



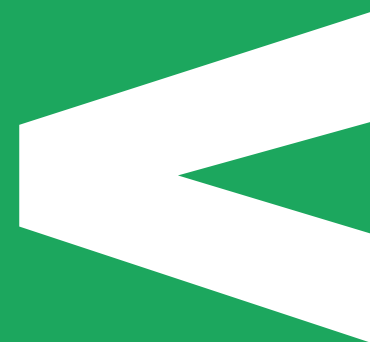
25 years of income inequality in Britain: the role of wages, household earnings and redistribution

Robert Joyce

An IFS initiative funded
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Inequality

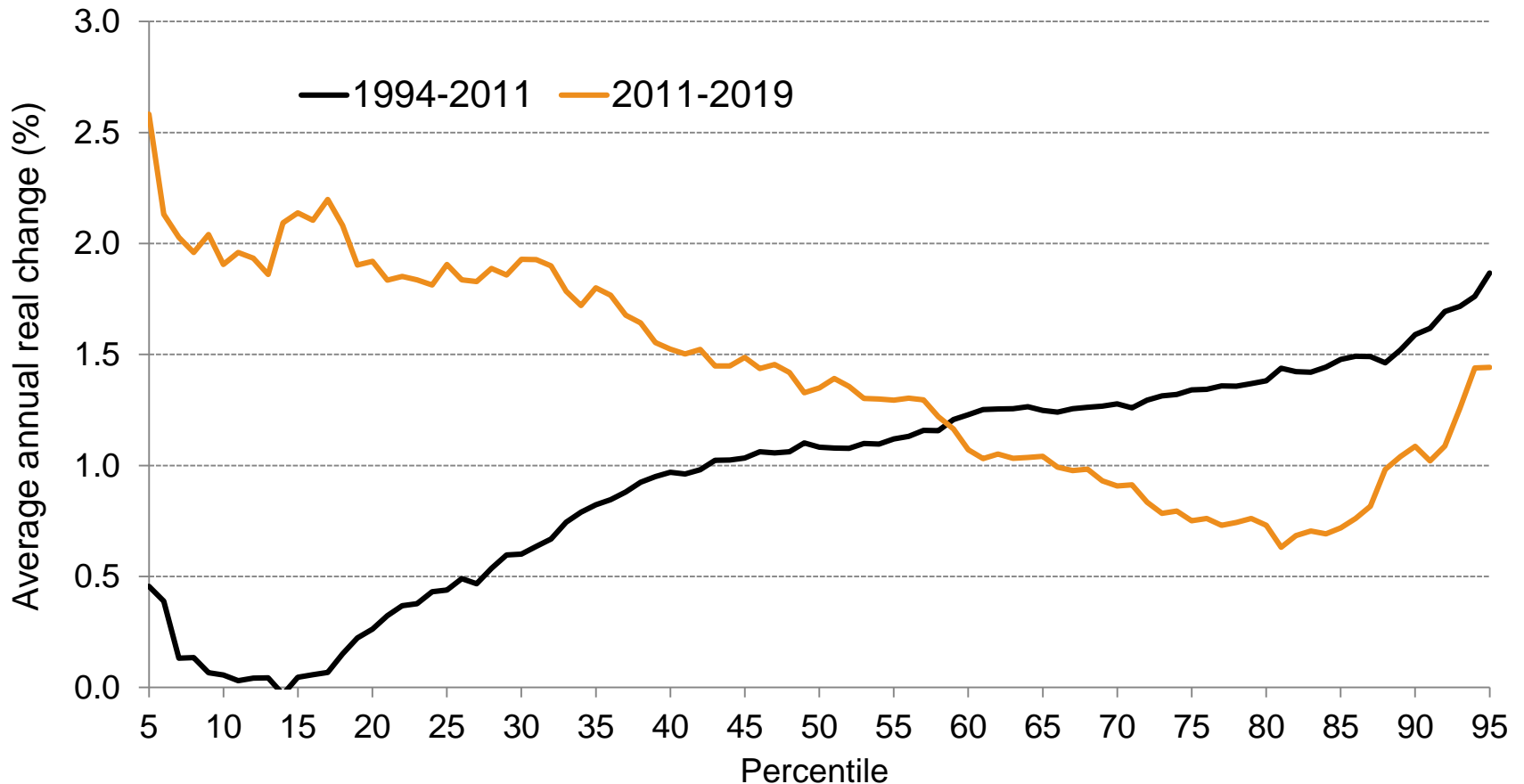
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Changes in household labour income

Pre-tax labour income, by percentile, among working households only



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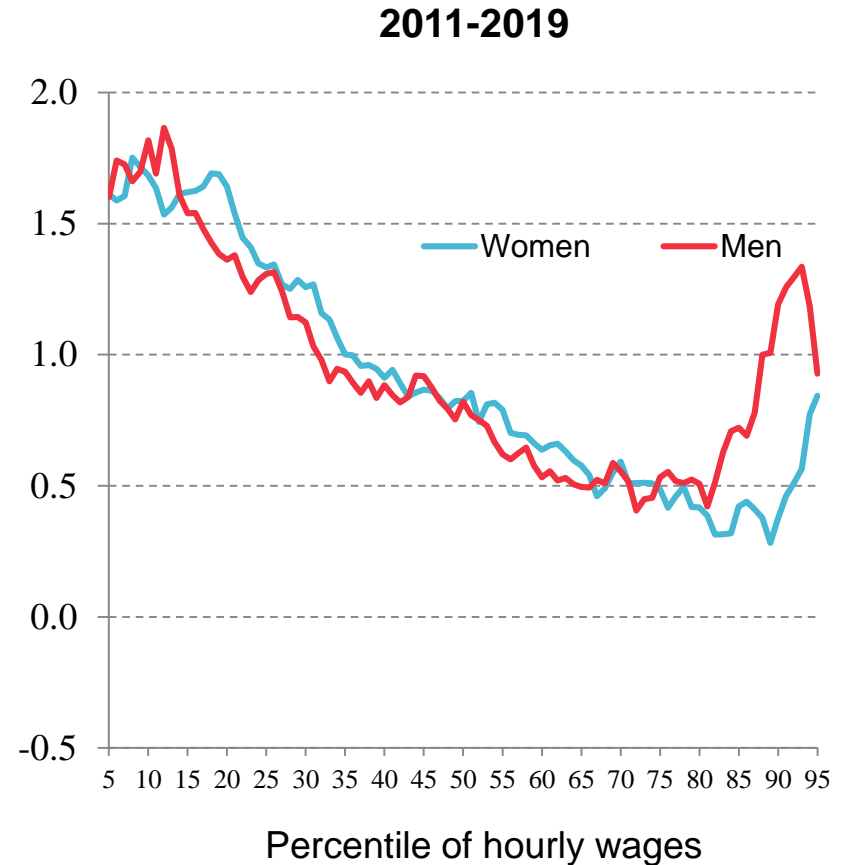
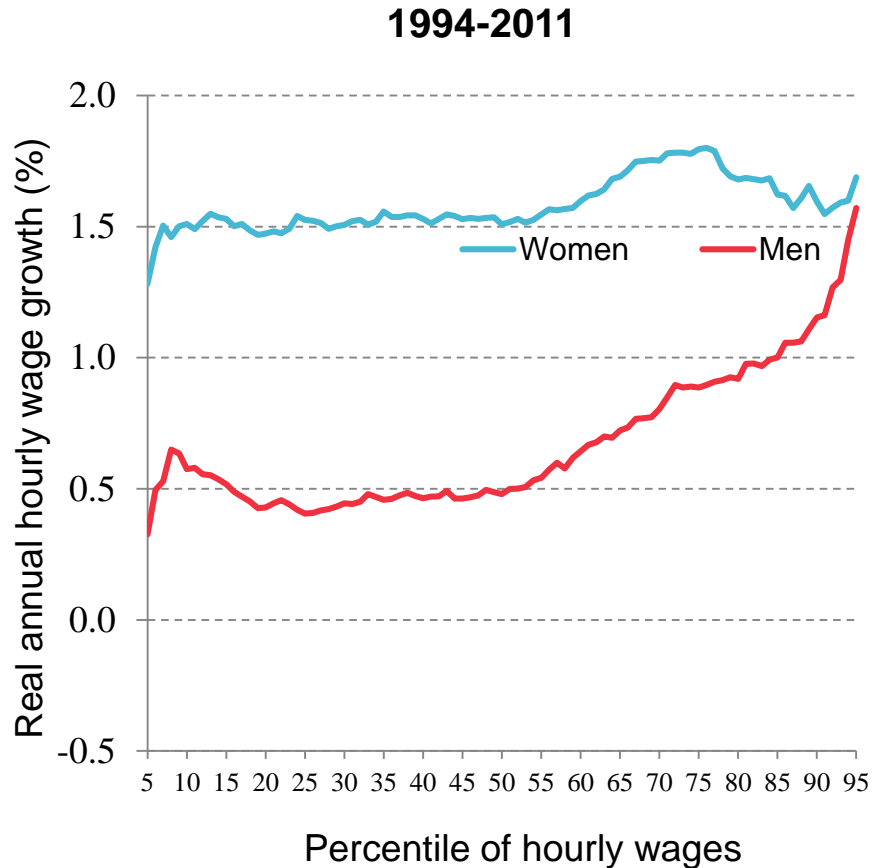


Source: Cribb, Joyce and Wernham (2022), 'Twenty-five years of income inequality in Britain: the role of wages, household earnings and redistribution', IFS Working Paper. Based on data from Family Resources Survey.

Why the change?

1) Hourly wage inequality started falling

Changes in individuals' hourly wages, by percentile



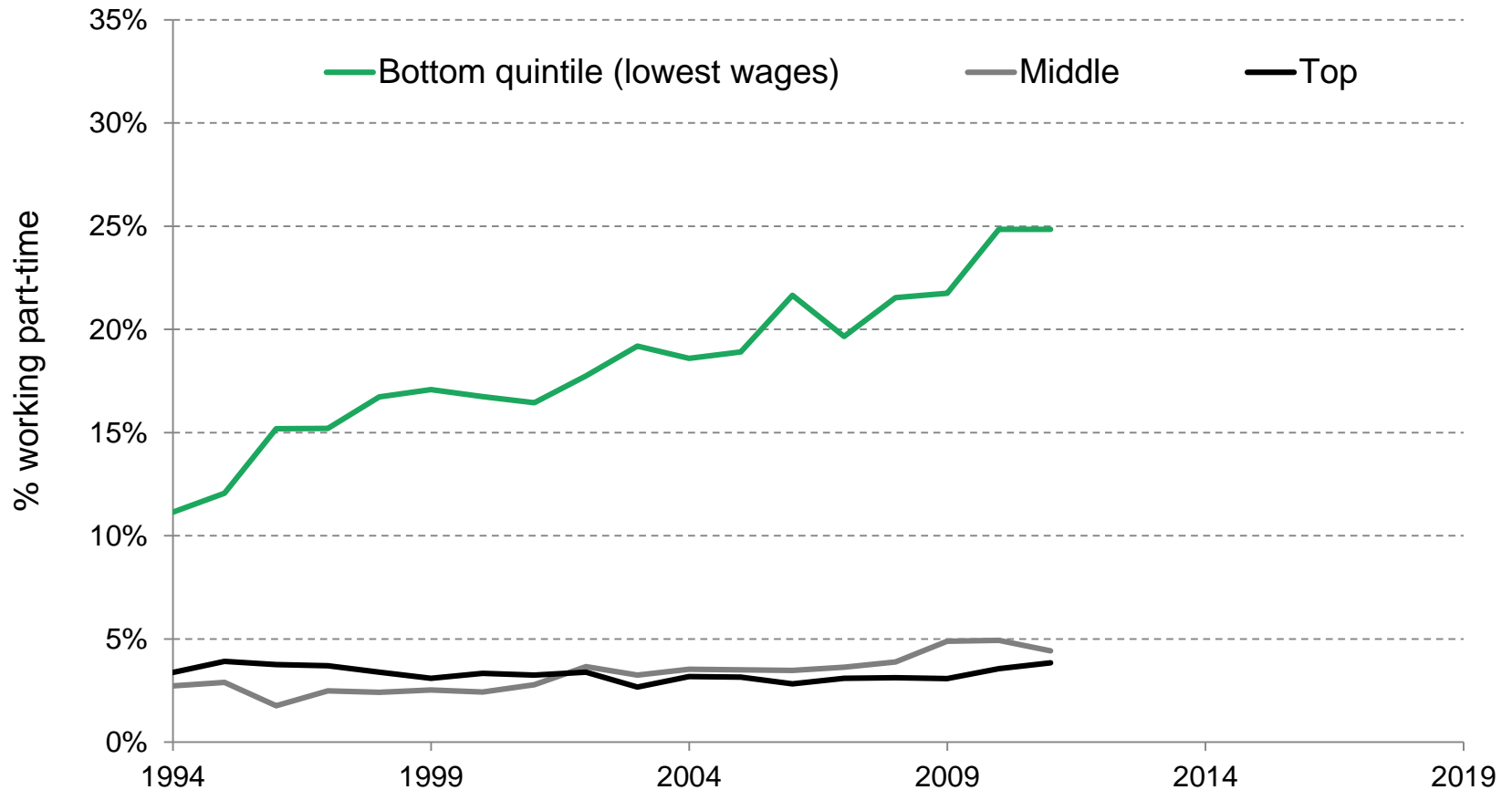
Source: Cribb, Joyce and Wernham (2022), 'Twenty-five years of income inequality in Britain: the role of wages, household earnings and redistribution', IFS Working Paper. Based on data from Family Resources Survey.

2) Hours of work among low-wage men *stopped falling*



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% of male employees working part-time, by hourly wage quintile



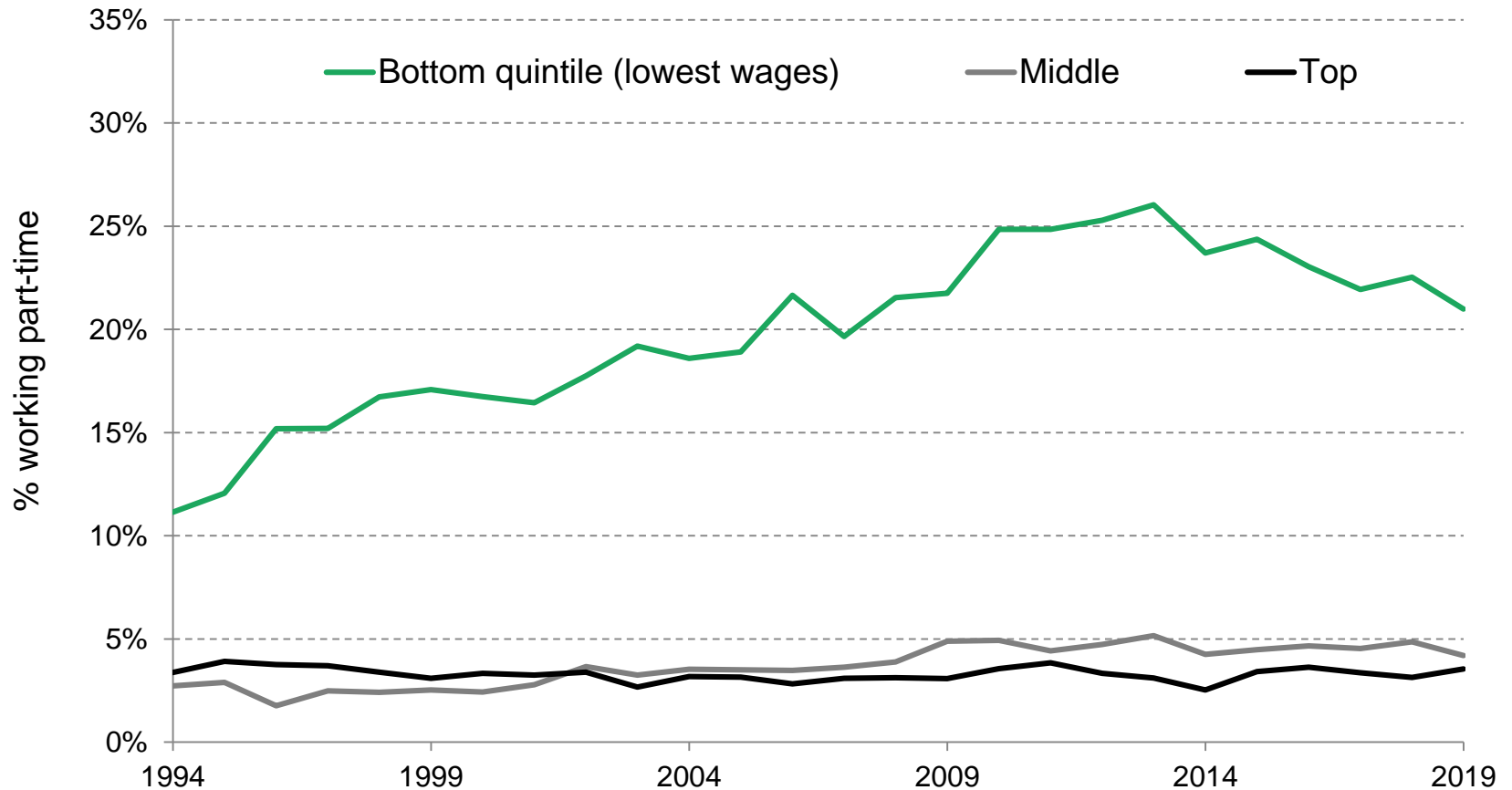
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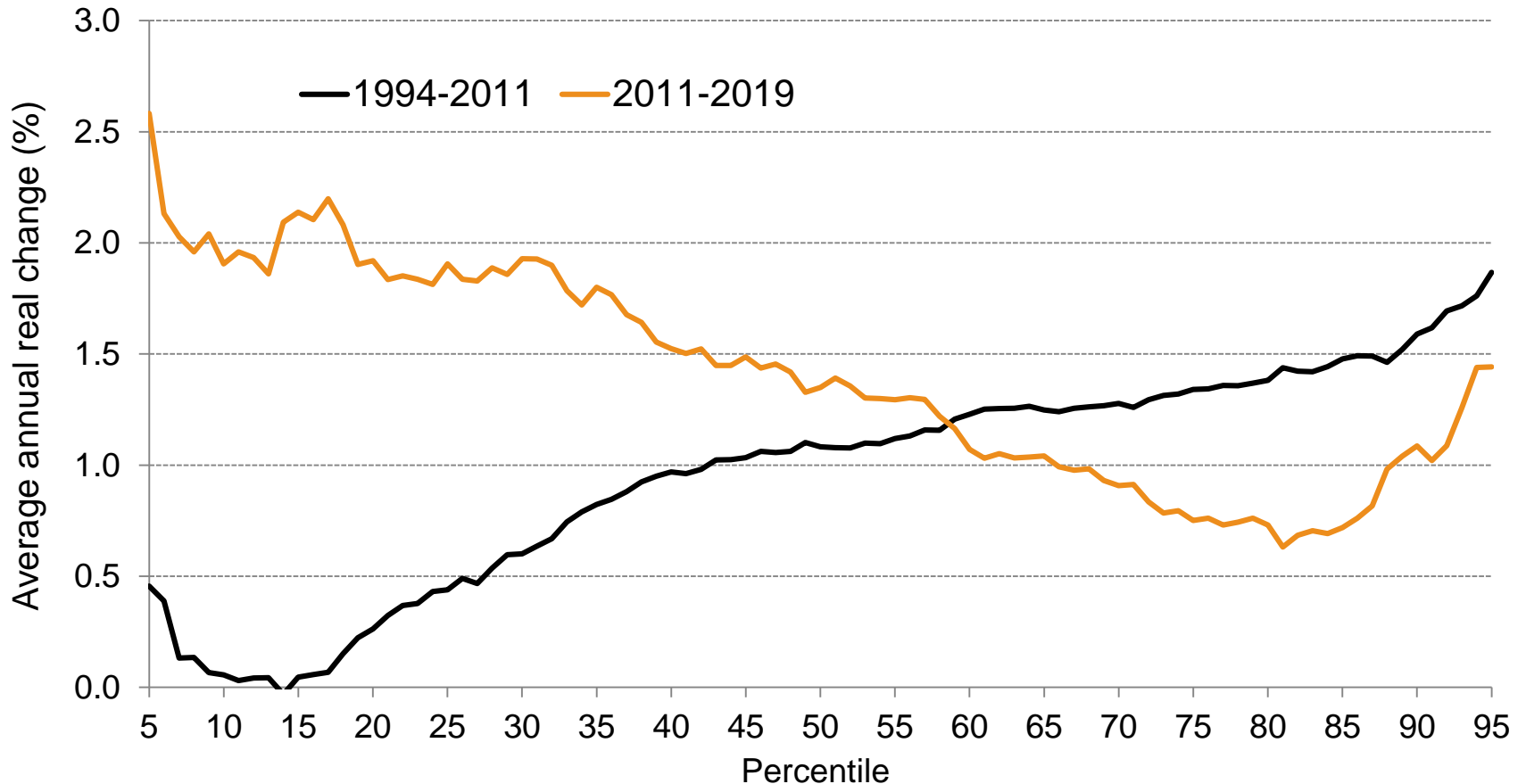
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Back to this

Pre-tax household labour income, among working households only

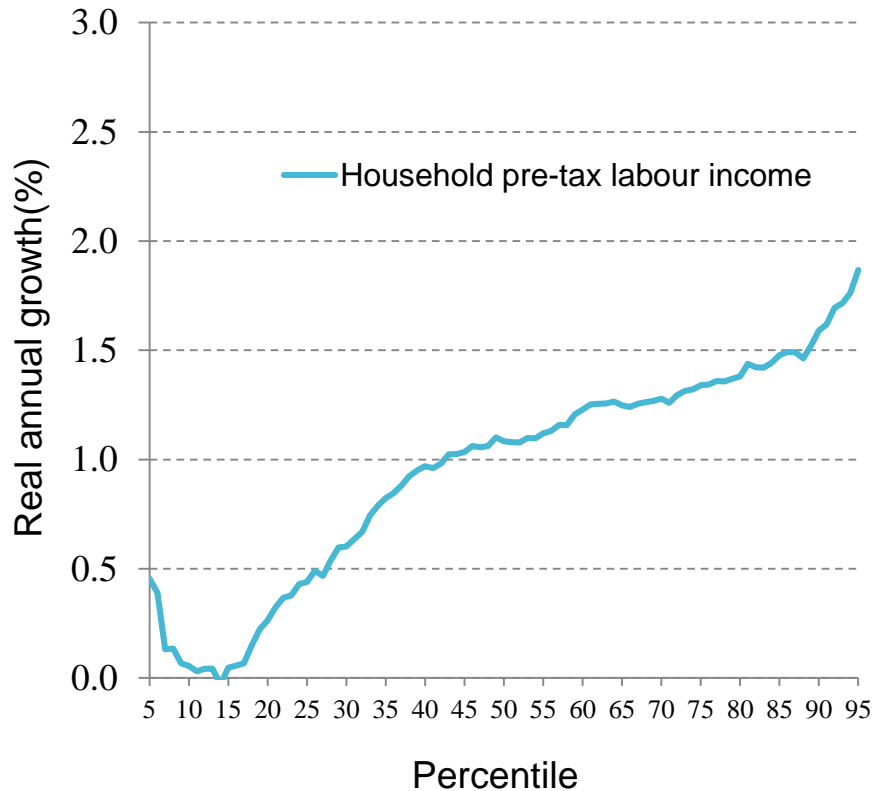


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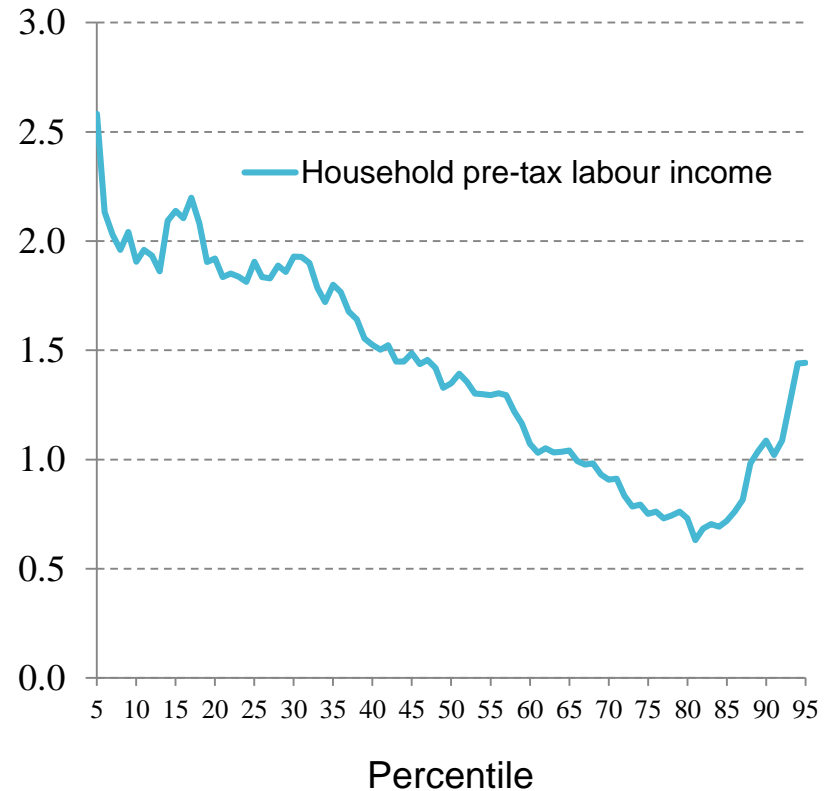
What about the *incomes* of these households?

Changes in household pre-tax labour income vs net total income, by percentile (working households only)

1994-2011



2011-2019

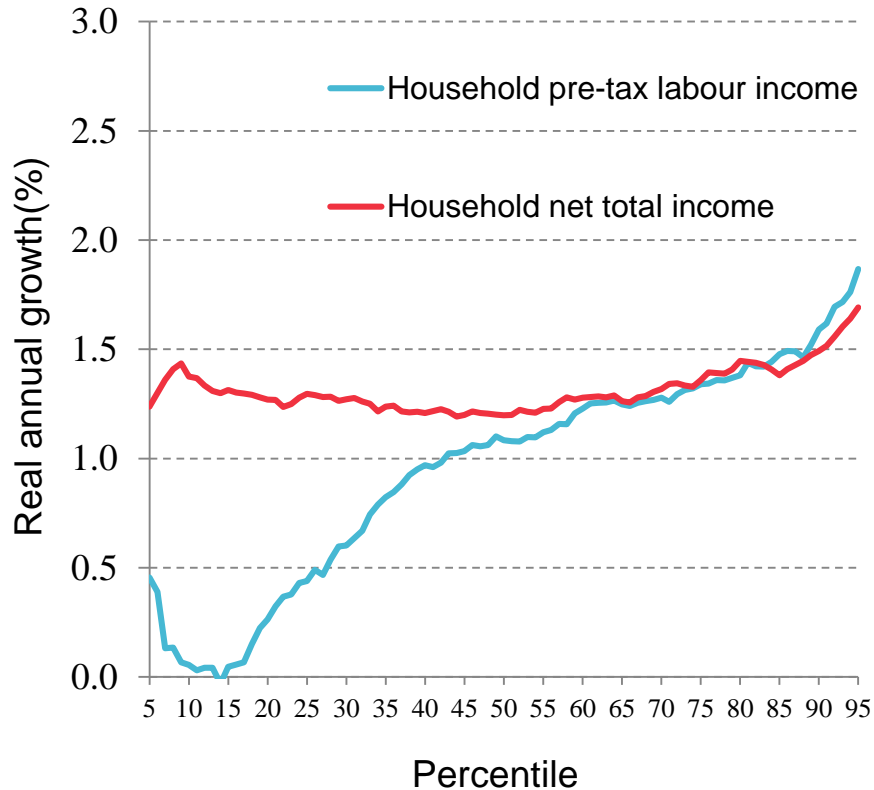


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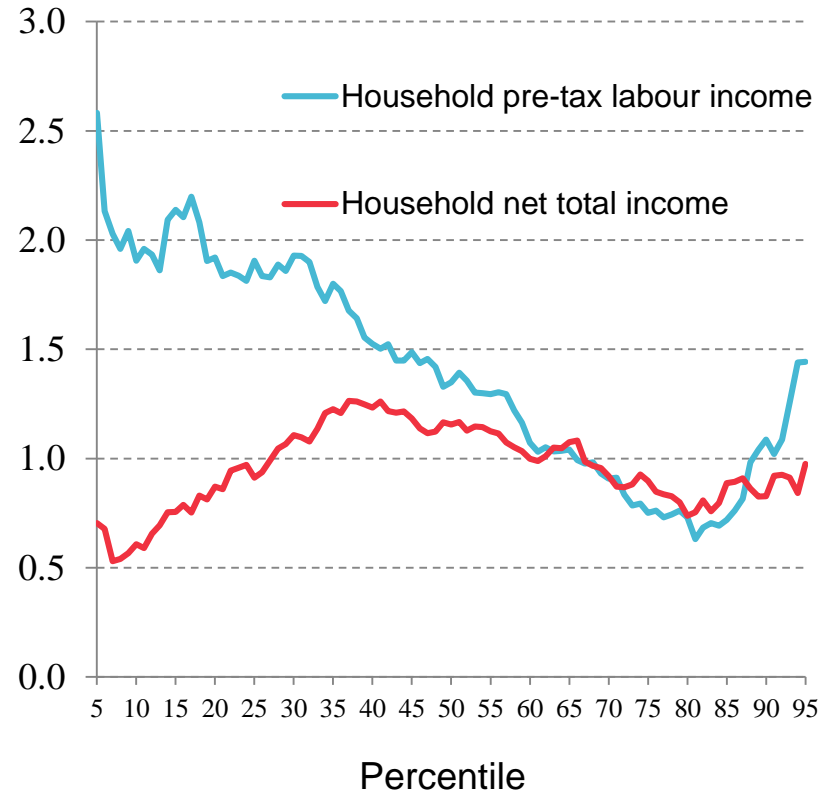
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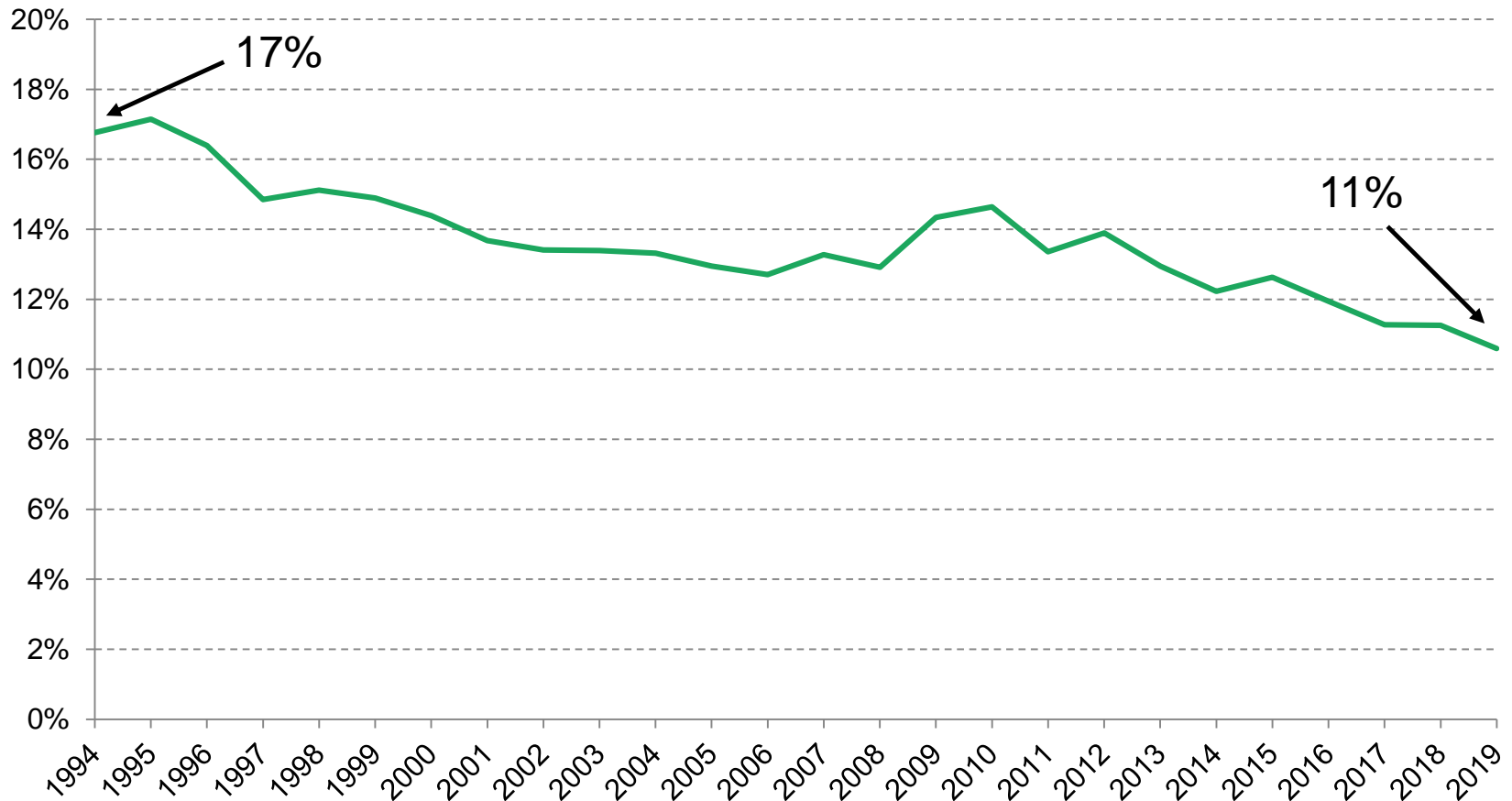
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Employment was increasing a lot too...

% of working-age adults whose household contains no-one in paid work



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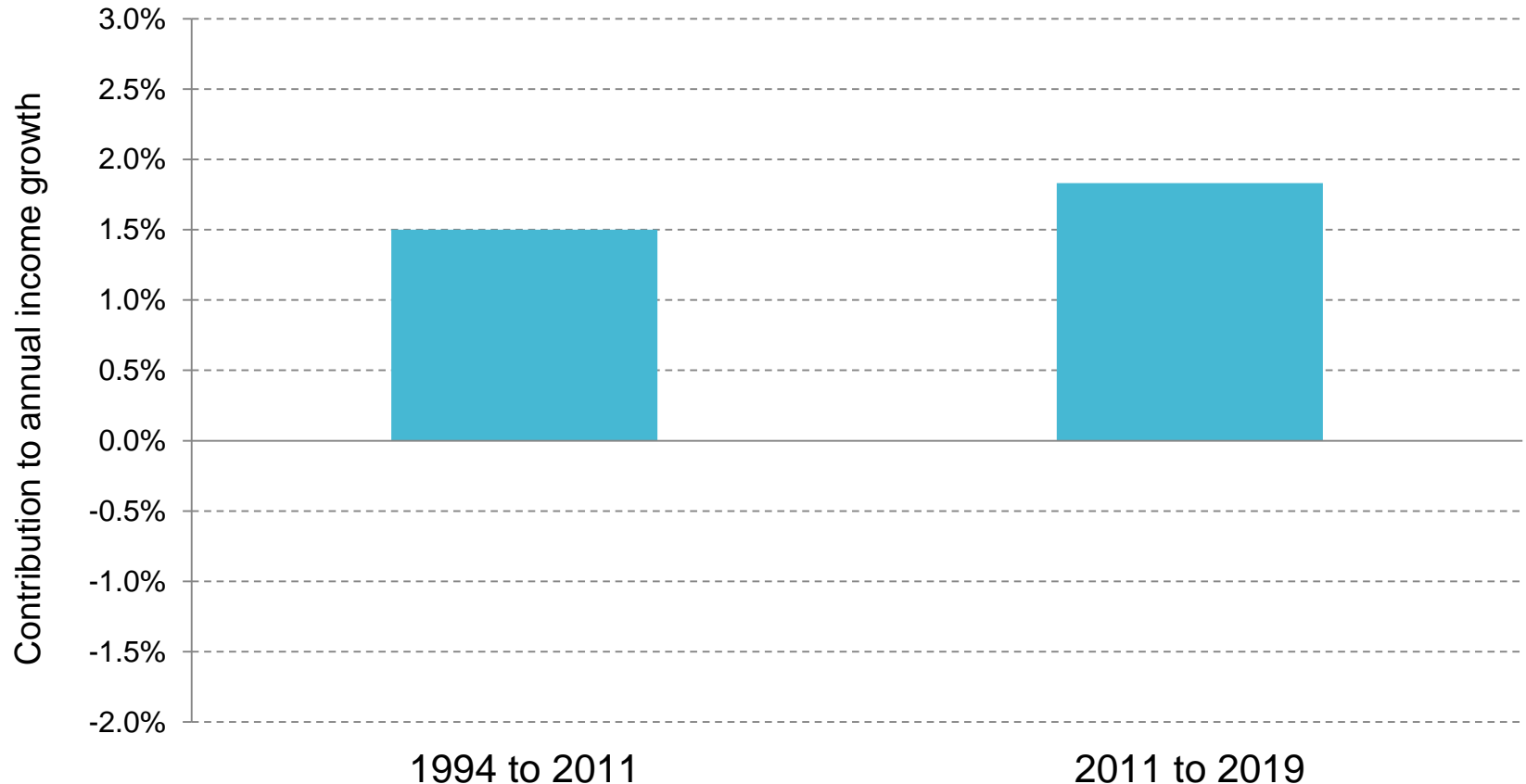
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...so looking at the lowest-income fifth of *all* working-age households

Contribution of labour income to growth in total net income



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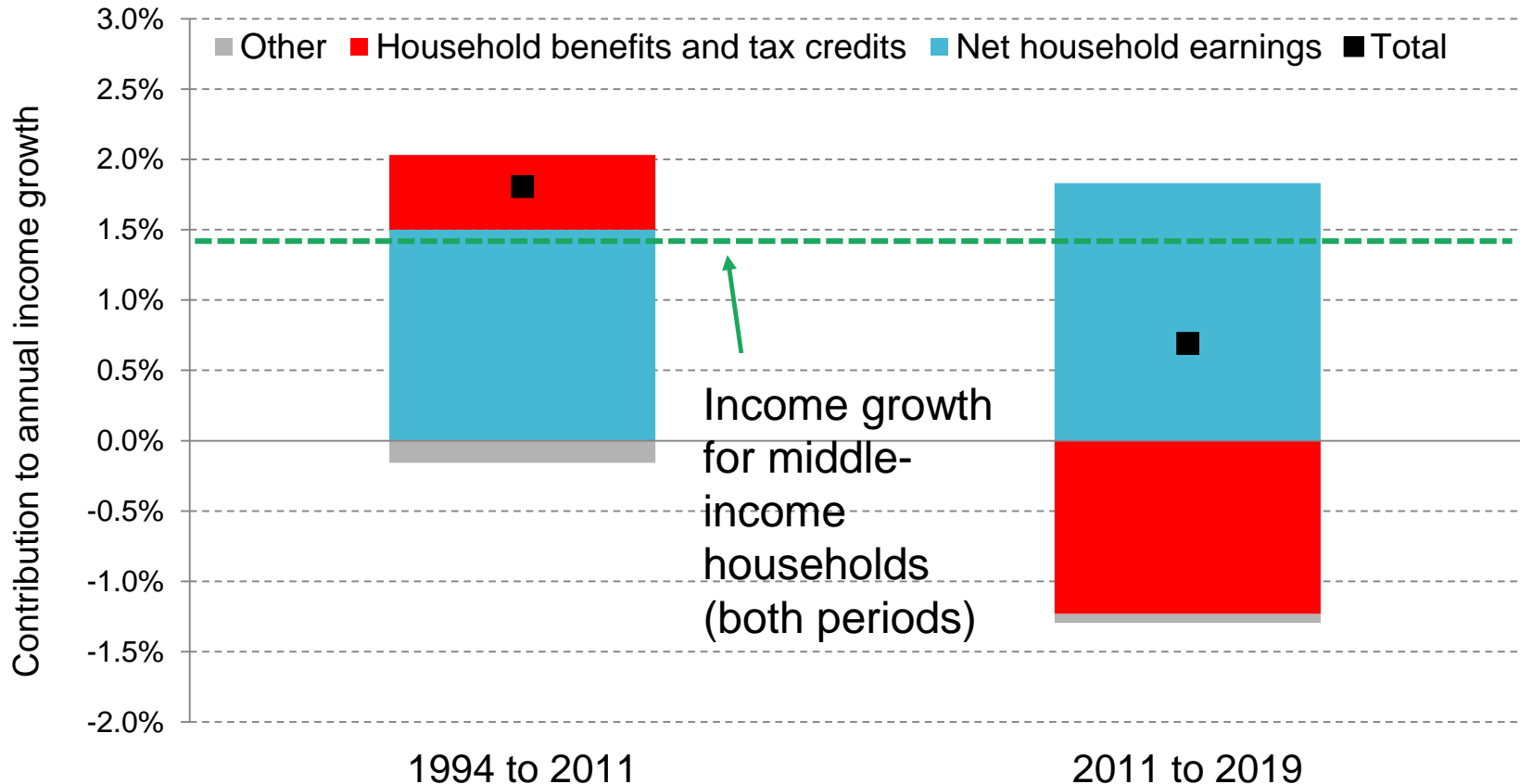
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...so looking at the lowest-income fifth of *all* working-age households

Contribution of different income sources to growth in total net income



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Conclusions

Labour market trends critical to living standards and inequalities

Leant heavily on two different tools at different times over the past quarter-century, to influence or offset labour market trends

- **Tax credits and benefits**, especially in late 90s and 2000s: topped up incomes of low-earning families, which would otherwise have grown little
- **Minimum wage**, especially in recent years: helped to finally get stronger earnings growth at the bottom – but offset by cutbacks to state support

Employment increases very important in boosting incomes at bottom

- Probably can't rely on these on same scale over next 25 years

We need more: minimum wages and tax credits can't continue carrying the can on their own, and many are not helped by them



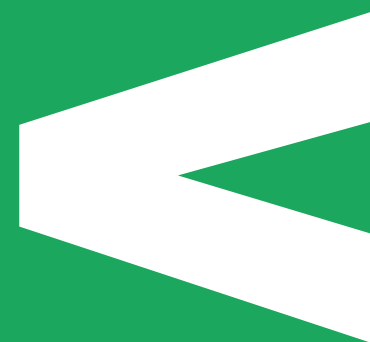
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