

Living standards, poverty and inequality in the UK: 2020

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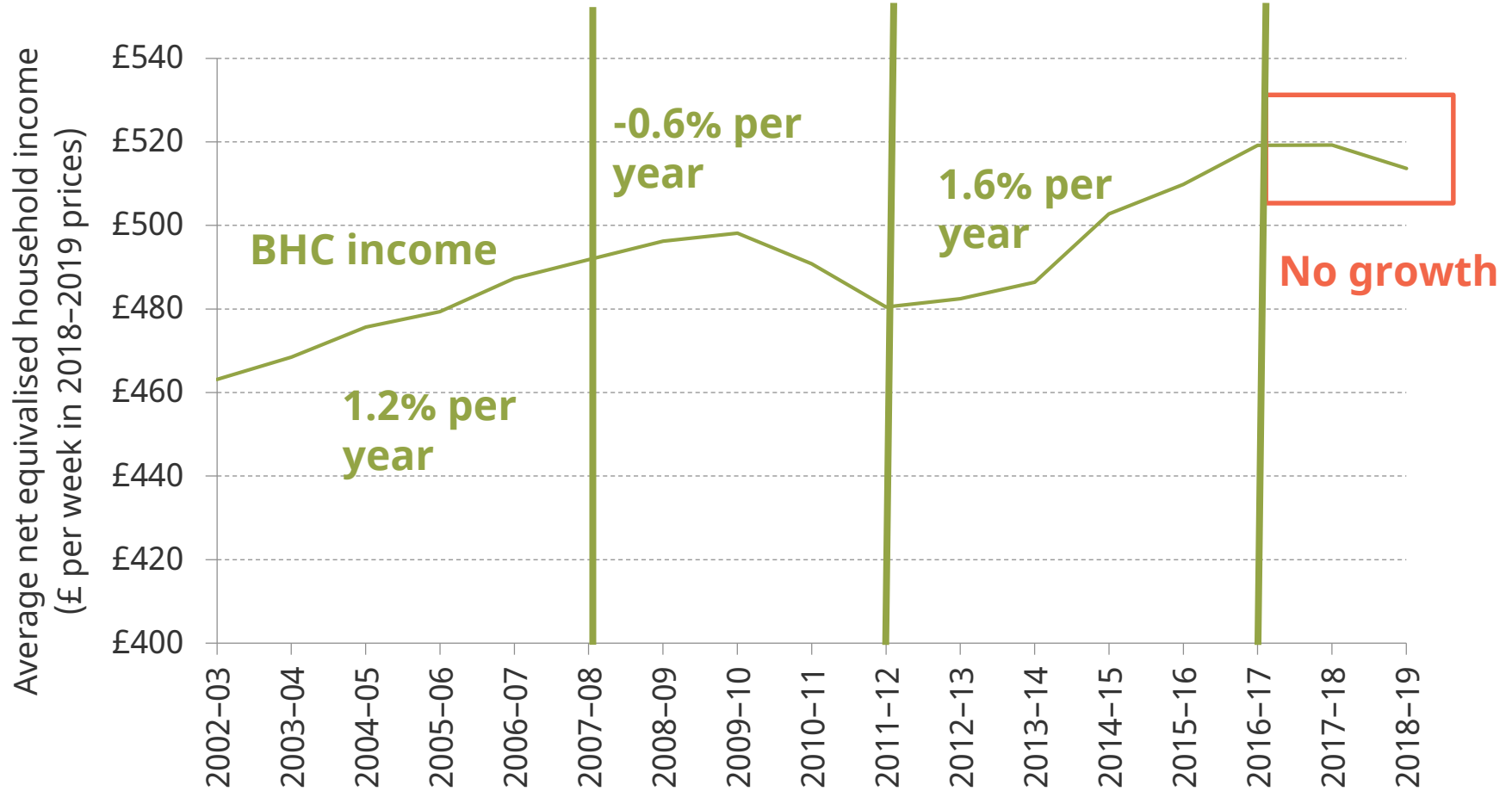
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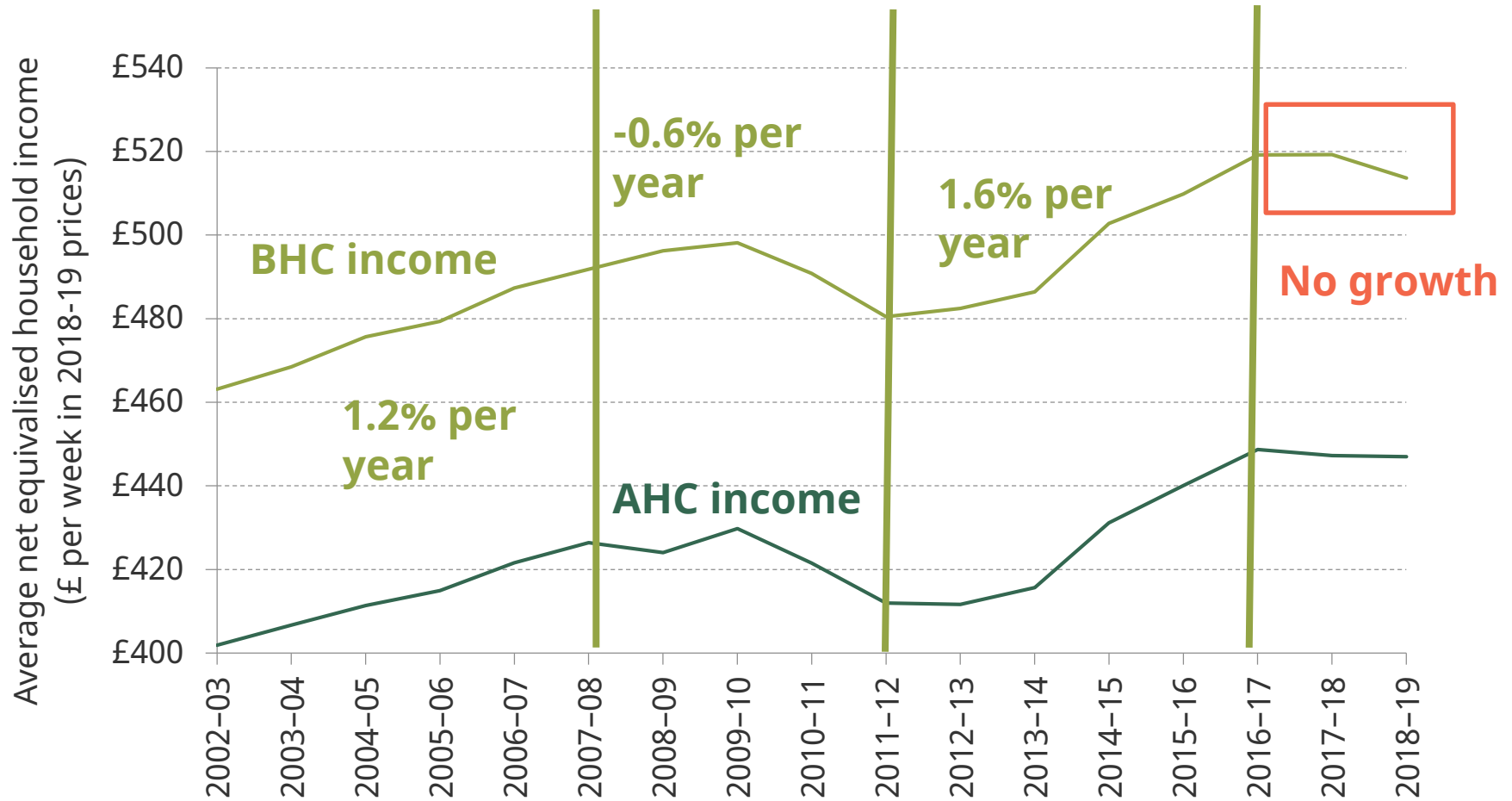
Living standards, inequality and poverty in the UK

Pascale Bourquin, Robert Joyce and Agnes Norris Keiller

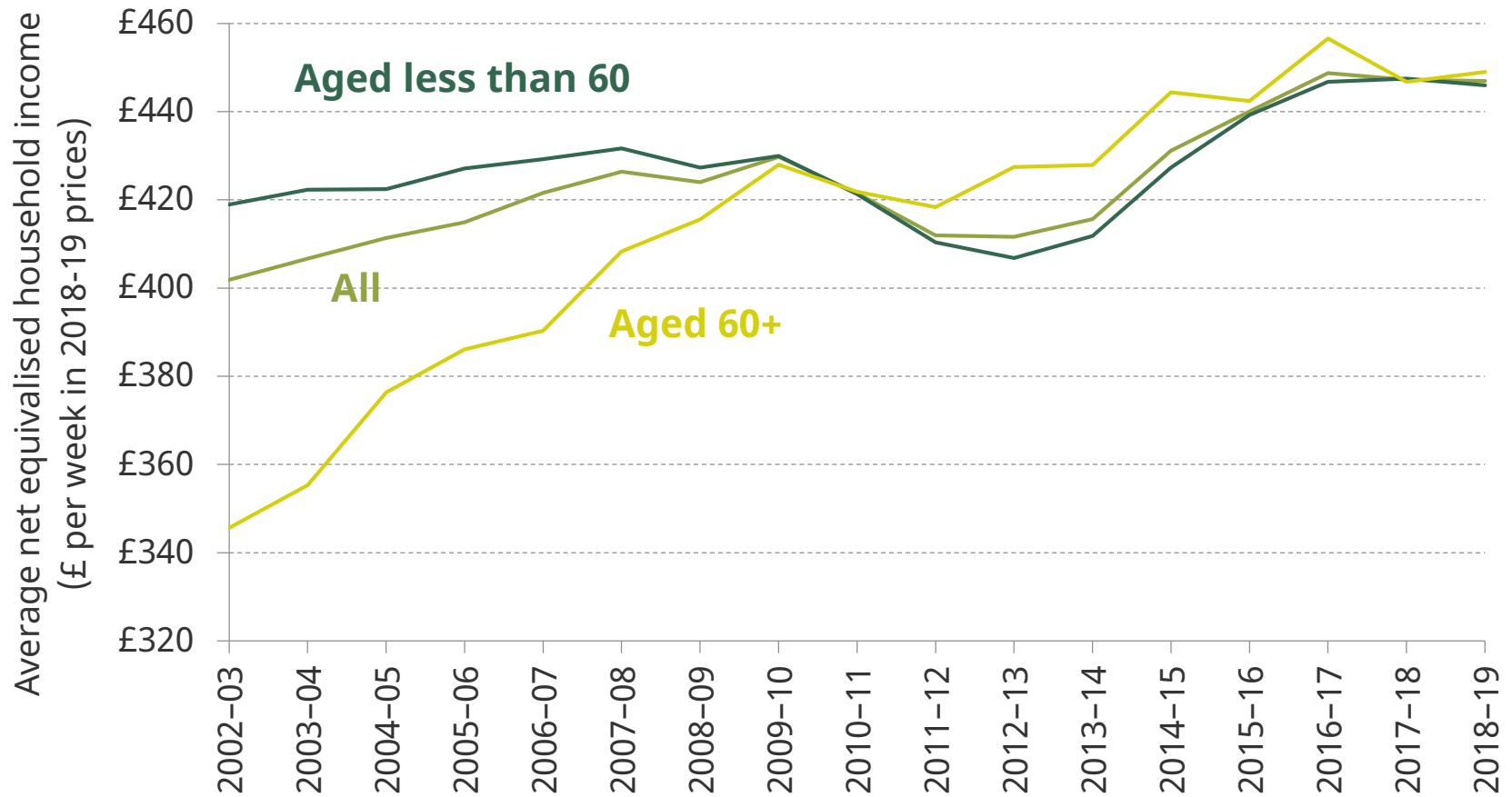
Median real UK household income



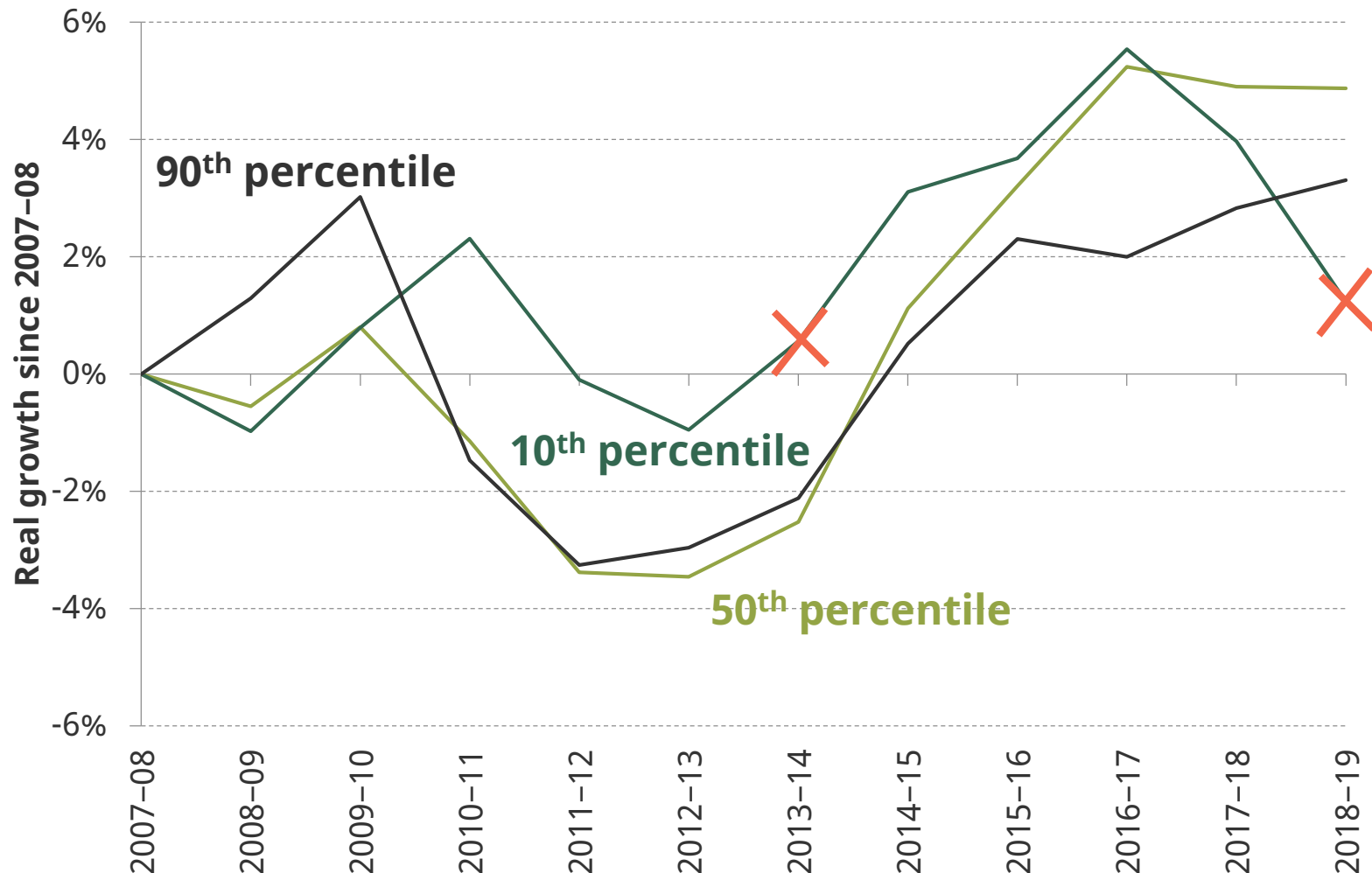
Median real UK household income



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



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



How do we measure poverty?

Focus on income poverty

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

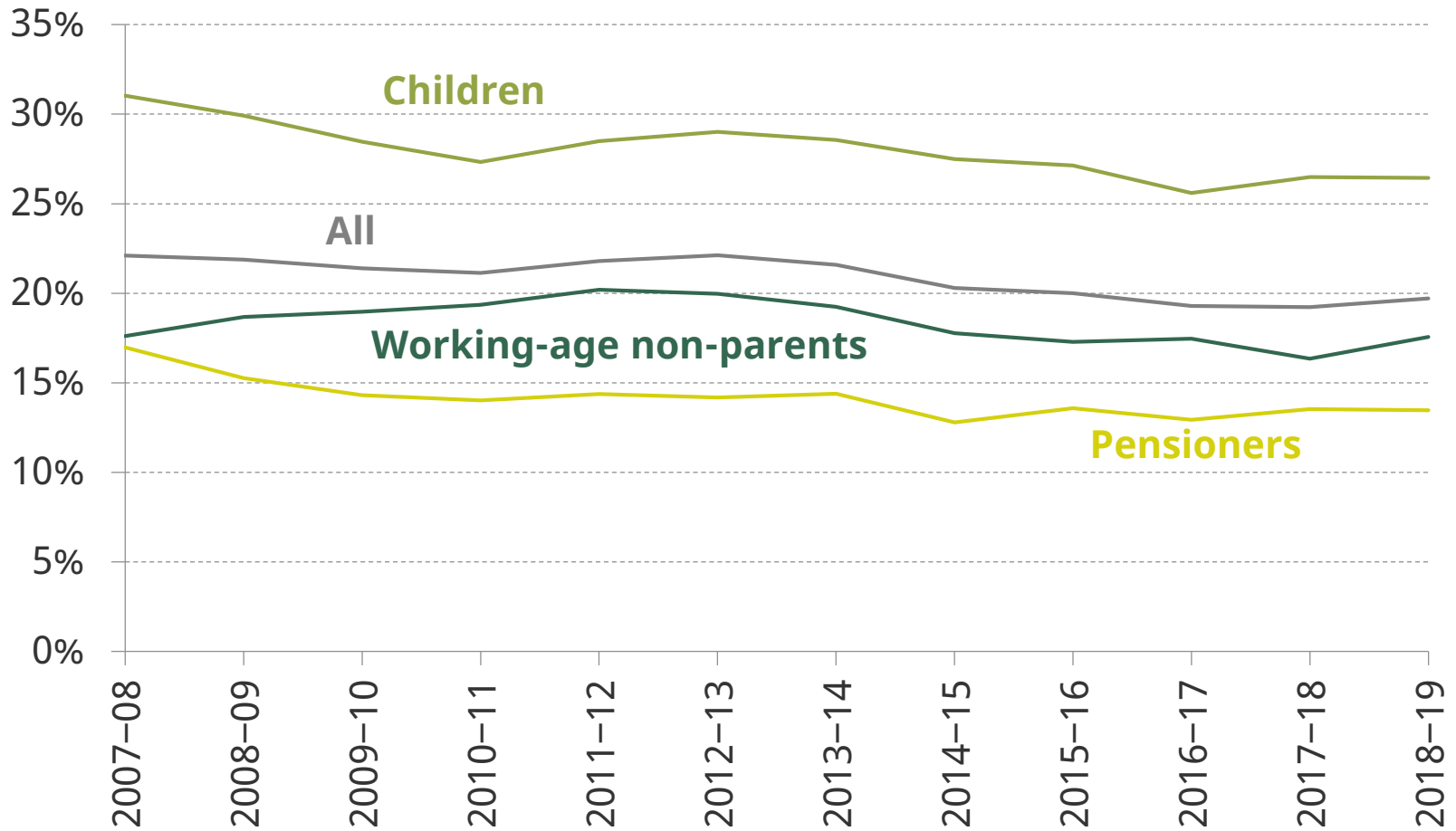
Absolute poverty

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

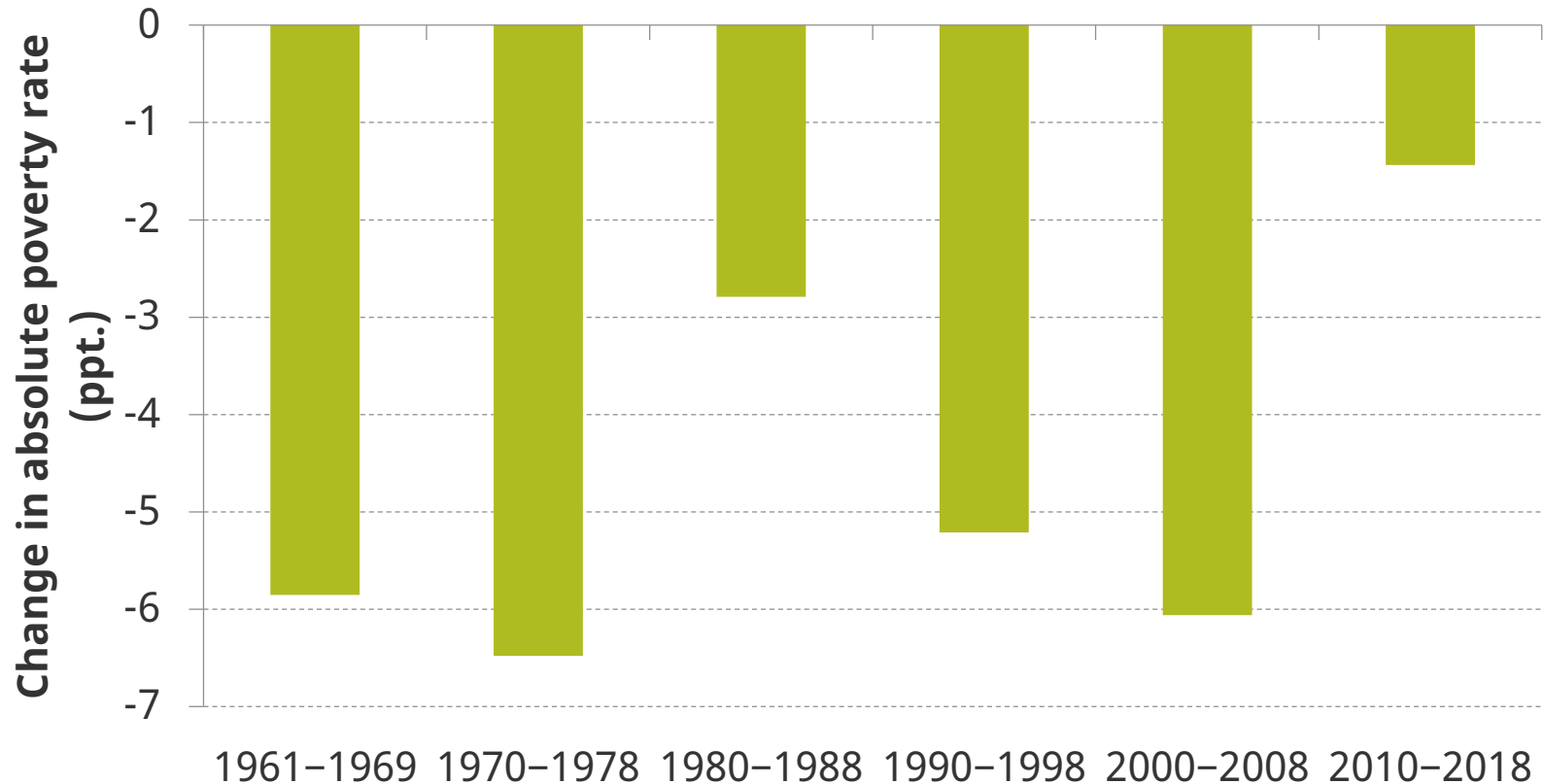
Relative poverty

- 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

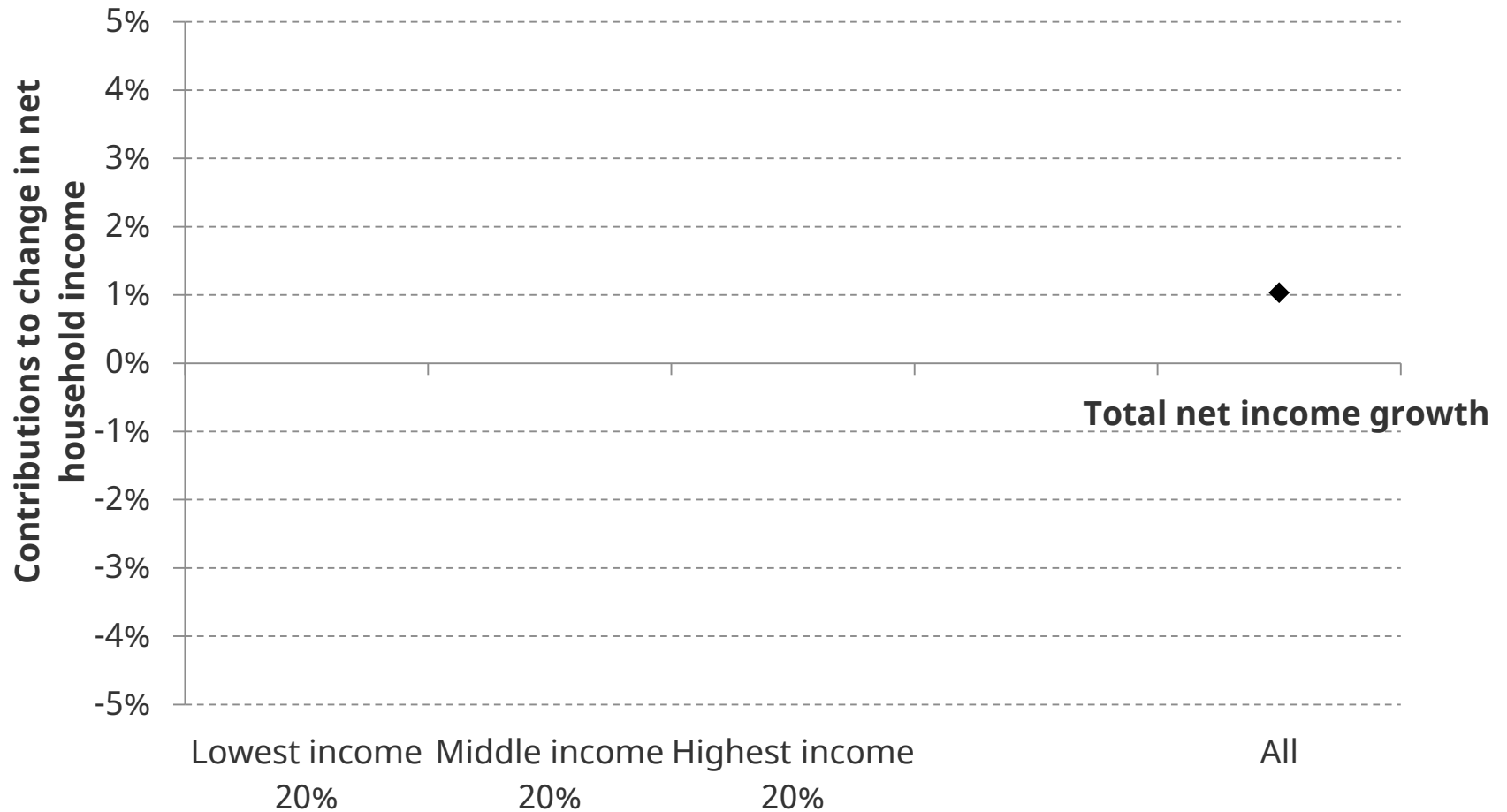


Percentage point change in absolute poverty rate (AHC) over 8-year periods

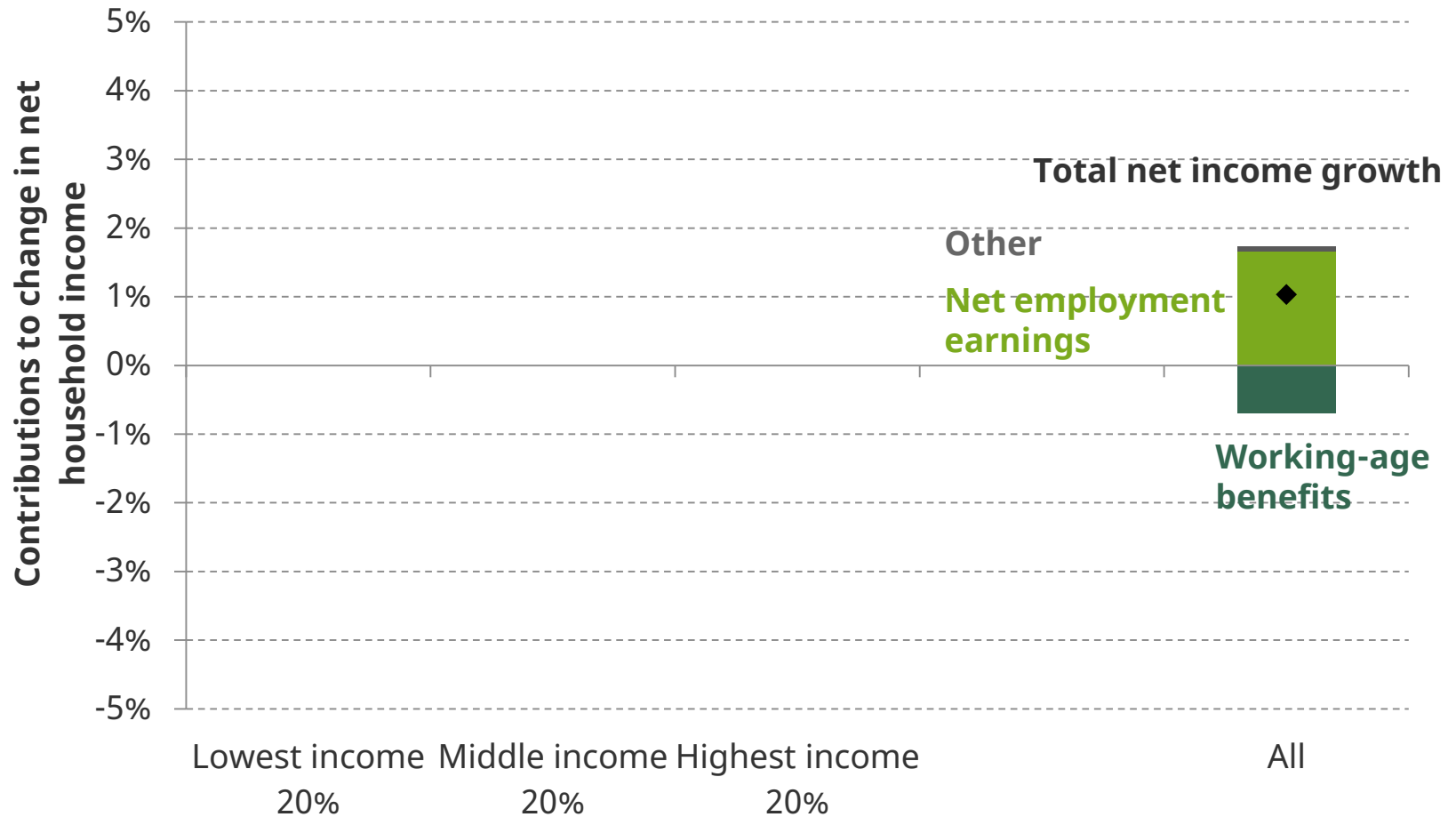


Note: The absolute poverty line is defined as 60% of median income in the initial year of each eight-year period.

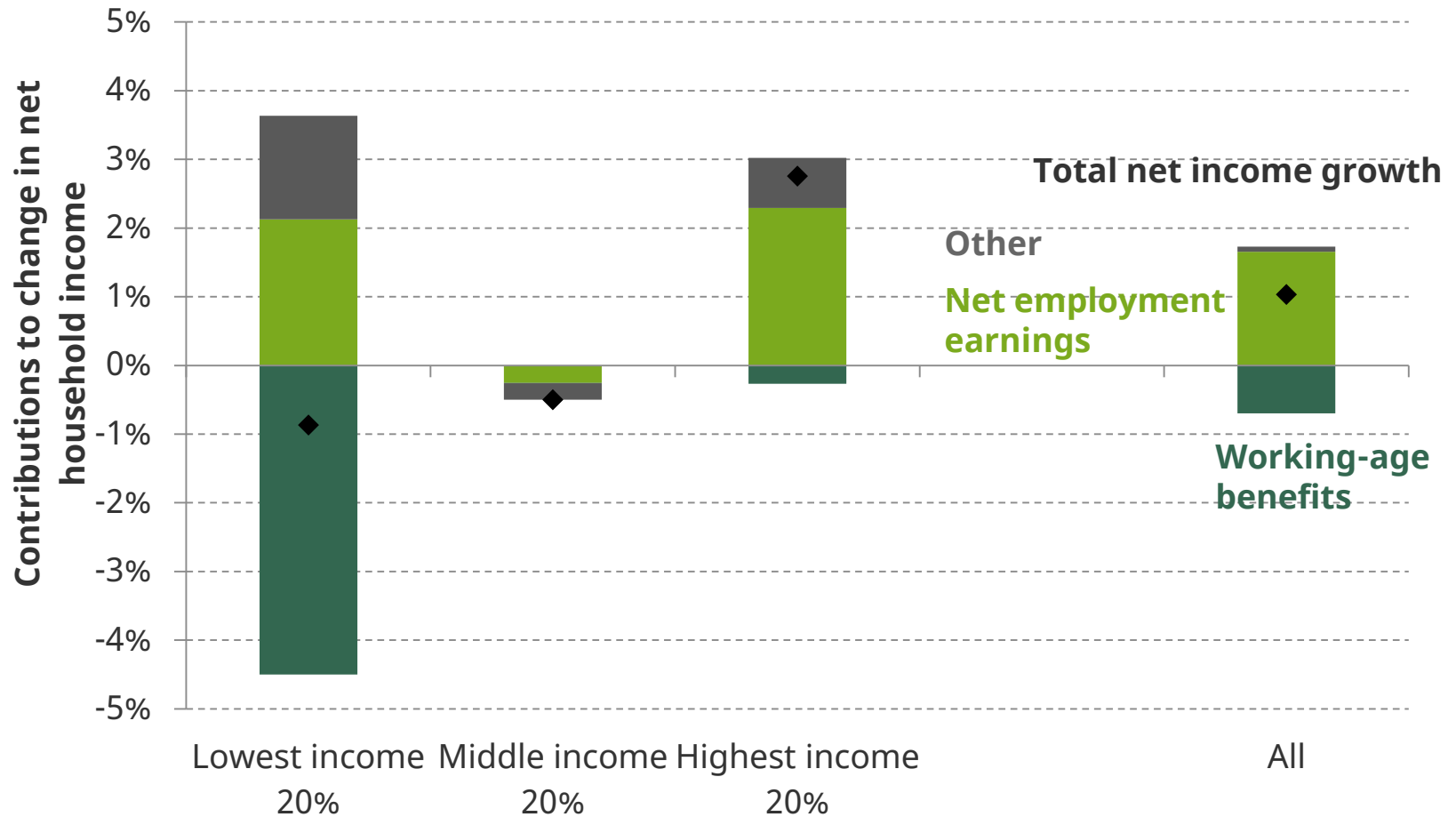
Drivers of mean net income growth between 2016-17 and 2018-19



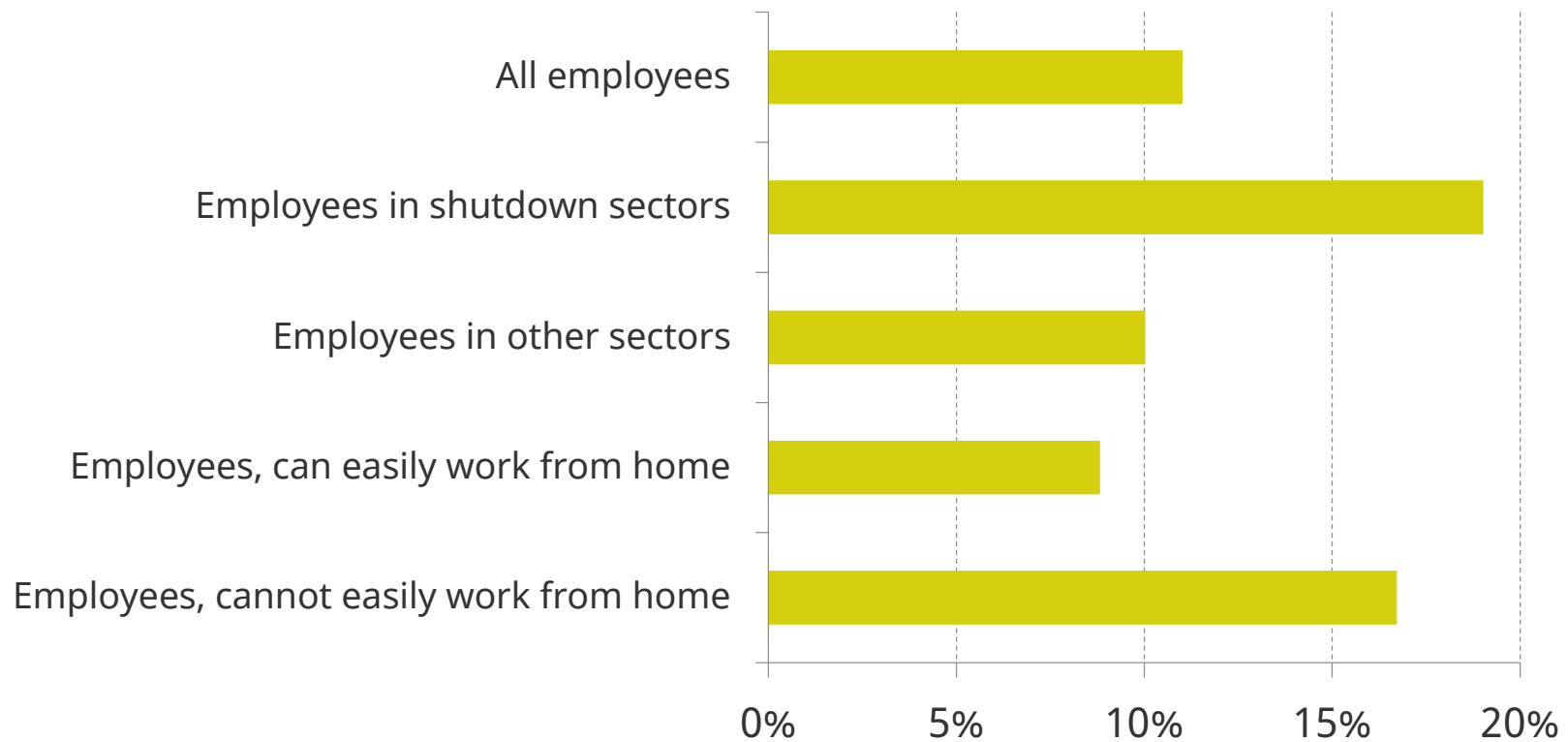
Drivers of mean net income growth between 2016-17 and 2018-19



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

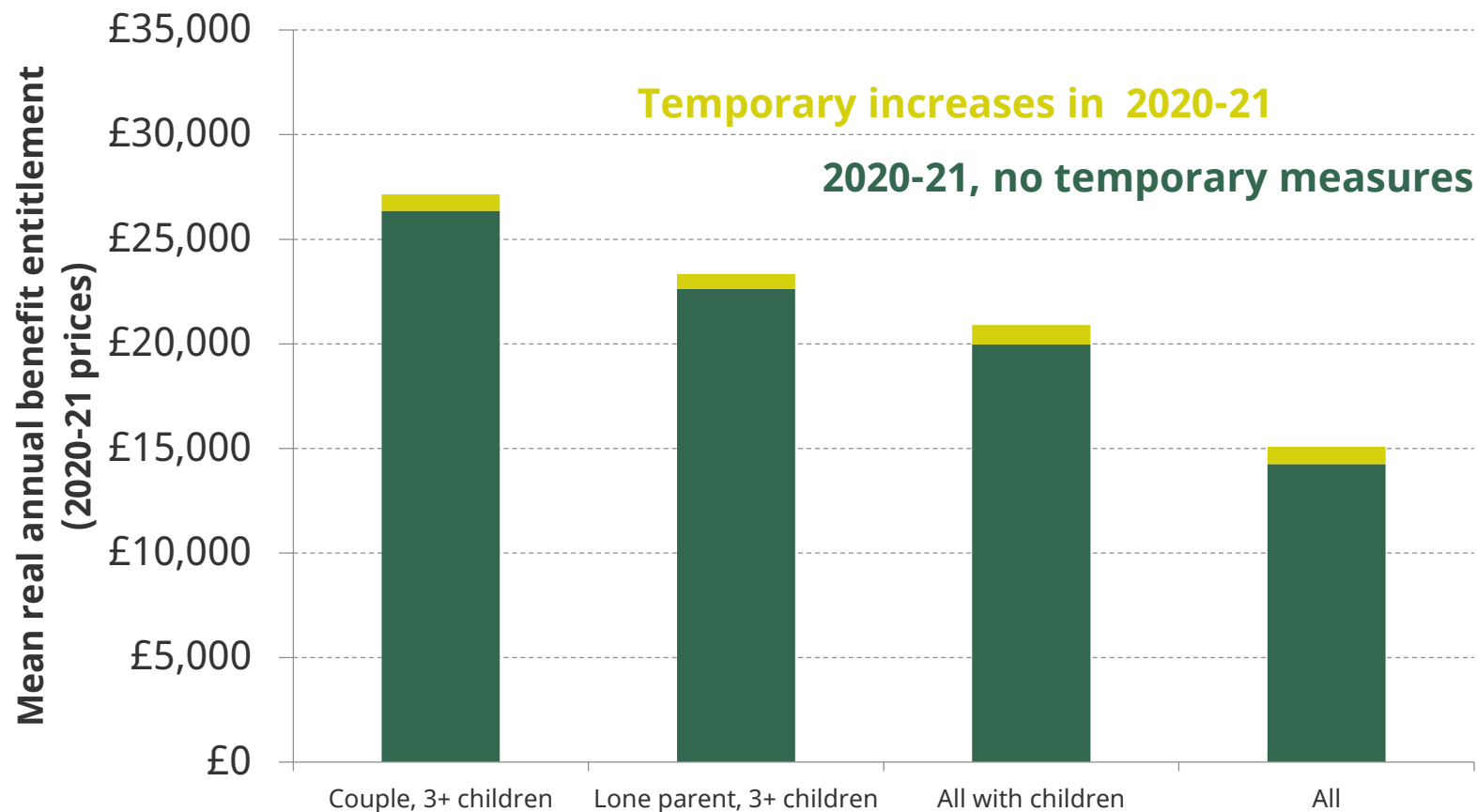


Relative poverty rates (AHC) among workers by job characteristics (2015–2019)



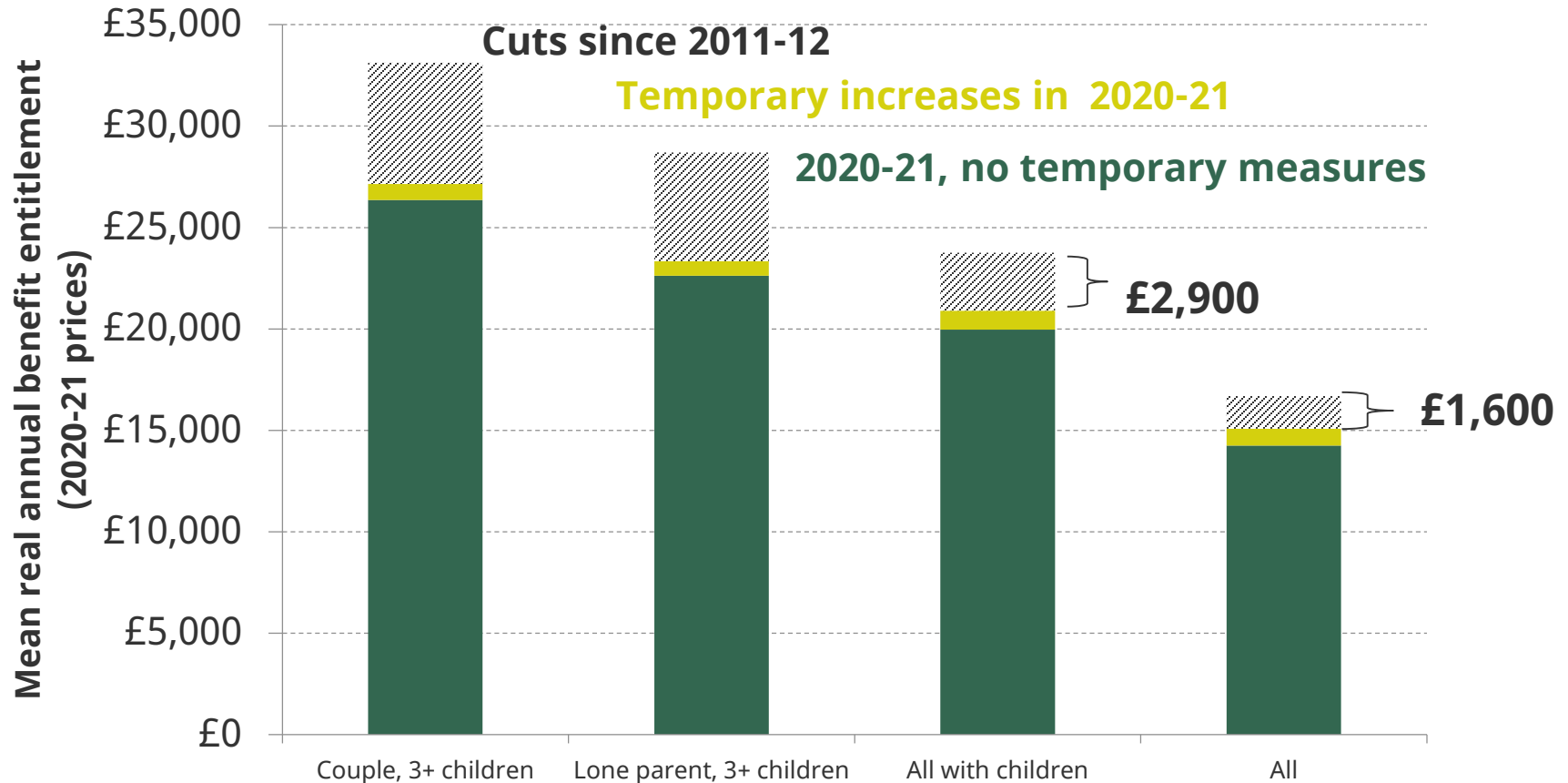
Note: The sectors classed as being directly affected by the lockdown are (with four-digit Standard Industrial Classification (SIC) codes in parentheses): non-food, non-pharmaceutical retail (4719, 4730–4772, 4776–4799); passenger transport (4910, 4931–4939, 5010, 5030, 5110); accommodation and food (5510–5630); 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)



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)



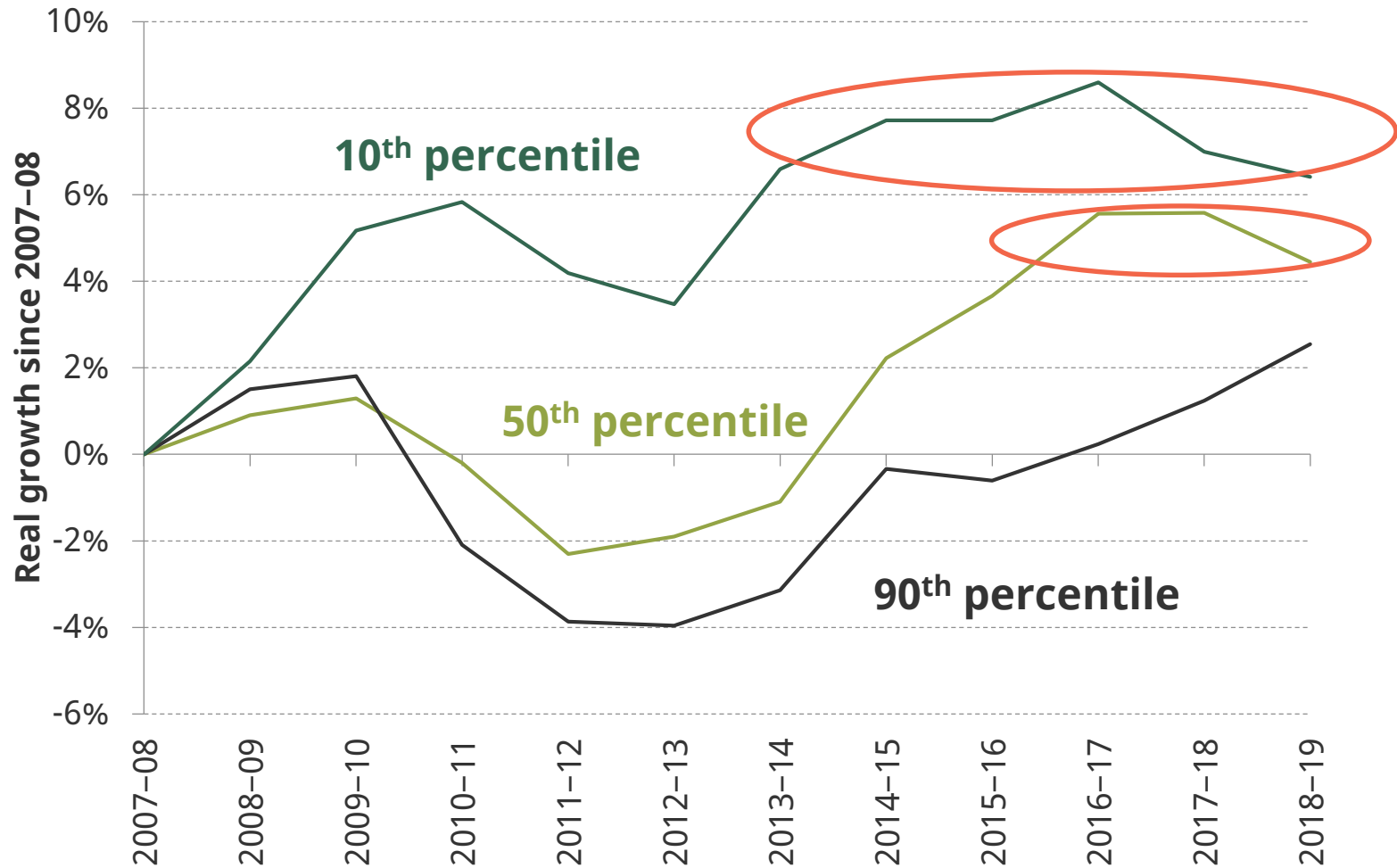
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Summary

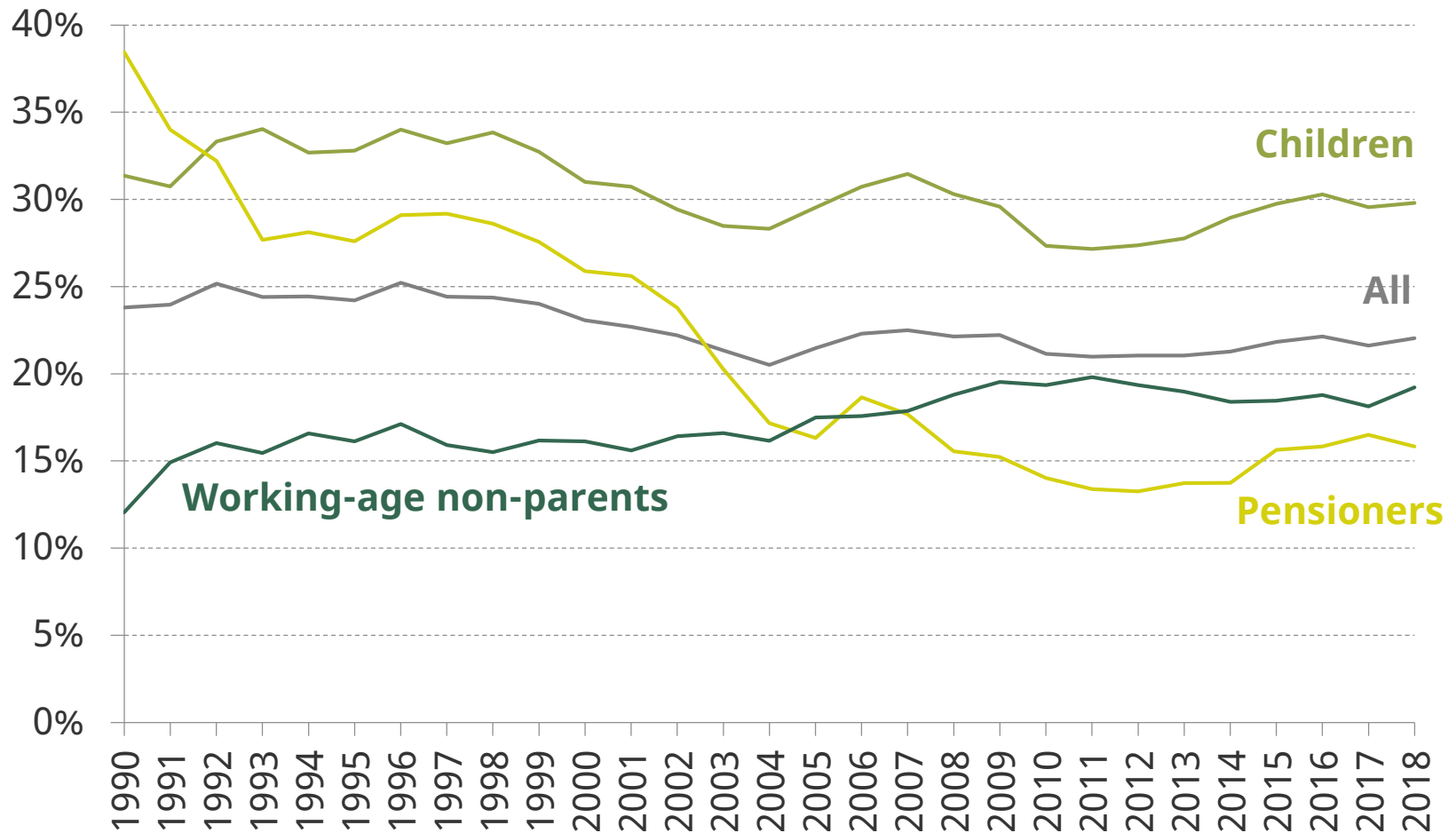
- **COVID-19 crisis hit at a time where we are still paying the price of the long hangover from the last recession**
 - Years of low earnings growth
 - Pared-back benefit system
- **Disappointing median income growth and poverty trends**
- **Those who look most at risk during pandemic already doing poorly**
- **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



Relative poverty rate (AHC) by demographic group

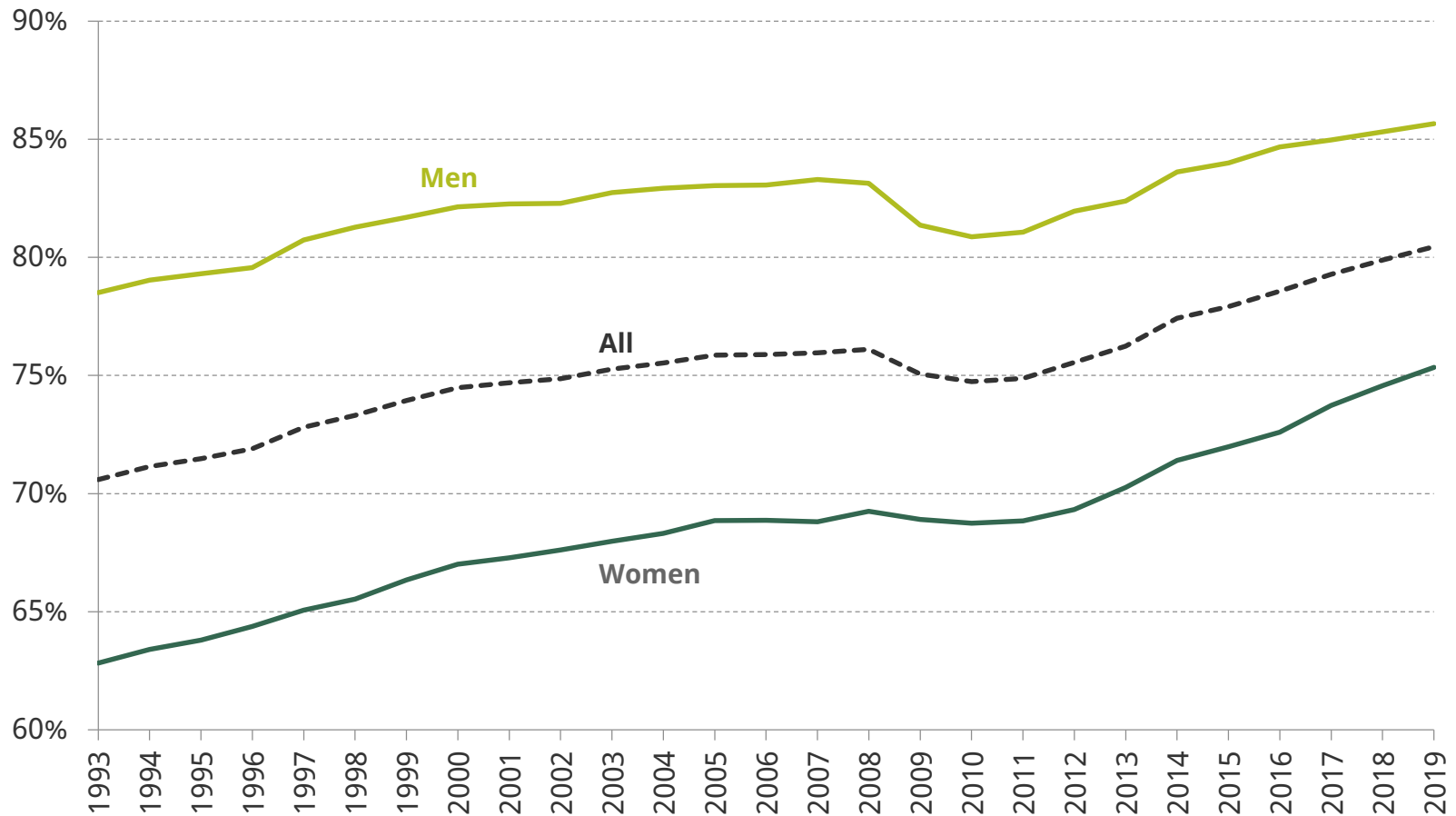


Jobs and job quality between the eve of the Great Recession and the eve of COVID-19

Pascale Bourquin and Tom Waters

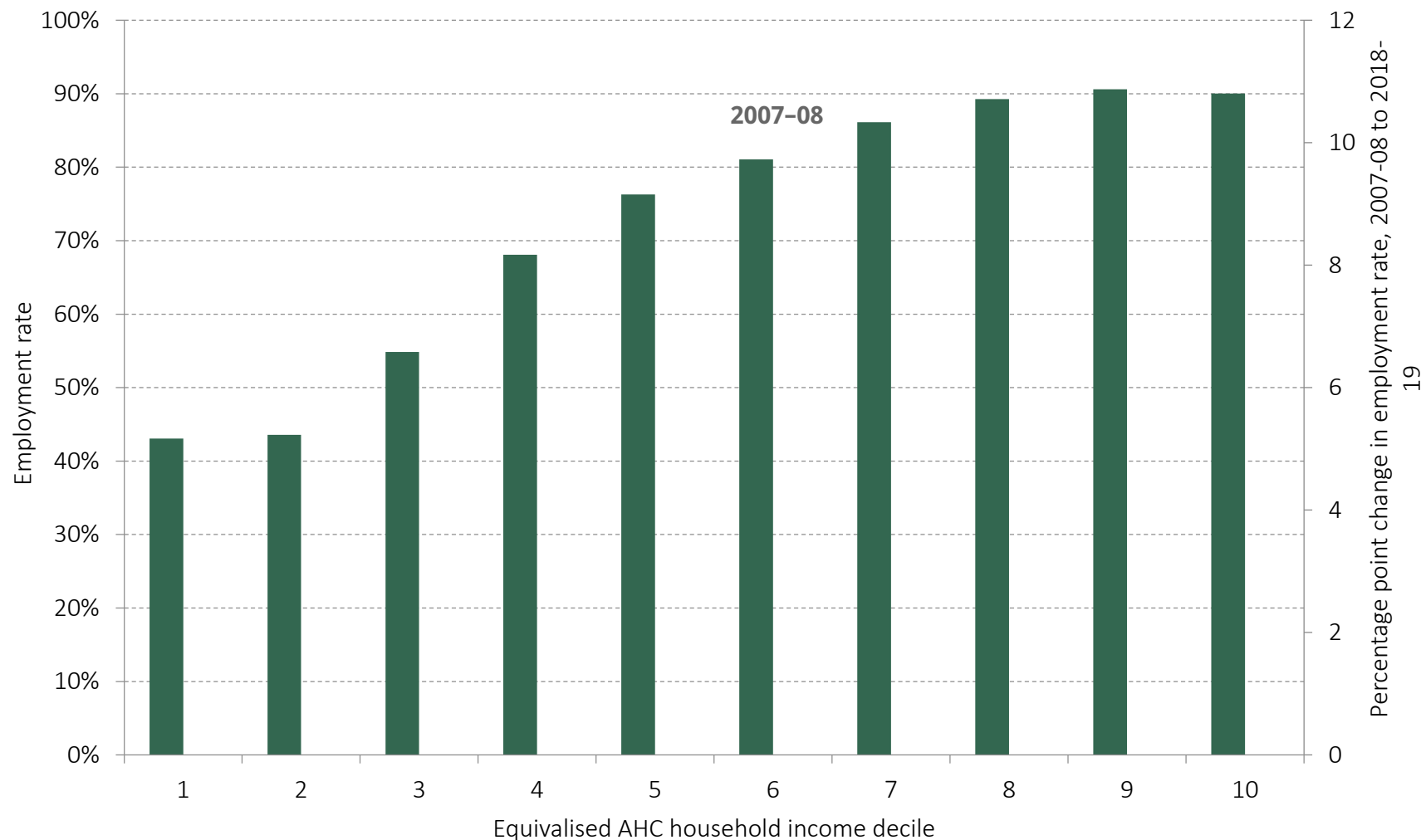
Strong employment growth was one of the success stories of the recovery

Employment rate 25-64



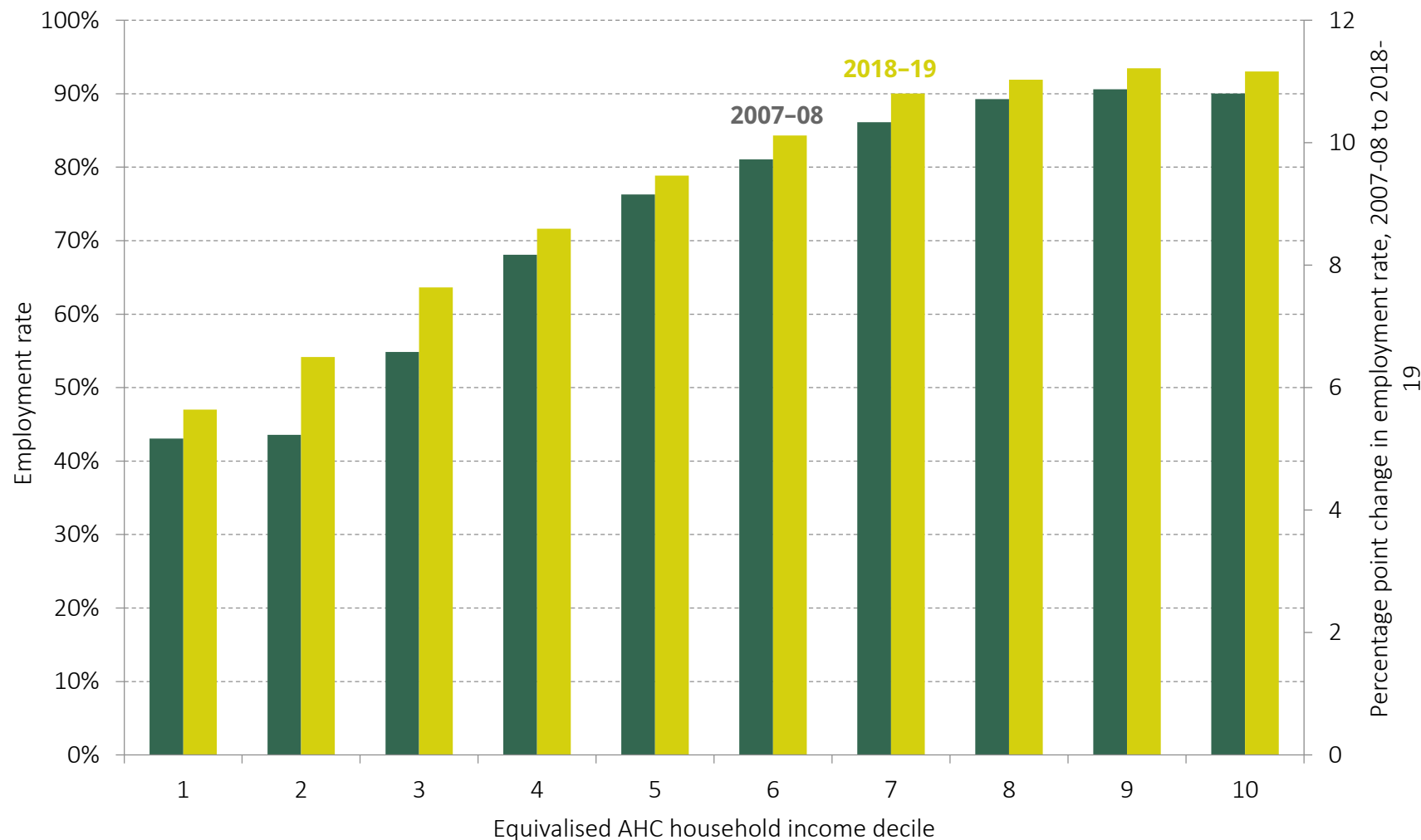
Change in employment by household income

Employment rate 25-64



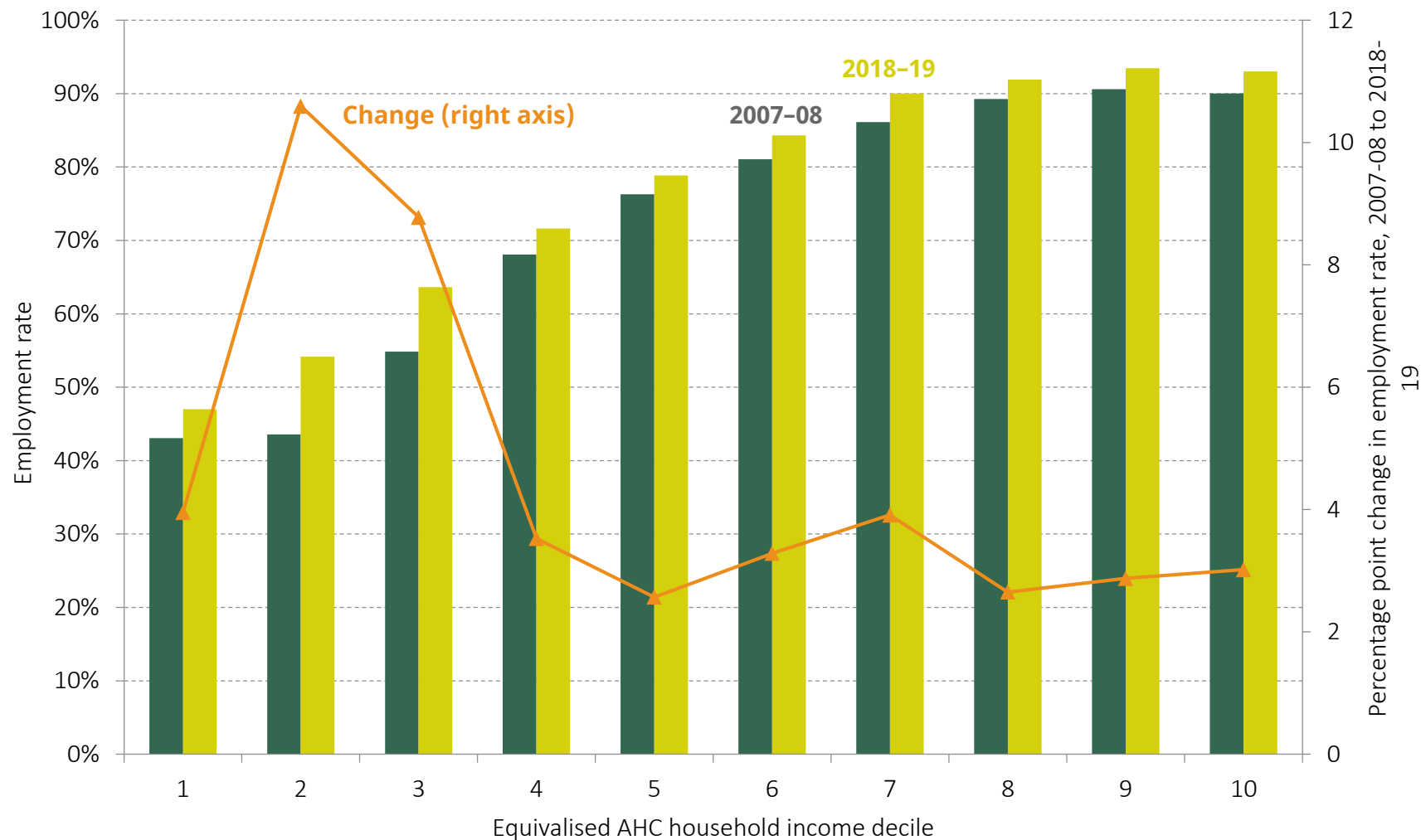
Change in employment by household income

Employment rate 25-64



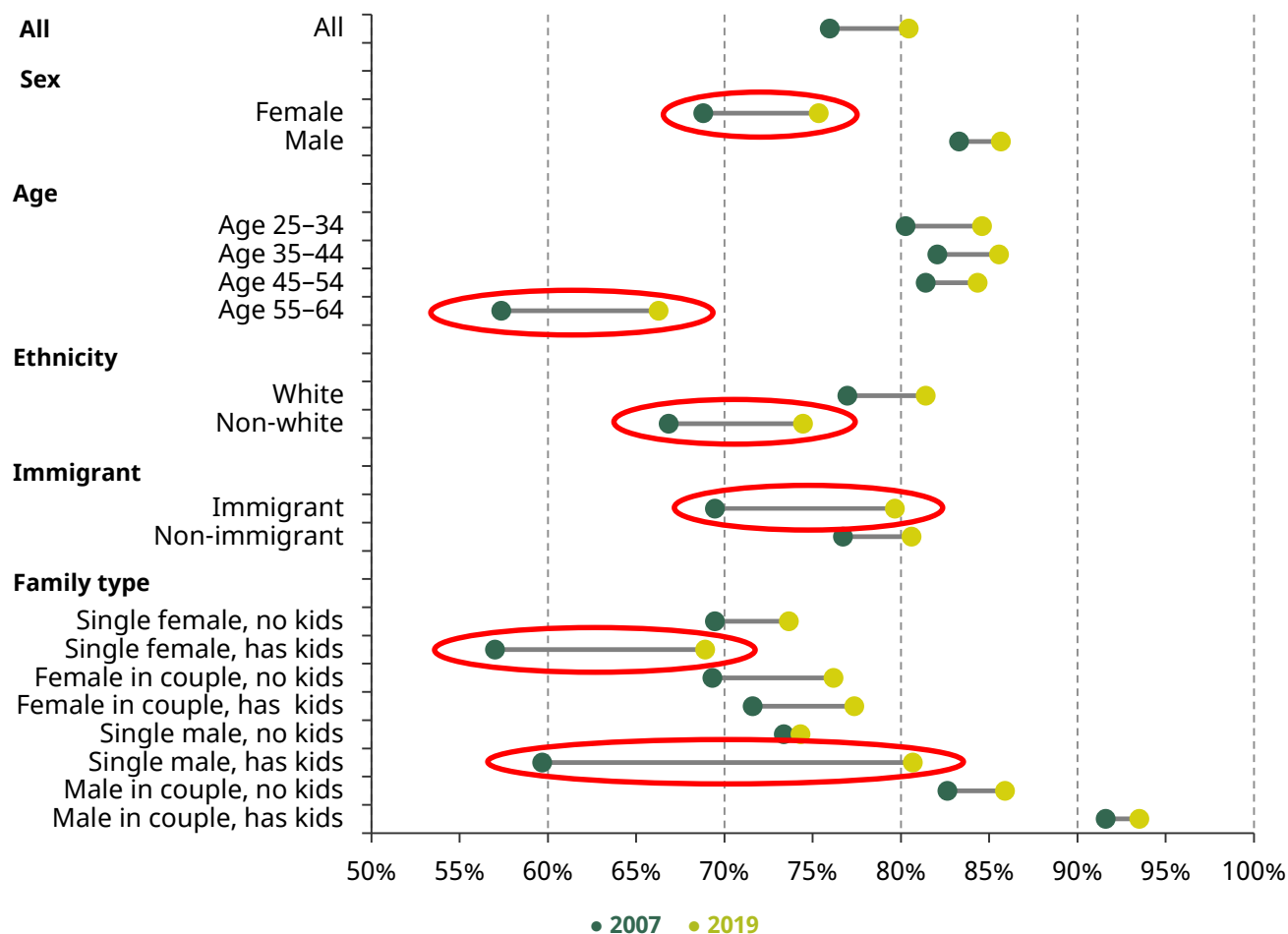
Change in employment by household income

Employment rate 25-64



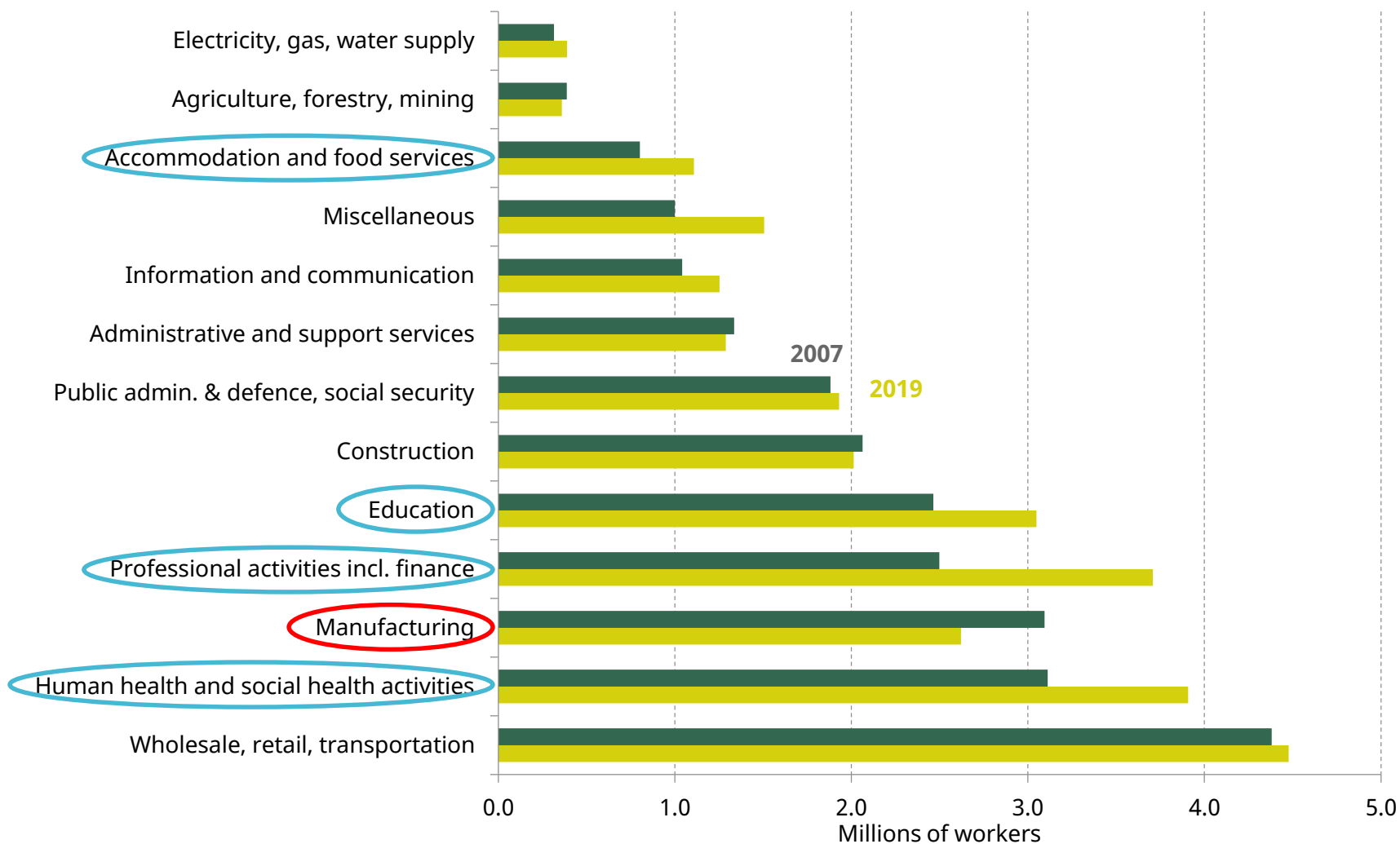
While some groups saw faster growth than others, almost all saw an increase

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?

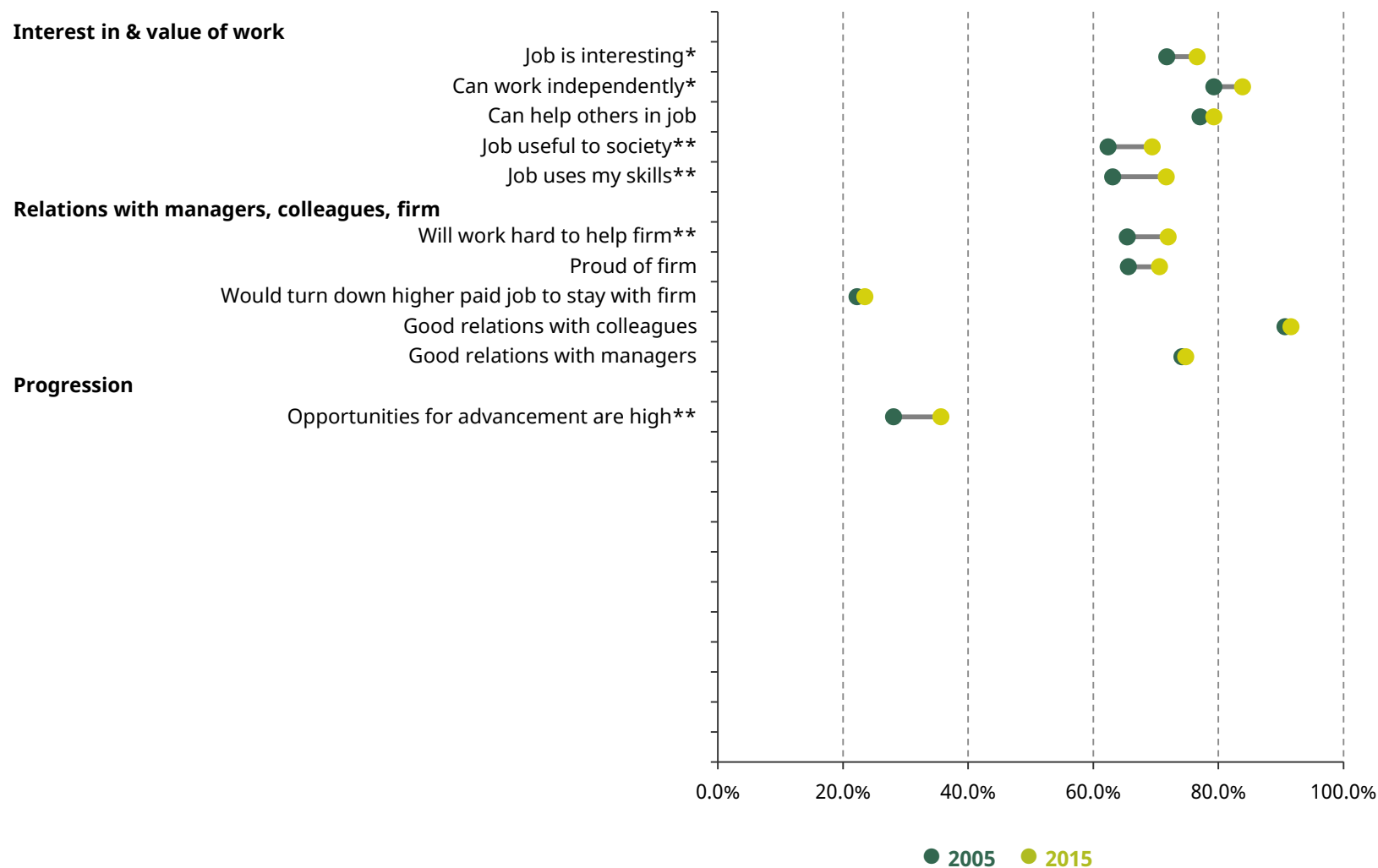


How did these trends affect exposure to the COVID-19 crisis?

- **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
-

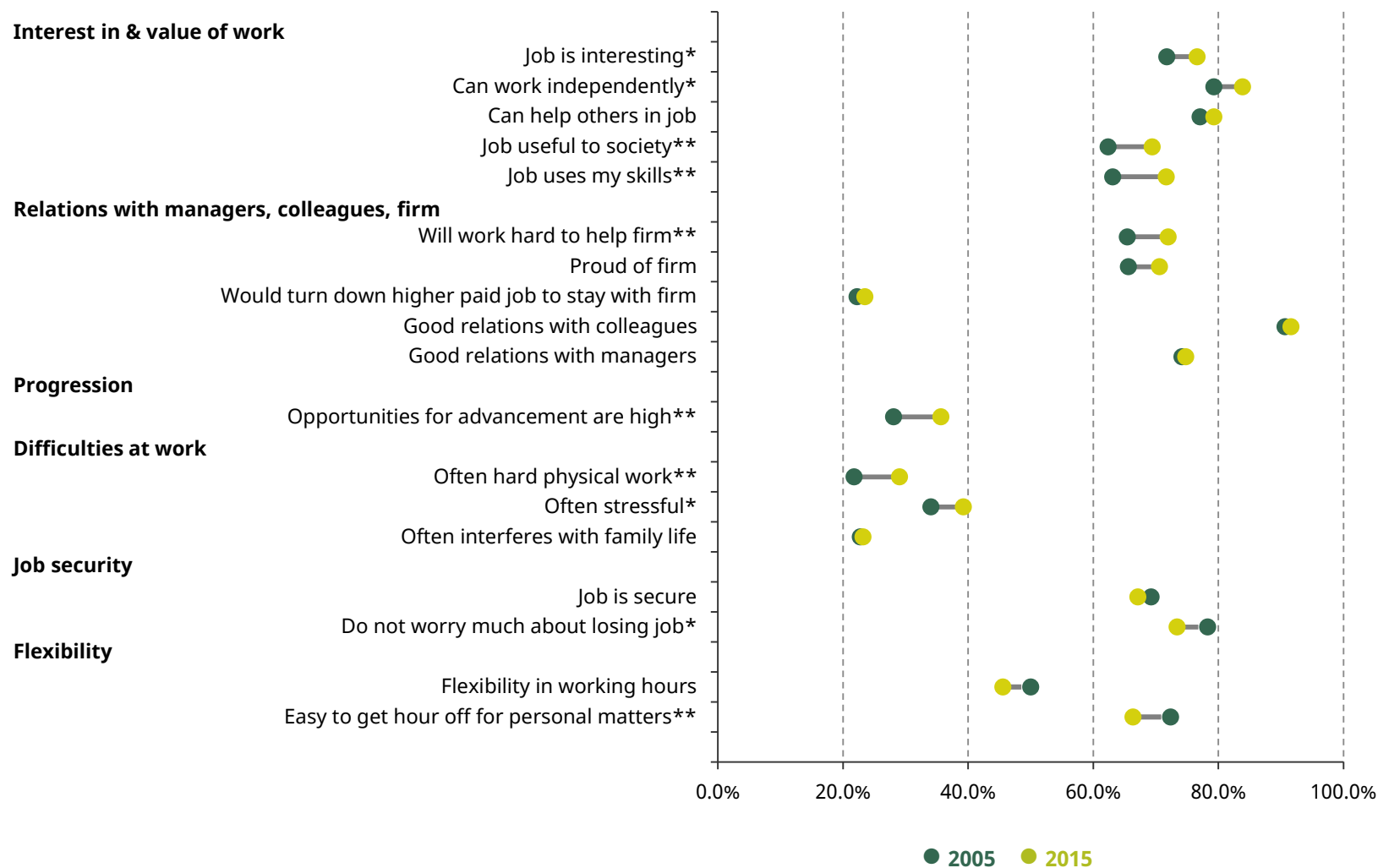
Changes in reported job 'quality' are mixed

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* indicates a statistically significant difference at the 10% level; ** indicates a statistically significant difference at the 5% level.

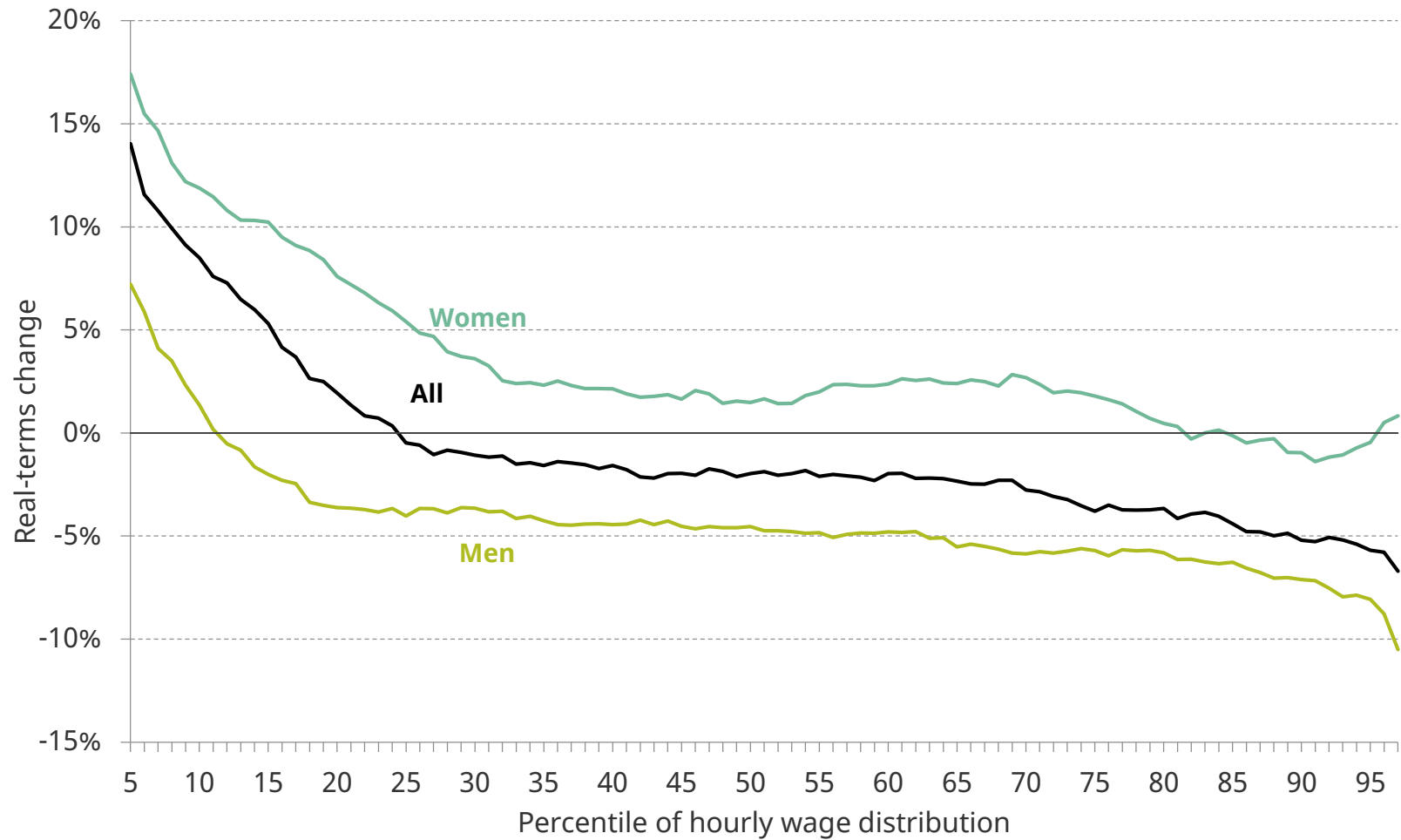
Changes in reported job 'quality' are mixed



* 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



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
-

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