Living standards, poverty and inequality 2016

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Andrew Hood
Robert Joyce

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Income inequality in childhood

Jonathan Cribb
Measuring income inequality in childhood

• We measure the living standards for children in the same way as any other individual
  – Calculate the net household income for a household with children
  – “Equivalise” income in order to adjust for household size
• Median net household income for children in 2014-15 equivalent to:
  – £30,000 for a family with 2 adults and 2 children
Child income inequality since 1994-95

Source: Figure 4.1 of Living Standards, Poverty and Inequality: 2016
Child income inequality since 1994-95

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Child income inequality since 1994-95

Source: Figure 4.1 of *Living Standards, Poverty and Inequality: 2016*
Child income inequality since 1994-95

Source: Figure 4.1 of Living Standards, Poverty and Inequality: 2016
Household worklessness and child inequality

Proportion of child living in a workless household

Source: Figure 4.2 of Living Standards, Poverty and Inequality: 2016
Household worklessness and child inequality

Source: Figure 4.2 of *Living Standards, Poverty and Inequality: 2016*
Household worklessness and child inequality

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Household worklessness and child inequality

Proportion of child living in a workless household:

- Quintile 1 (poorest): 60%
- Quintile 2: 40%
- Quintile 3: 10%
- Quintile 4: 2%
- Quintile 5 (richest): 0%

Source: Figure 4.2 of Living Standards, Poverty and Inequality: 2016
Household worklessness and child inequality

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Household worklessness and child inequality

Source: Figure 4.2 of *Living Standards, Poverty and Inequality: 2016*
Understanding changes in child inequality

Household income growth for children 1994-95 to 2014-15, by quintile

Contribution to income growth

<table>
<thead>
<tr>
<th>Quintile of child income distribution</th>
<th>Contribution to income growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>43%</td>
</tr>
<tr>
<td>2</td>
<td>47%</td>
</tr>
<tr>
<td>3</td>
<td>38%</td>
</tr>
<tr>
<td>4</td>
<td>35%</td>
</tr>
<tr>
<td>5</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: Figure 4.4 of *Living Standards, Poverty and Inequality: 2016*
Understanding changes in child inequality

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Benefit income growth by family type

Source: Figure 4.5 of Living Standards, Poverty and Inequality: 2016
Benefit income growth by family type

- Workless lone parent
- Workless couple
- Working lone parent

One earner couple
Two earner couple

Growth in real mean benefit income since 1994-95

Source: Figure 4.5 of *Living Standards, Poverty and Inequality: 2016*
Benefit income growth by family type

- Workless lone parent
- Workless couple
- Working lone parent
- One earner couple
- Two earner couple

Source: Figure 4.5 of Living Standards, Poverty and Inequality: 2016

Growth in real mean benefit income
since 1994-95

-20%  0%  20%  40%  60%  80%  100%  120%  140%

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Share of income from earnings and benefits

- **Quintile 1 (poorest)**
  - Earnings: 78%
  - Benefits: 22%
  - Other: 0%

- **Quintile 3 (middle)**
  - Earnings: 78%
  - Benefits: 22%
  - Other: 0%

- **Quintile 5 (richest)**
  - Earnings: 78%
  - Benefits: 22%
  - Other: 0%

**Source:** Table 4.4 of *Living Standards, Poverty and Inequality: 2016*
Share of income from earnings and benefits

Source: Table 4.4 of *Living Standards, Poverty and Inequality: 2016*
### Share of income from earnings and benefits

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Quintile 1 (poorest)</td>
<td>73%</td>
<td>61%</td>
<td>78%</td>
<td>70%</td>
<td>22%</td>
<td>30%</td>
</tr>
<tr>
<td>Quintile 3 (middle)</td>
<td>27%</td>
<td>42%</td>
<td>22%</td>
<td>30%</td>
<td>78%</td>
<td>70%</td>
</tr>
<tr>
<td>Quintile 5 (richest)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

- **Earnings**
- **Benefits**
- **Other**

Source: Table 4.4 of *Living Standards, Poverty and Inequality: 2016*
Share of income from earnings and benefits

<table>
<thead>
<tr>
<th>Year</th>
<th>Quintile 1 (poorest)</th>
<th>Quintile 3 (middle)</th>
<th>Quintile 5 (richest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>73%</td>
<td>78%</td>
<td>93%</td>
</tr>
<tr>
<td>2014</td>
<td>61%</td>
<td>70%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Source: Table 4.4 of Living Standards, Poverty and Inequality: 2016
### Share of income from earnings and benefits

<table>
<thead>
<tr>
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<th>Quintile 5 (richest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>1994</td>
<td>1994</td>
</tr>
<tr>
<td>Male earnings</td>
<td>73%</td>
<td>58%</td>
</tr>
<tr>
<td>Female earnings</td>
<td>61%</td>
<td>19%</td>
</tr>
<tr>
<td>Benefits</td>
<td>15%</td>
<td>26%</td>
</tr>
<tr>
<td>Other</td>
<td>20%</td>
<td>43%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Table 4.4 of *Living Standards, Poverty and Inequality: 2016*
Changes in housing tenure by quintile

<table>
<thead>
<tr>
<th></th>
<th>Quintile 1 (poorest)</th>
<th>Quintile 3 (middle)</th>
<th>Quintile 5 (richest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupied home</td>
<td>40%</td>
<td>69%</td>
<td>94%</td>
</tr>
<tr>
<td>Social rented home</td>
<td>37%</td>
<td>50%</td>
<td>87%</td>
</tr>
<tr>
<td>Private rented/other home</td>
<td>69%</td>
<td>50%</td>
<td>94%</td>
</tr>
</tbody>
</table>

Source: Table 4.5 of Living Standards, Poverty and Inequality: 2016
Changes in housing tenure by quintile

- **Owner occupied home**
  - Quintile 1 (poorest): 50% in 1994, 37% in 2014
  - Quintile 3 (middle): 20% in 1994, 22% in 2014
  - Quintile 5 (richest): 3% in 1994, 2% in 2014

- **Social rented home**
  - Quintile 1 (poorest): 40% in 1994, 63% in 2014
  - Quintile 3 (middle): 80% in 1994, 78% in 2014
  - Quintile 5 (richest): 97% in 1994, 98% in 2014

- **Private rented/other home**
  - Quintile 1 (poorest): 10% in 1994, 4% in 2014
  - Quintile 3 (middle): 18% in 1994, 17% in 2014
  - Quintile 5 (richest): 7% in 1994, 7% in 2014

Source: Table 4.5 of *Living Standards, Poverty and Inequality: 2016*
Changes in housing tenure by quintile

<table>
<thead>
<tr>
<th>Quintile 1 (poorest)</th>
<th>Quintile 3 (middle)</th>
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</thead>
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Source: Table 4.5 of *Living Standards, Poverty and Inequality: 2016*
Conclusion

• Income inequality between middle-income and poorer children has fallen over the last twenty years
  – Driven in part by large falls in household worklessness

• Benefit income growth has acted to prevent an increase in inequality between middle and high income children

• These changes have substantially altered the composition of income for poorer and middle income children

• In this way, and in housing tenure, middle income children are more similar to poor children, and more different to rich children, than 20 years ago
Increasing similarity of middle- and low-income children

**Proportion of children living in owner-occupied housing**

- Richest 20%
- Middle 20%
- Poorest 20%

**Proportion of children’s household income coming from benefits**

- Poorest 20%
- Middle 20%
- Richest 20%