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@TheIFS

# Household incomes during the first year of the pandemic

# Measures of income and poverty

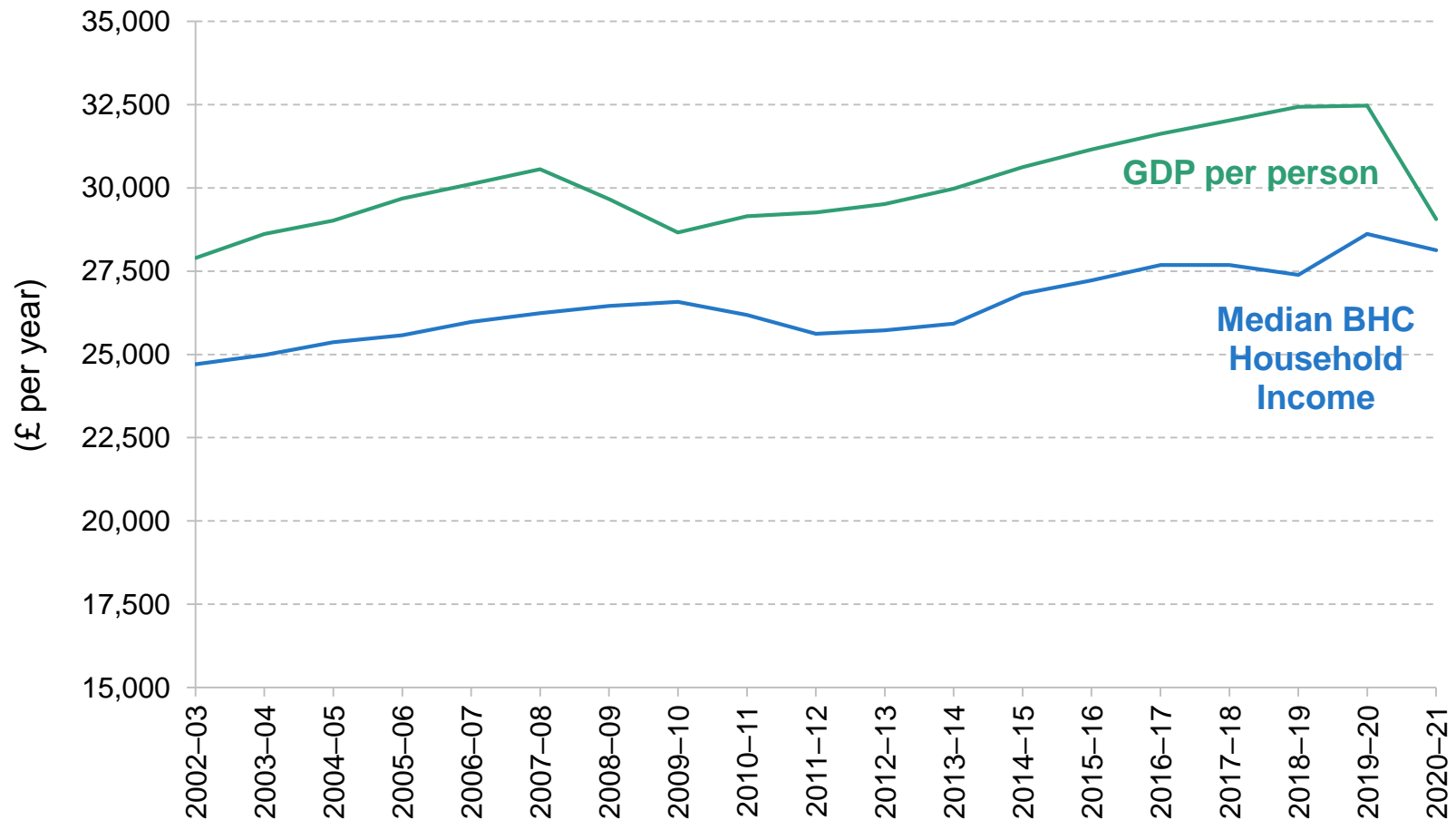
- Net household income – income from all sources including employment, benefits, investments; with taxes deducted
  - Can be measured before (BHC) or after (AHC) deducting housing costs
- Absolute poverty – how many have household incomes below a fixed poverty line (£15,700 AHC for a couple without children)?
- Relative poverty – how many have household incomes below 60% of contemporary median incomes?

# Why did incomes change during the pandemic?



- Small falls in employment
- Many employees furloughed
  - About 8.9m in May 2020, 2.4m in October 2020 and 5.1m in January 2021
  - Not 100% replacement
- Benefit changes
  - Most importantly: £20 per week uplift to Universal Credit (UC) and Working Tax Credit (WTC)

# Median household incomes

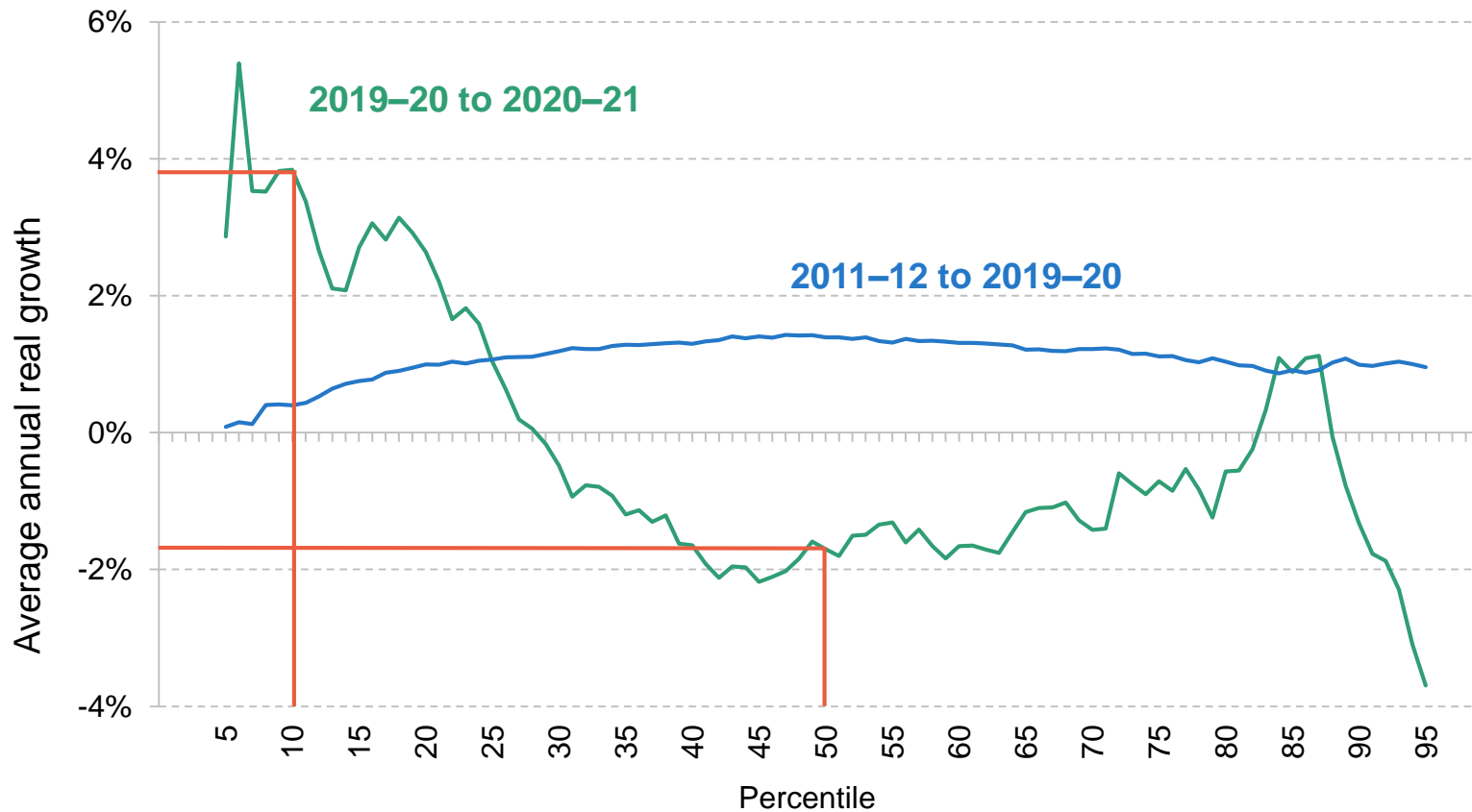


Note: Incomes have been measured net of taxes and benefits, and are expressed in 2020–21 prices. All incomes have been equivalized using the modified OECD equivalence scale to a childless couple. GDP per person is expressed in real terms.

Source: Authors' calculations using the Family Resources Survey, 2002–03 to 2020–21. ONS

Household incomes during the pandemic

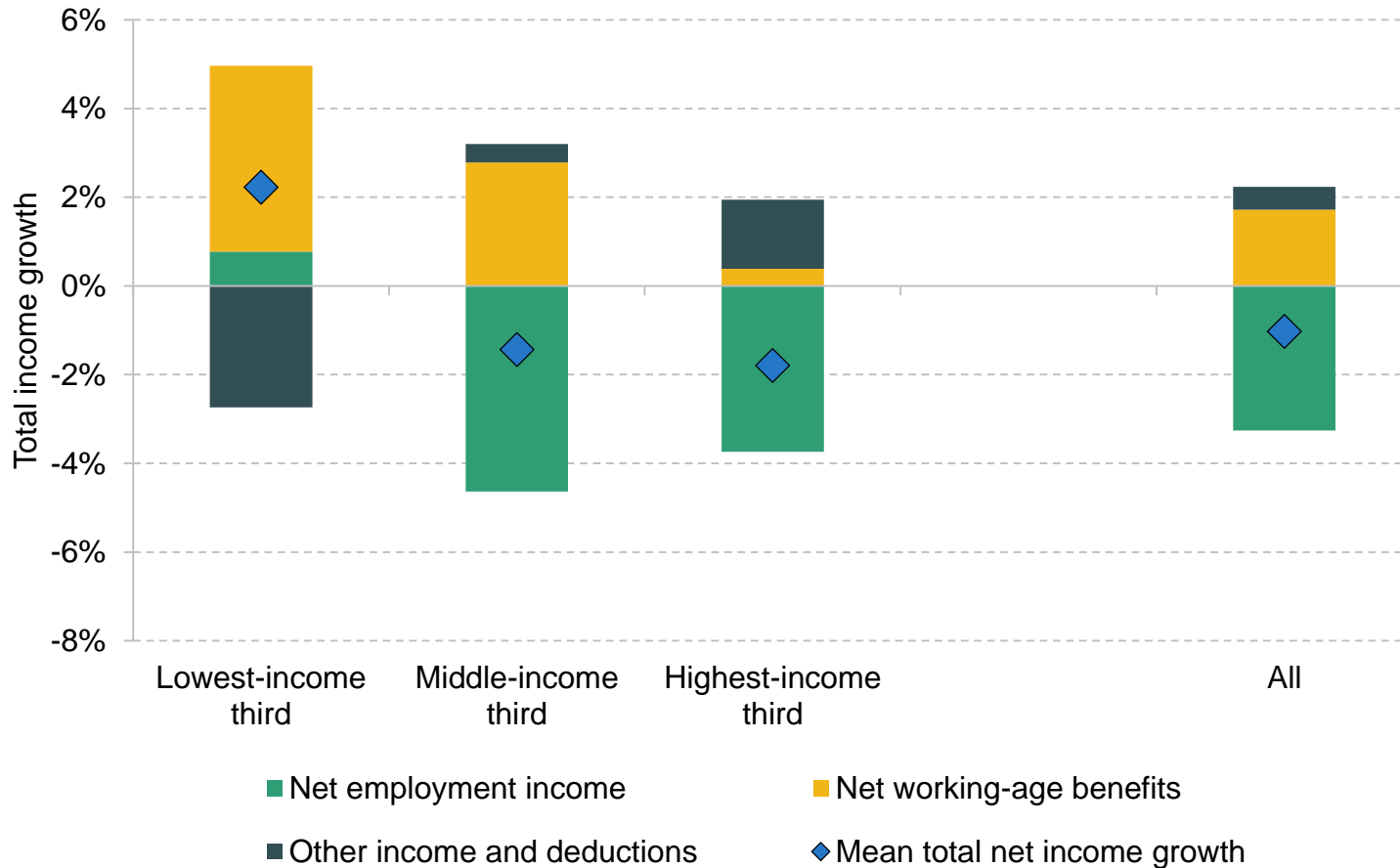
# Income growth across the distribution



Note: Incomes have been measured net of taxes and benefits, and adjusted for inflation. All incomes have been equalized using the modified OECD equivalence scale to a childless couple. The top and bottom 5% are excluded because of increased uncertainty in measurement changes in extreme incomes.

Source: Authors' calculations using the Family Resources Survey, 2002-03 to 2020-21.

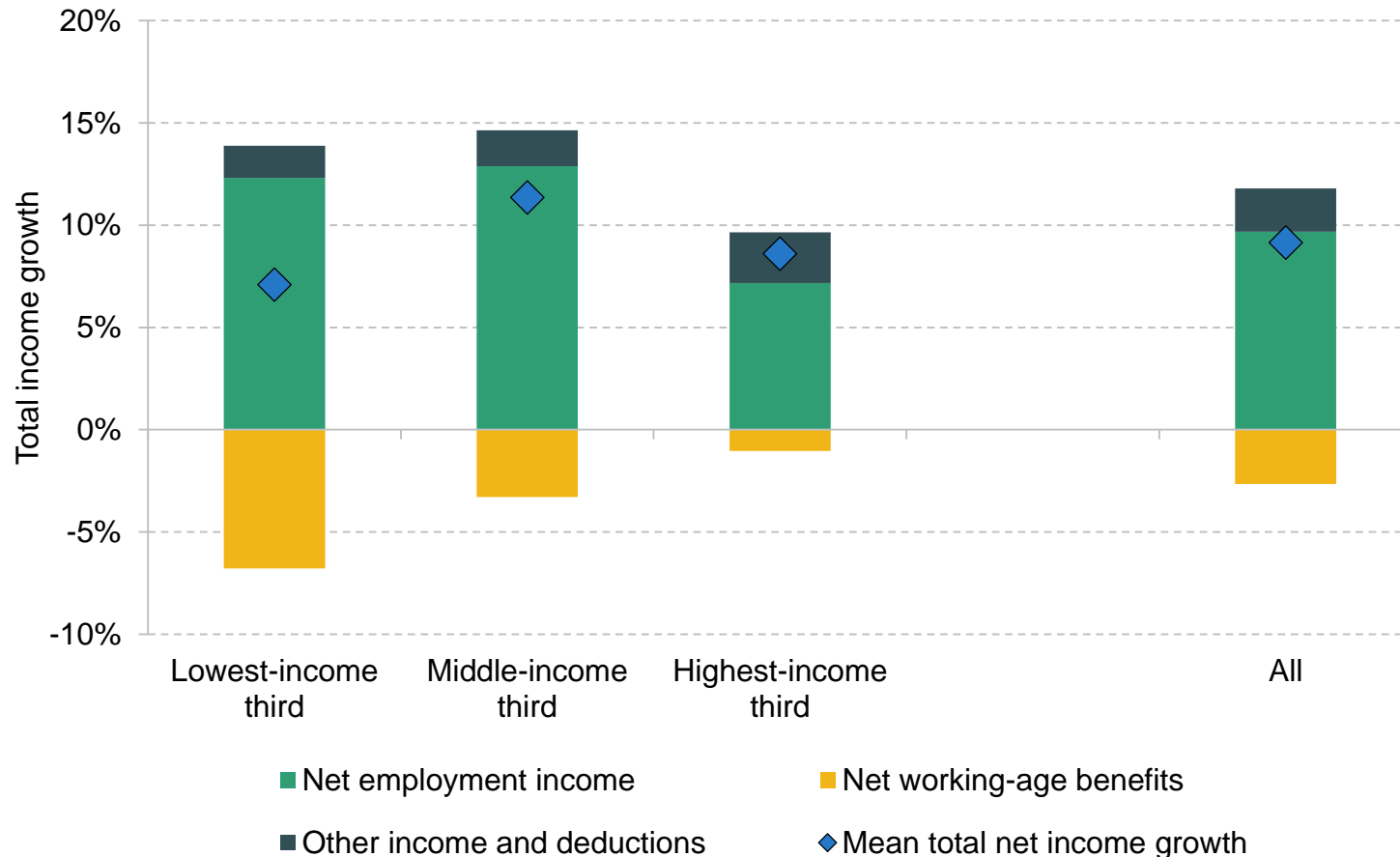
# Income growth decomposition: first year of pandemic



Note: Incomes have been measured net of taxes and benefits, and adjusted for inflation. All incomes have been equivalized using the modified OECD equivalence scale to a childless couple. Negative incomes, and very high incomes have been excluded.

Source: Authors' calculations using the Family Resources Survey, 2002–03 to 2020–21.

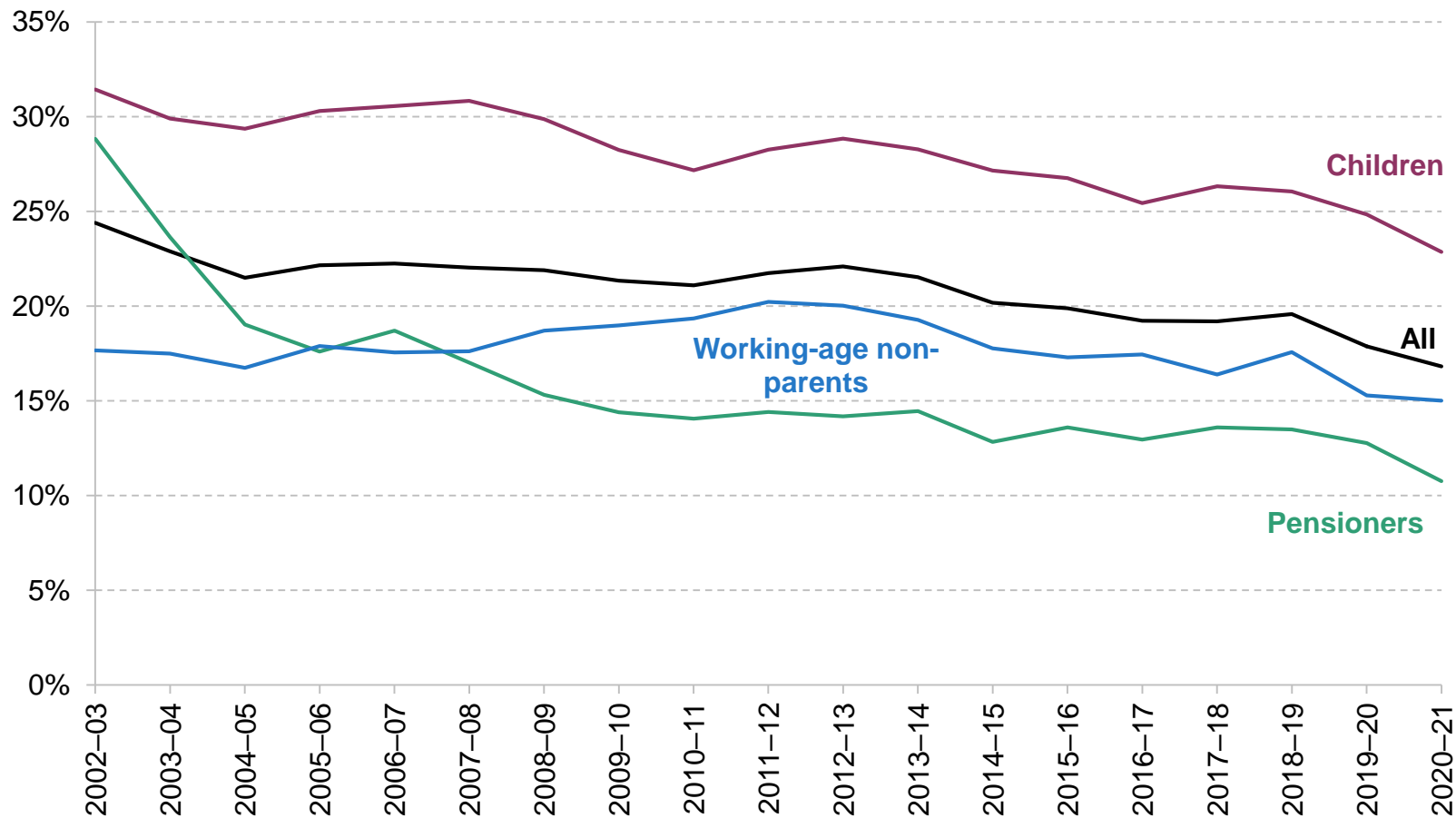
# Income growth decomposition: 2011–12 to 2019–20



Note: Incomes have been measured net of taxes and benefits, and adjusted for inflation. All incomes have been equivalized using the modified OECD equivalence scale to a childless couple. Negative incomes, and very high incomes have been excluded.

Source: Authors' calculations using the Family Resources Survey, 2002–03 to 2020–21.

# Absolute poverty

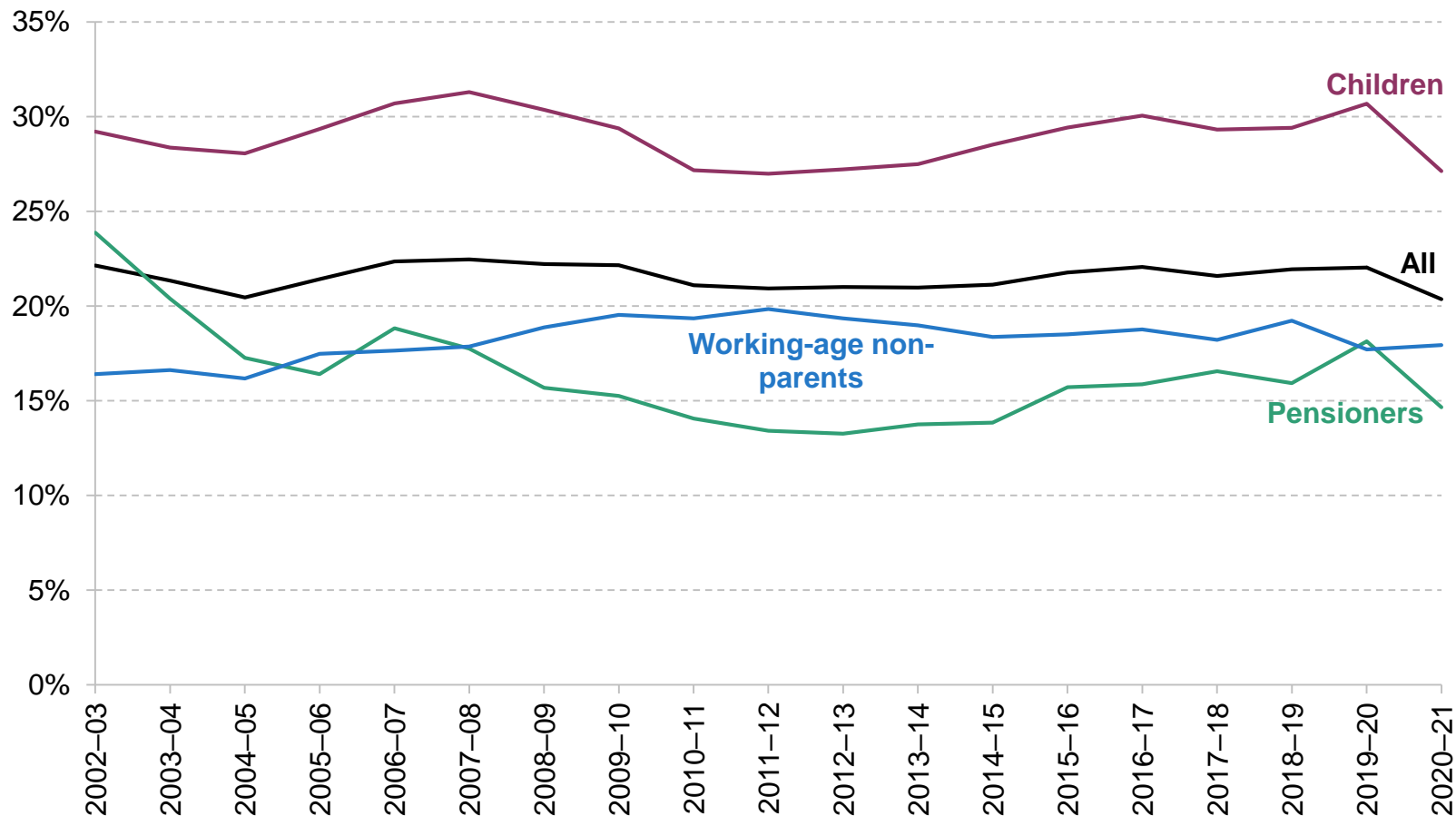


Note: Incomes have been measured net of taxes and benefits, with housing costs deducted. All incomes have been equivalized using the modified OECD equivalence scale. The absolute poverty measure gives the proportion living in a household with less than 60% of the 2010–11 median income, adjusted for inflation.

Source: Authors' calculations using the Family Resources Survey, 2002–03 to 2020–21.  
**Household incomes during the pandemic**



# Relative poverty



Note: Incomes have been measured net of taxes and benefits, with housing costs deducted. All incomes have been equivalized using the modified OECD equivalence scale. The relative poverty measure gives the proportion living in a household with less than 60% of contemporaneous income.

Source: Authors' calculations using the Family Resources Survey, 2002-03 to 2020-21.  
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# Conclusion and outlook I



- Remarkably small decline in average incomes given disruption of the pandemic
- Benefit increases meant absolute and relative income poverty actually fell in 2020–21
- But a lot has happened since March 2021...

# Conclusion and outlook II

- But a lot has happened since March 2021...
- During 2021–22, recovery in average incomes, but with end of UC uplift, poverty likely to have gone up
- This financial year uncertain:
  - Prices on the rise for all, particularly poorest
  - Government support targeted at the poorest, with tax rises for those on higher incomes
  - Inequality and poverty might reduce, but this depends on future path of inflation, earnings and policy

# Conclusion and outlook III



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