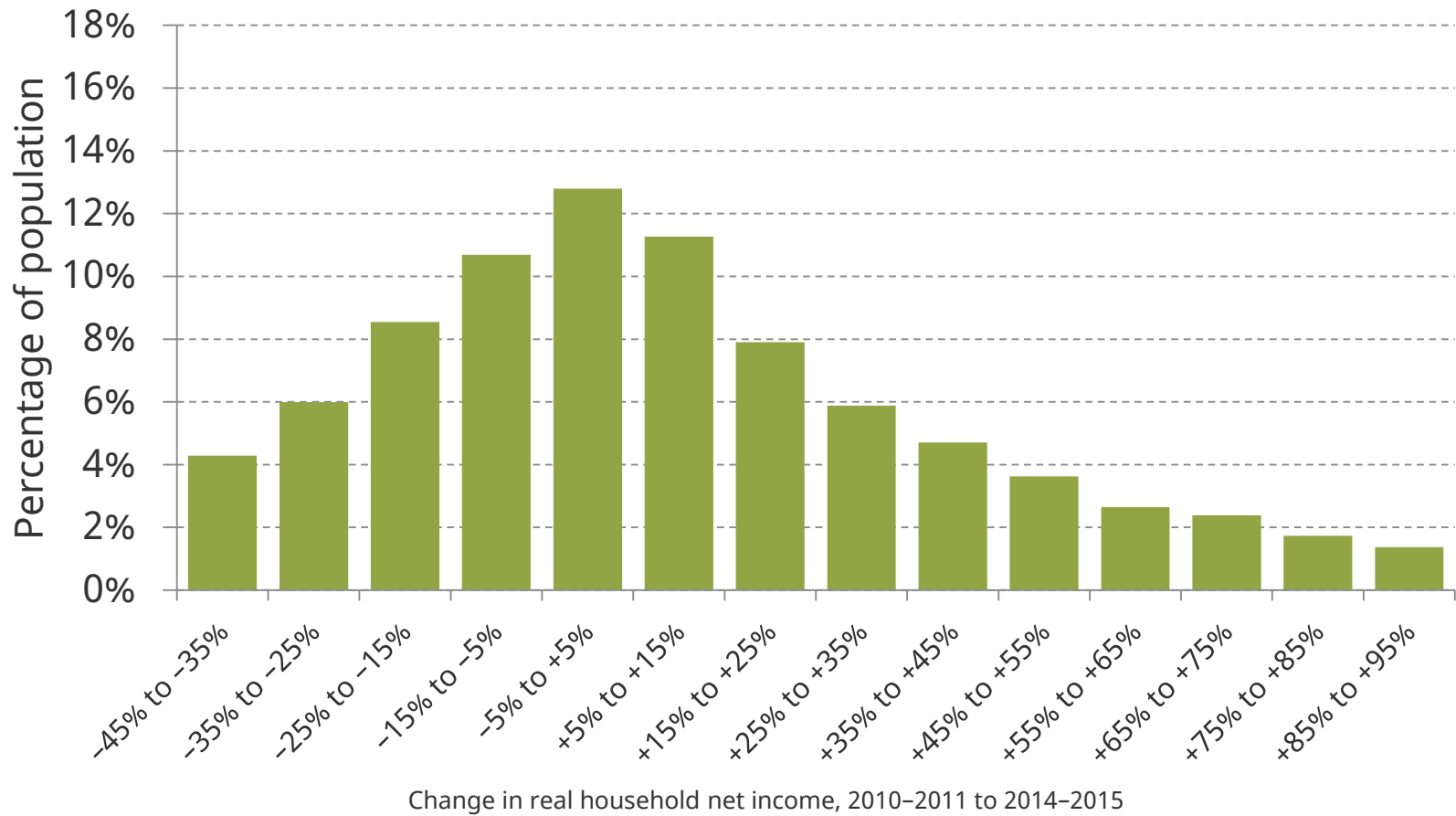
**Can also follow particular people over time**

- Alternative way to look at changes in living standards
- Possible using Understanding Society survey

**Between 2010–2011 and 2014–2015:**

- Median change = 5% increase in income
- Considerable variation in personal experiences

# Income dynamics

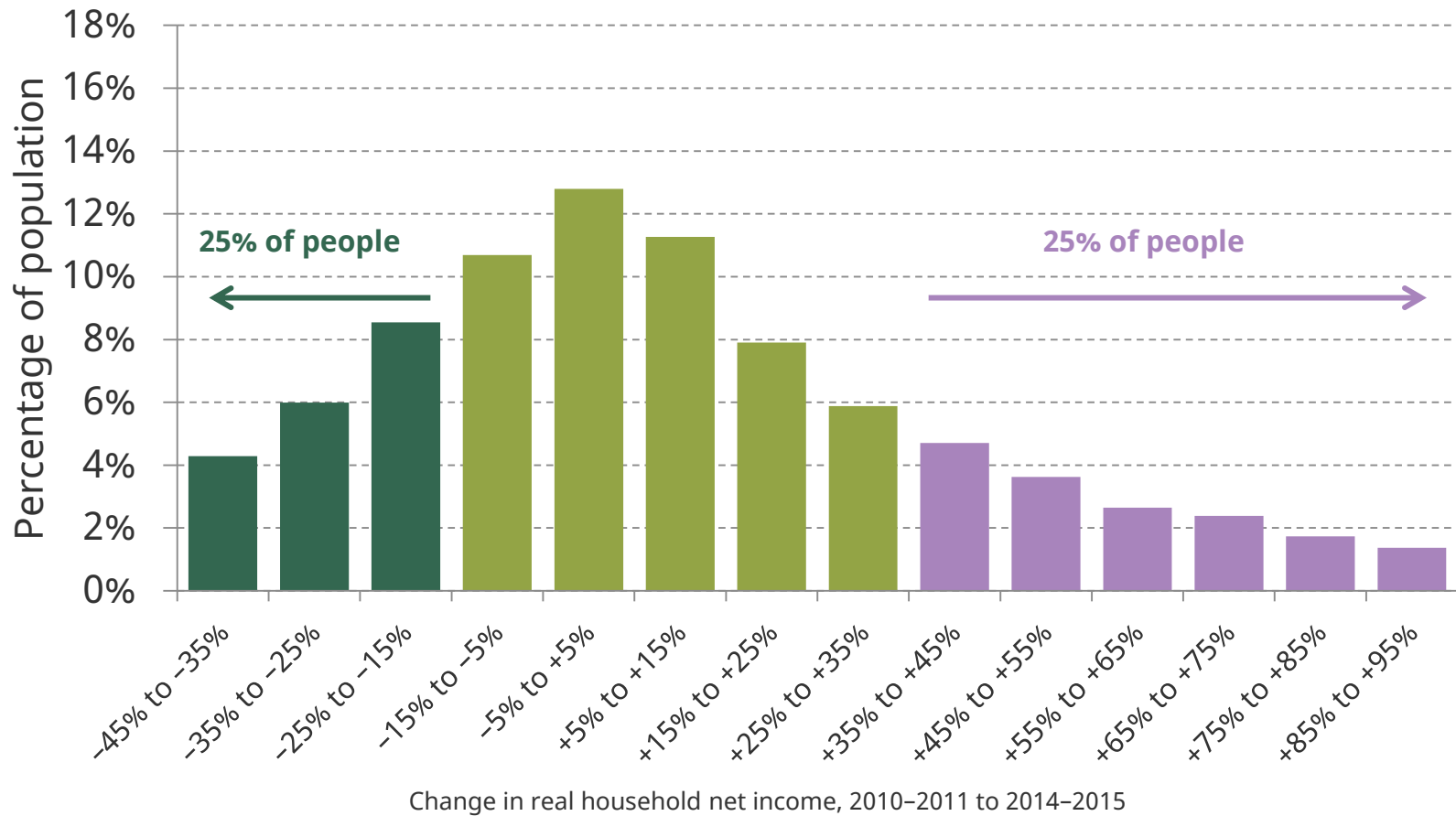


Source: Figure 2.10 of *Living Standards, Poverty and Inequality in the UK: 2017*.

Note: Tails of the distribution have been trimmed.



# Income dynamics



Source: Figure 2.10 of *Living Standards, Poverty and Inequality in the UK: 2017*.

Note: Tails of the distribution have been trimmed.

# Why are large income changes so common?

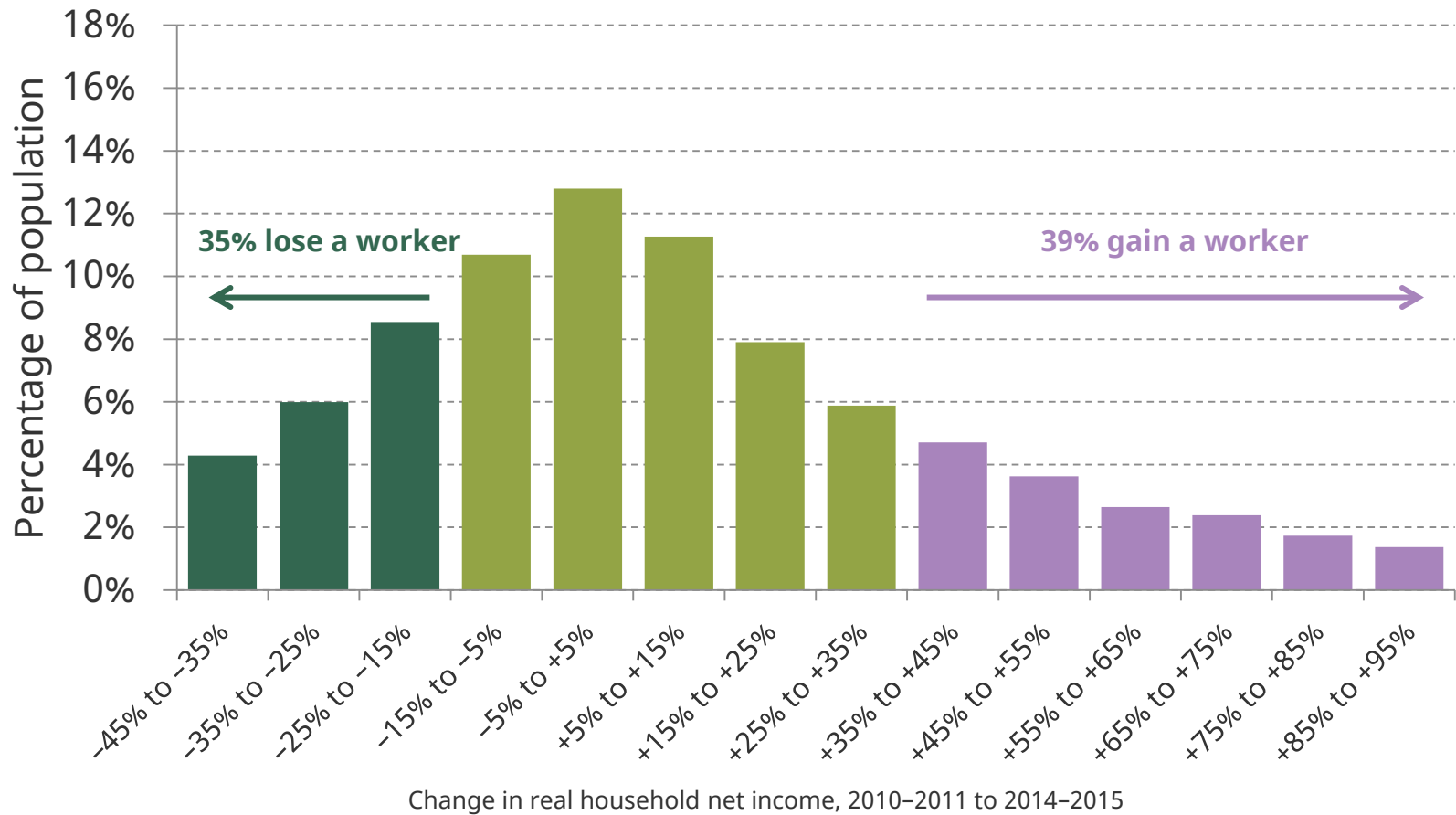
## **Systematic changes over the lifecycle:**

- Entering the labour force after study
- Wage progression over career
- Changes in household composition
- Moving out of the labour force (e.g. childcare and retirement)

## **Short-run sources of volatility:**

- Spells of unemployment
- Volatility in self-employment profits

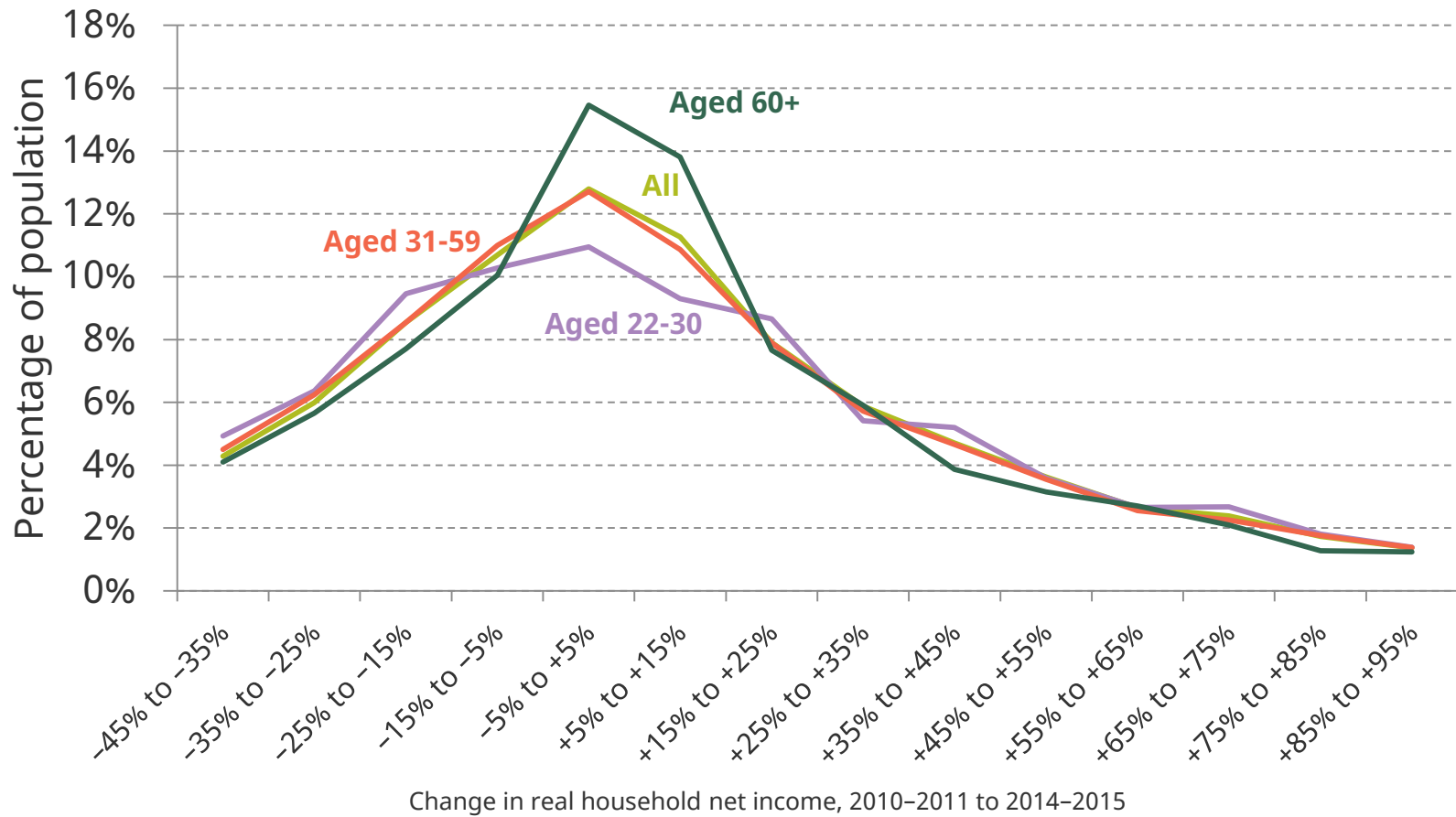
# Income dynamics



Source: Figure 2.10 of *Living Standards, Poverty and Inequality in the UK: 2017*.

Note: Tails of the distribution have been trimmed.

# Income dynamics by age



Source: Figure 2.10 of *Living Standards, Poverty and Inequality in the UK: 2017*.

Note: Tails of the distribution have been trimmed.

# Conclusion

## Growth in average income very weak since recession

- Rising inflation and cuts to working age benefits likely to subdue income growth after short-lived acceleration

## Substantial differences in income growth across age groups

- Those aged 60+ largely unscathed by recession; young adults hit hardest

## Most people have seen substantial changes in income over recent years

- Largest income changes often associated with changes in number of workers in household
- Older individuals have relatively stable incomes; young adults more likely to experience large income changes (both positive and negative)