

Living standards, poverty and inequality 2016

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Living Standards

Chris Belfield

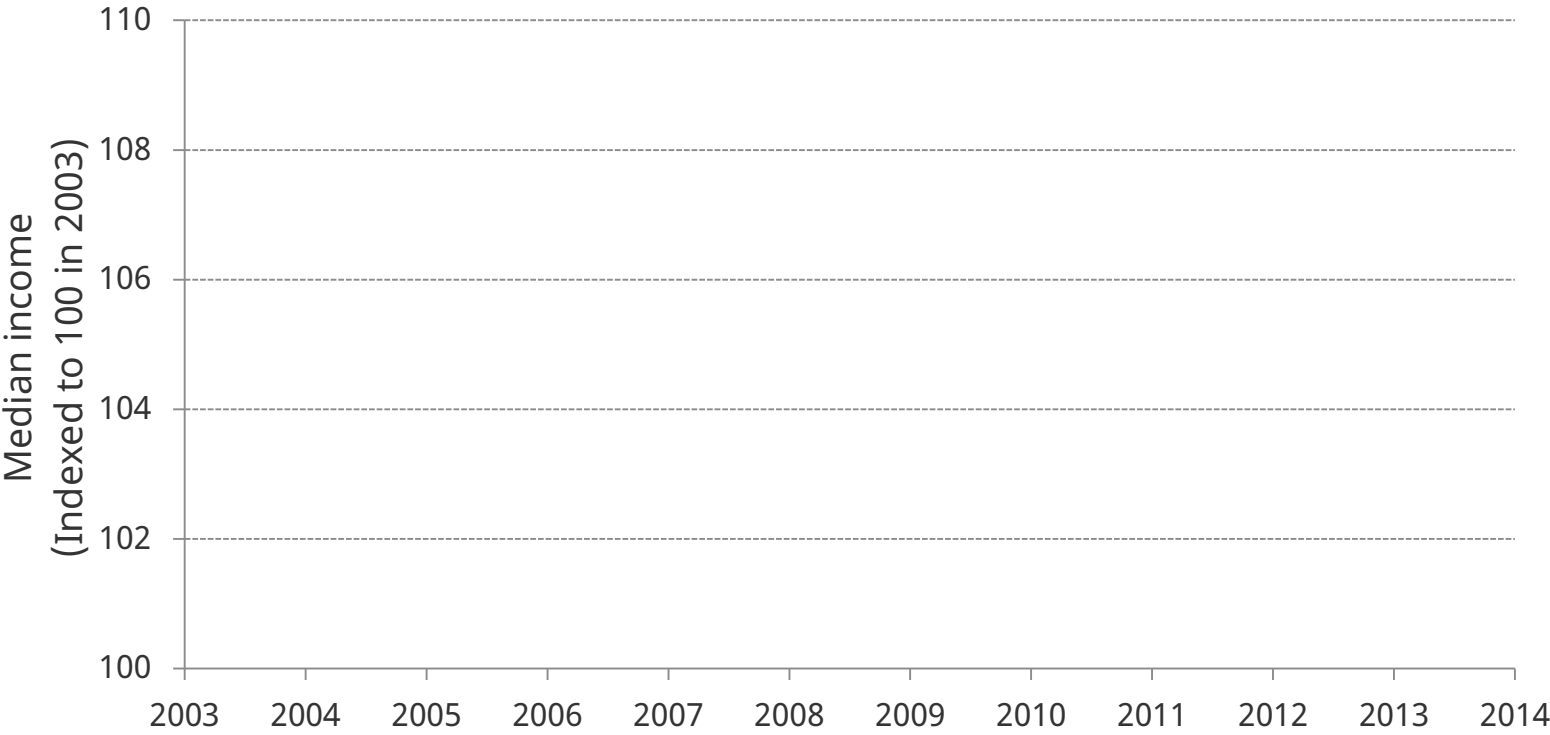
Where do we get our data?

- Family Resources Survey and predecessors from 1961 to 2014–15
 - Currently a sample of around 20,000 households
 - Subject to sampling error
- Figures using data prior to 2002–03 refer to Great Britain not UK
 - Northern Ireland not included in the data until 2002–03
- We use the same definition of income as measured in “Households Below Average Income” (HBAI) which is produced by the Department for Work and Pensions

What do we mean by “income”?

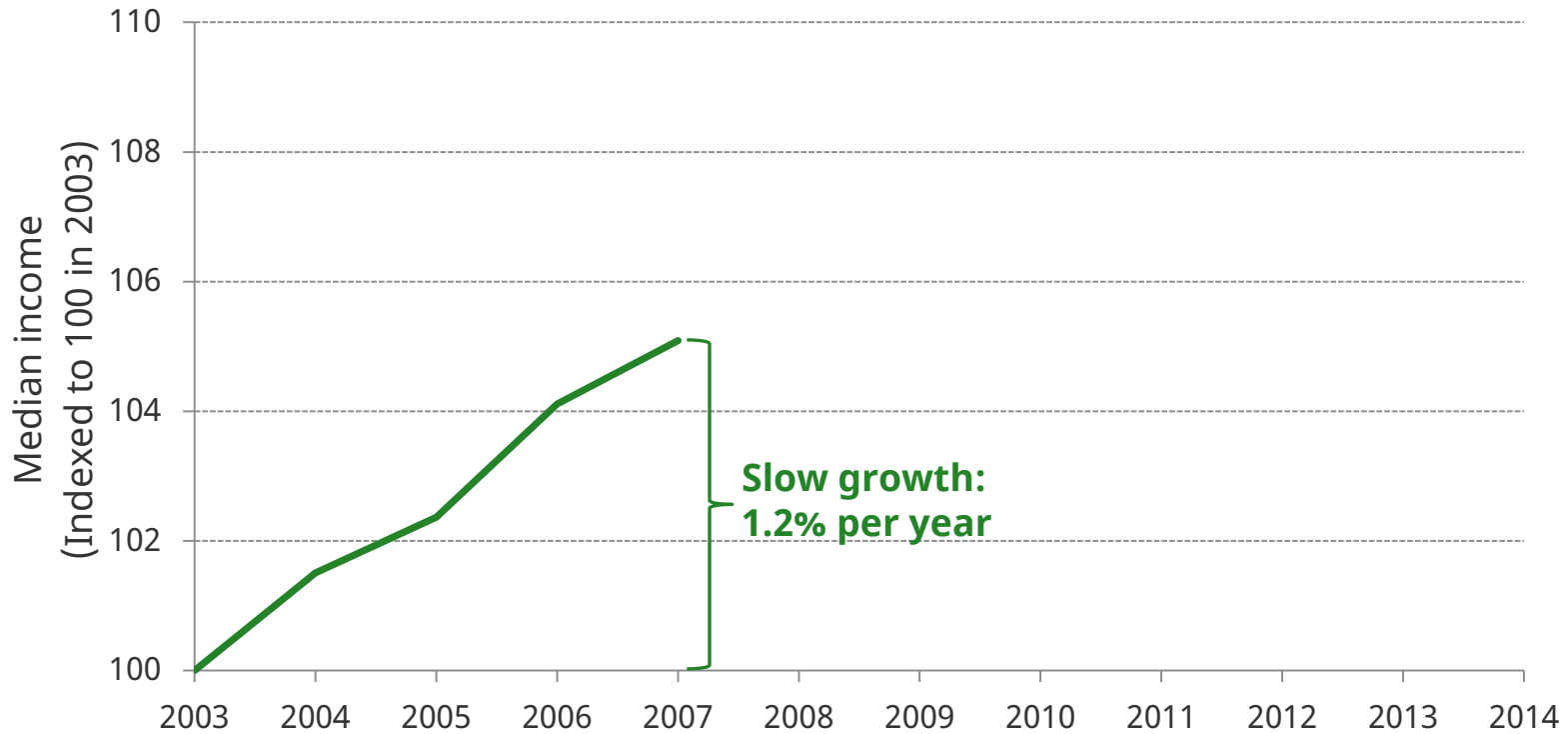
- HBAI income is measured net of direct taxes and benefits and is measured at the household level
- Adjusted to account for household size and structure (“equivalised”)
- Measure income both before and after housing costs have been deducted (“BHC” and “AHC”)
- Adjusted for inflation to allow comparisons over time
 - Use variants of the Consumer Price Index
 - All figures are in 2014-15 prices

Median income since 2003-04



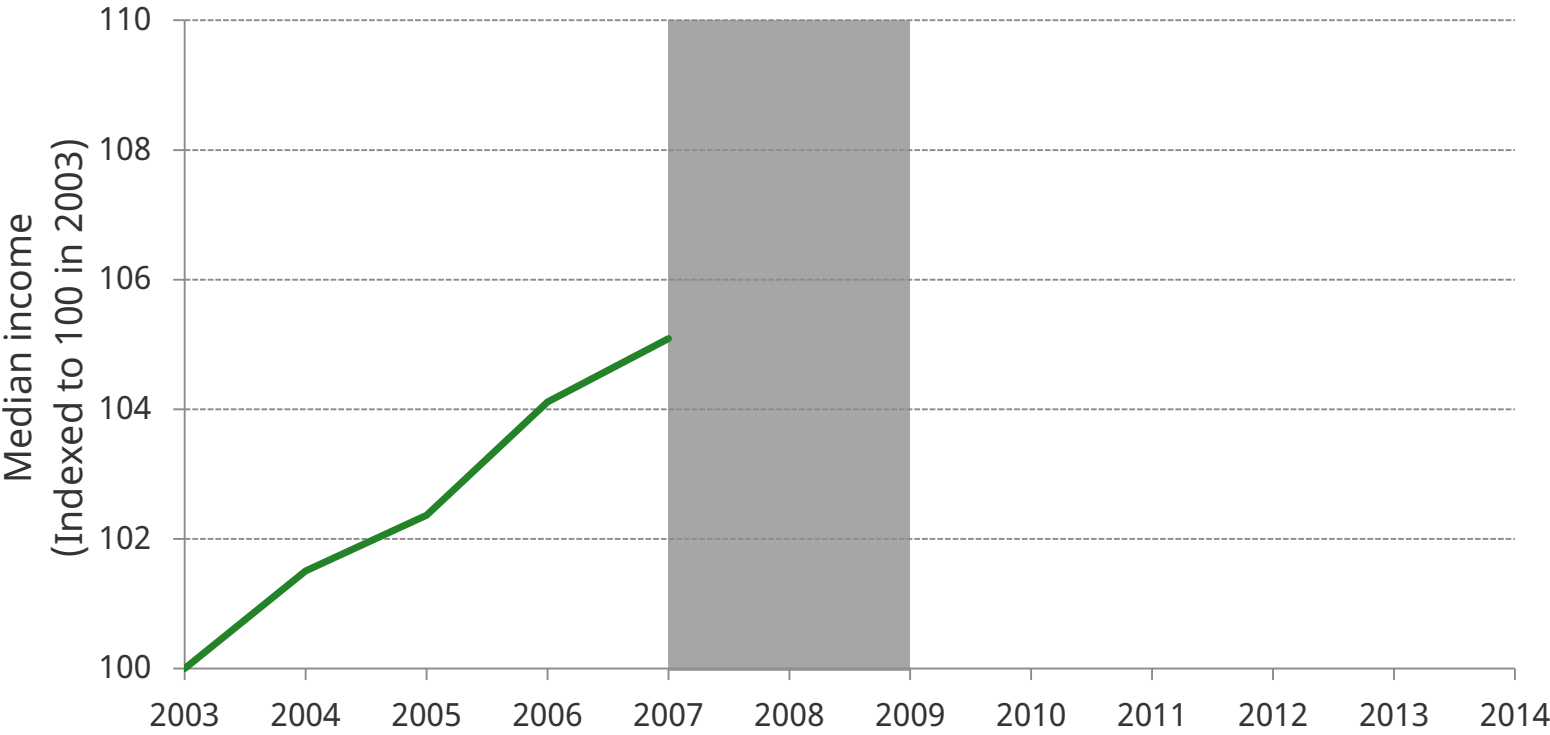
Source: Figure 2.3 of *Living Standards, Poverty and Inequality: 2016*

Median income since 2003-04



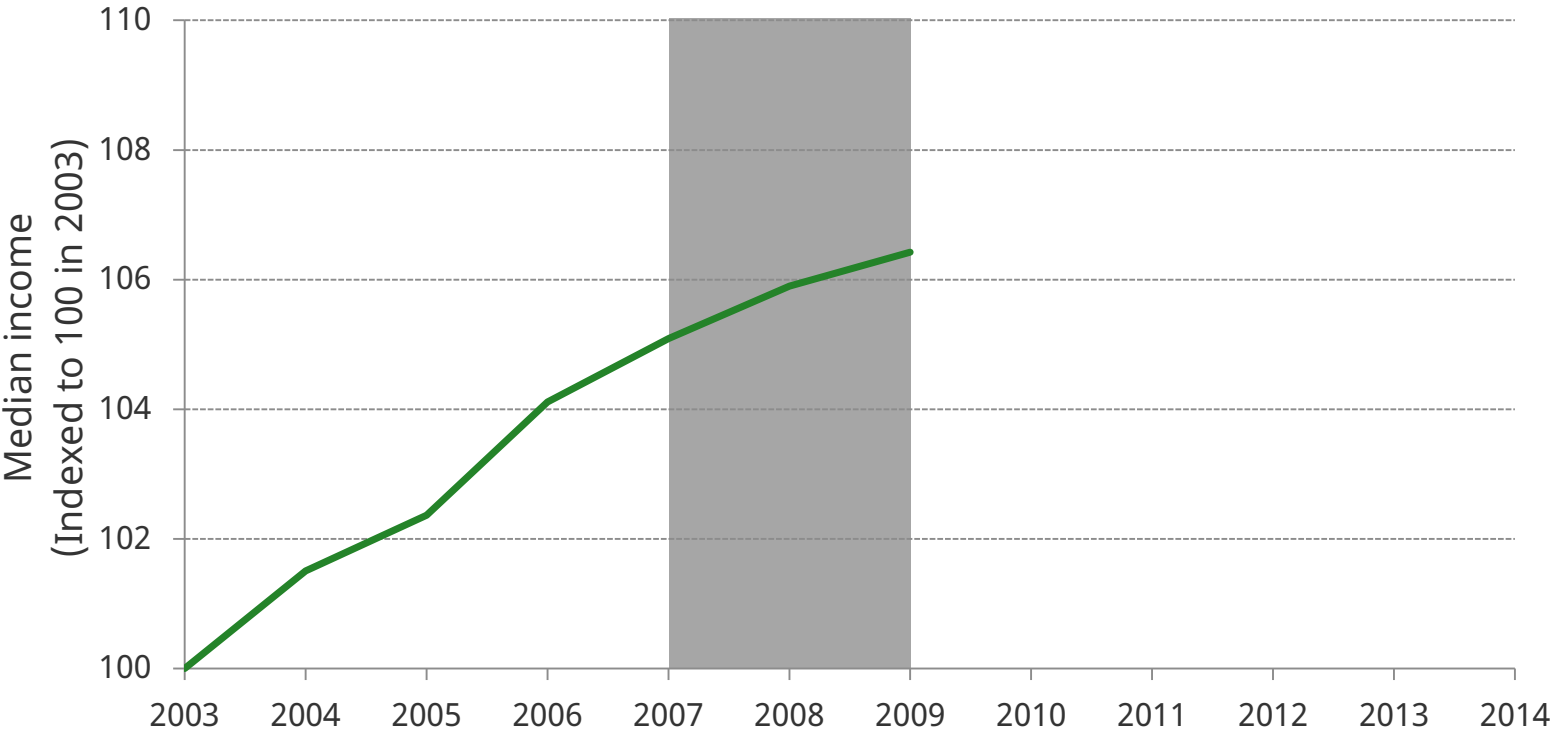
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Median income since 2003-04



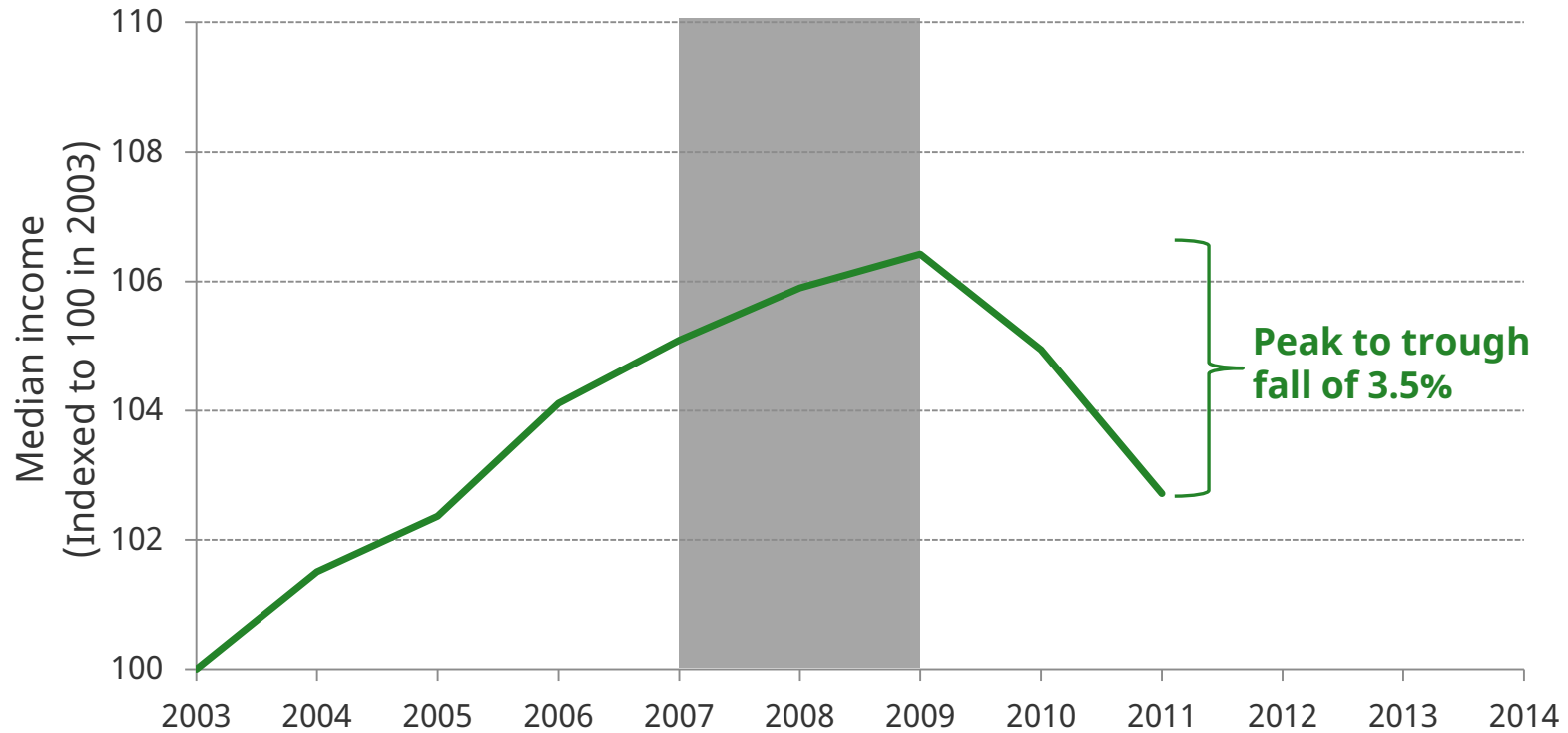
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Median income since 2003-04



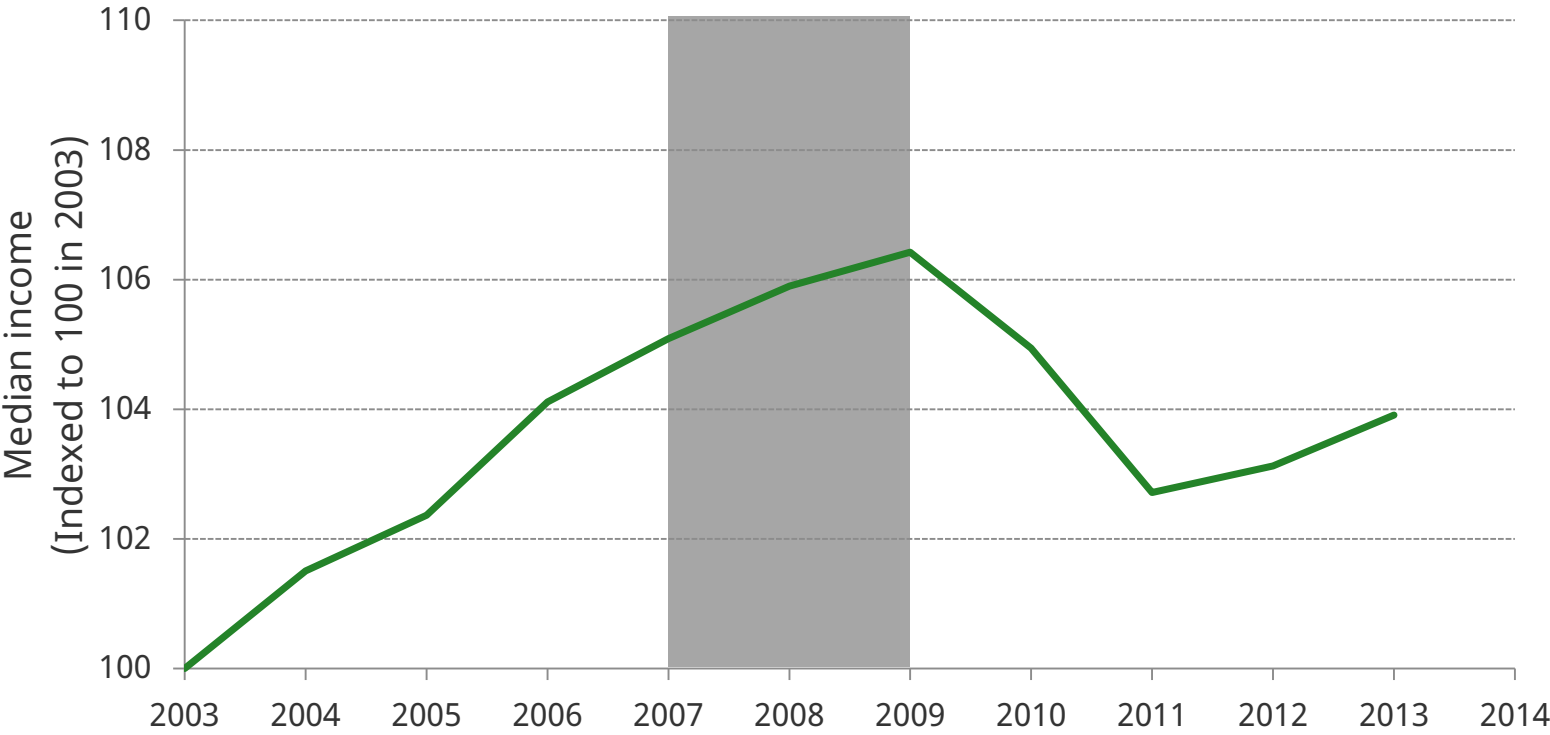
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Median income since 2003-04



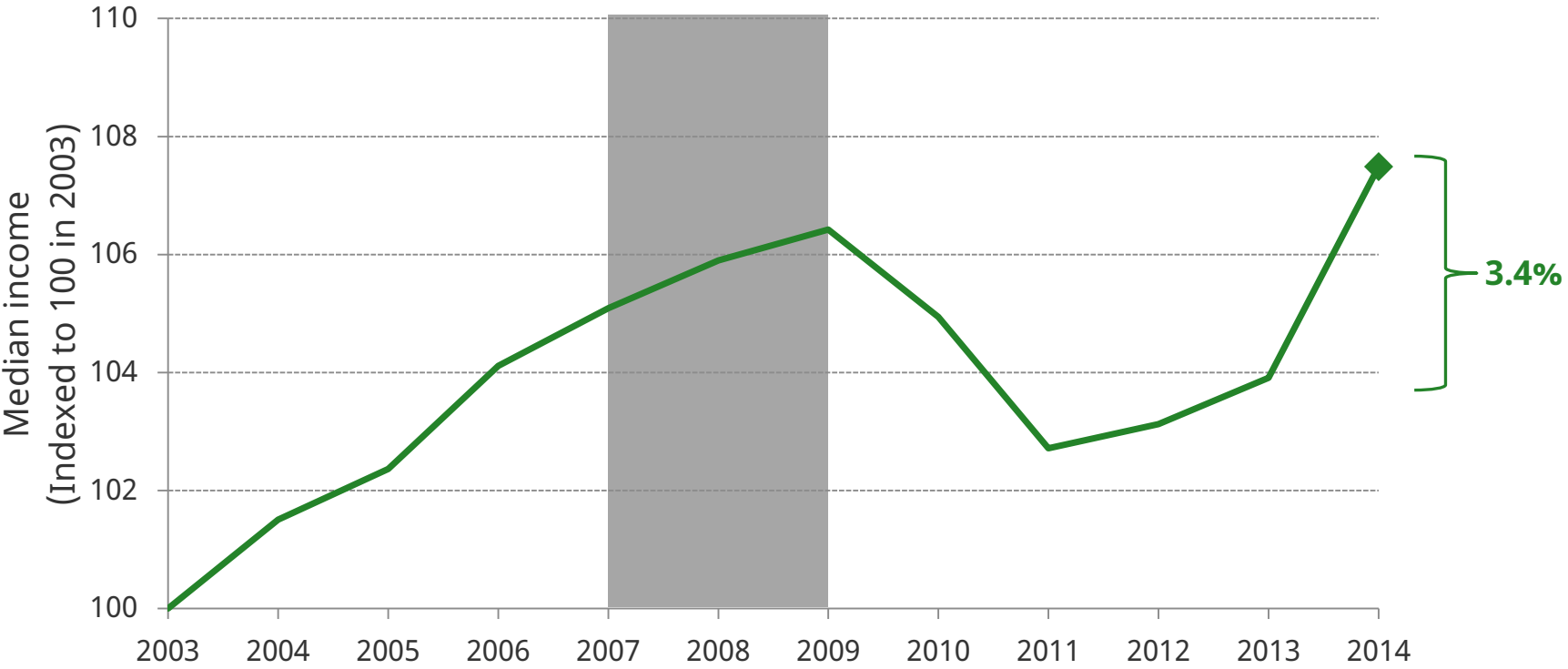
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Median income since 2003-04



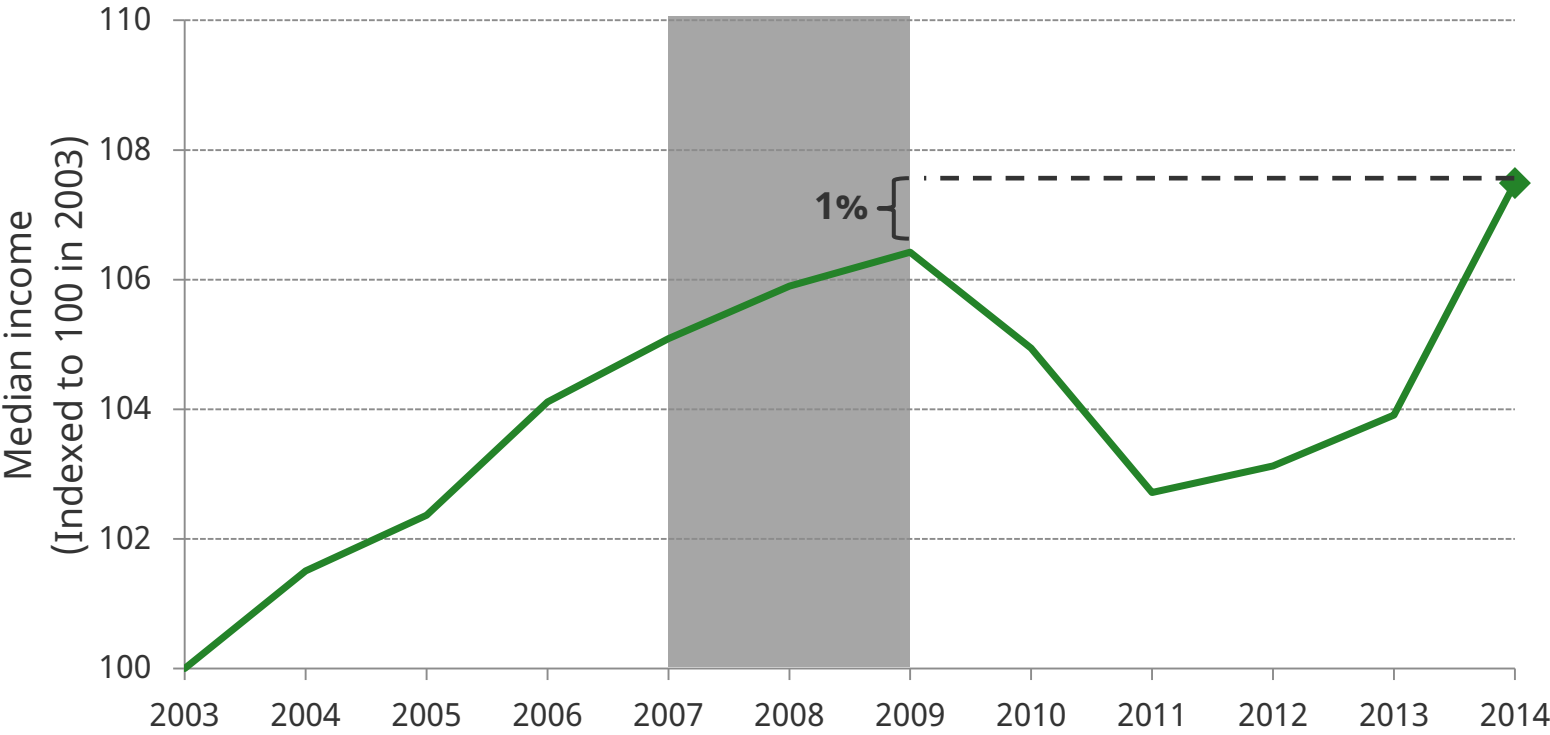
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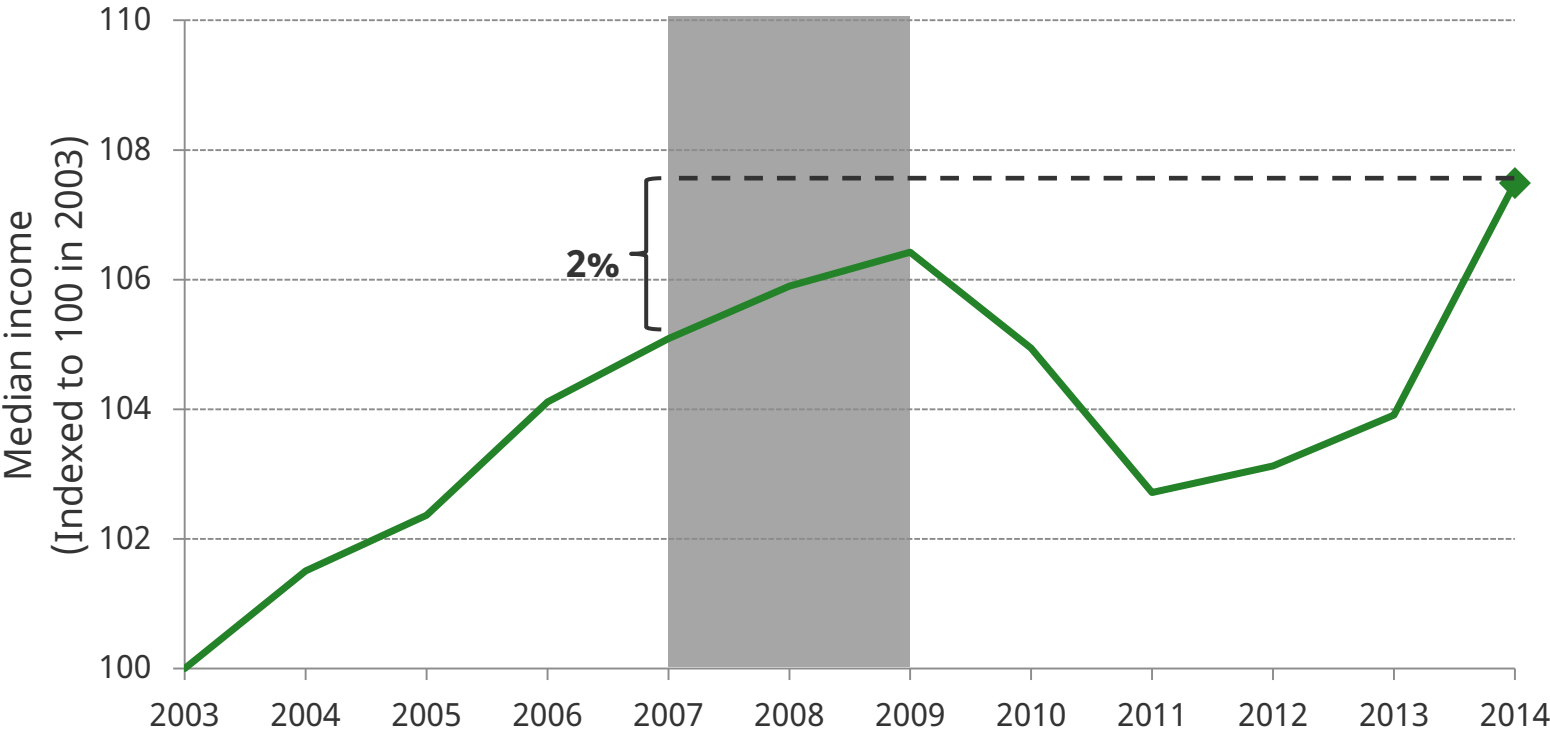
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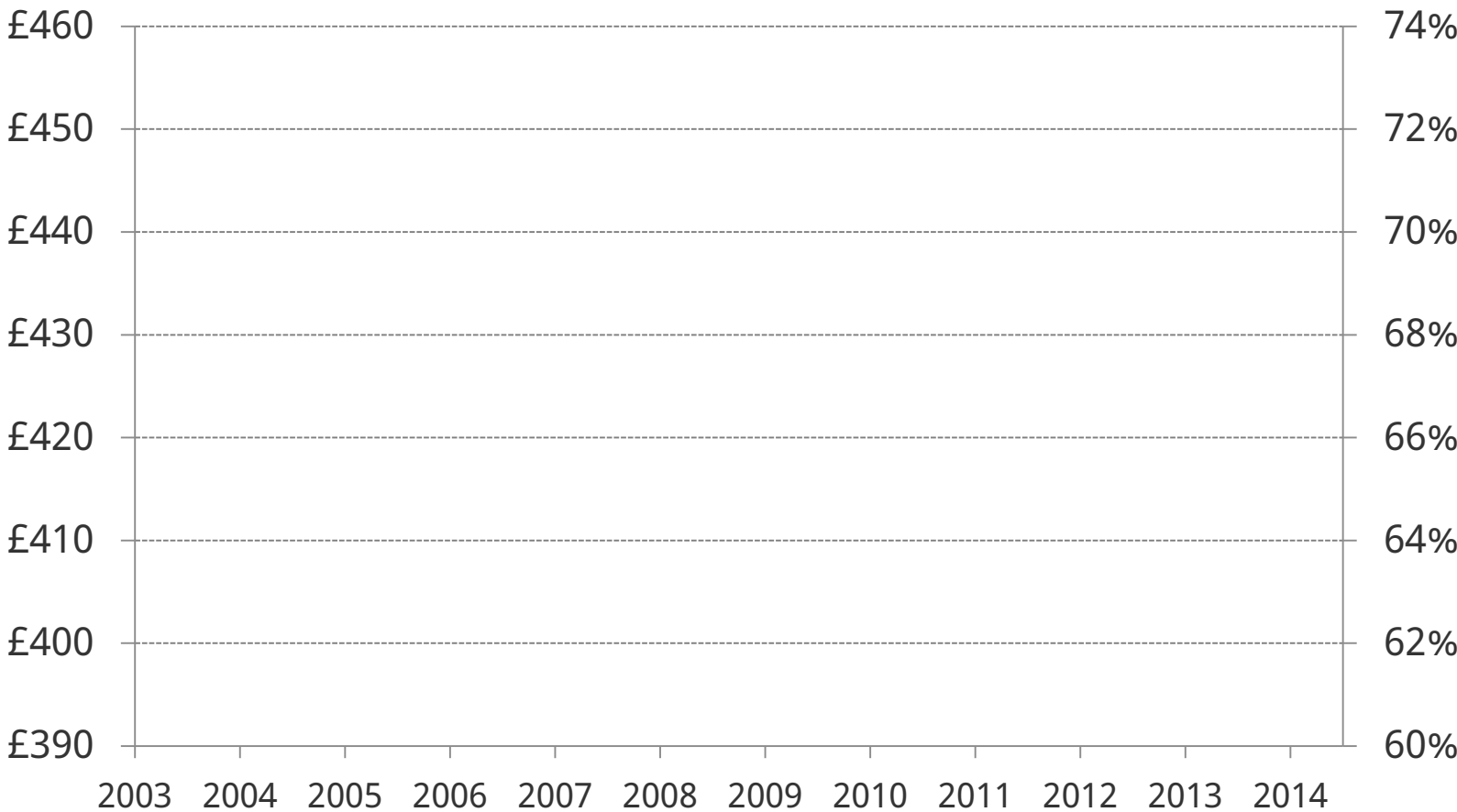
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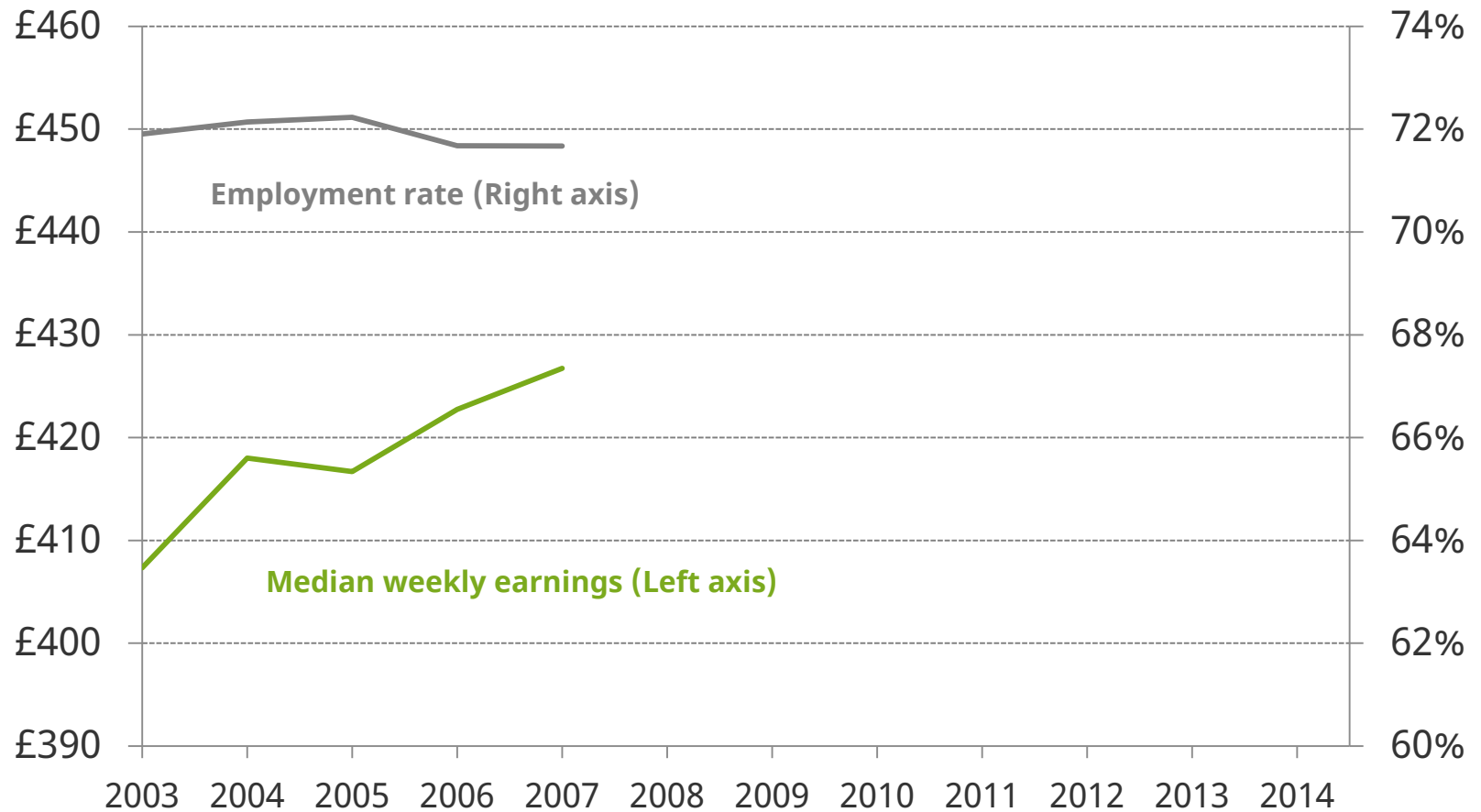
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Labour market changes



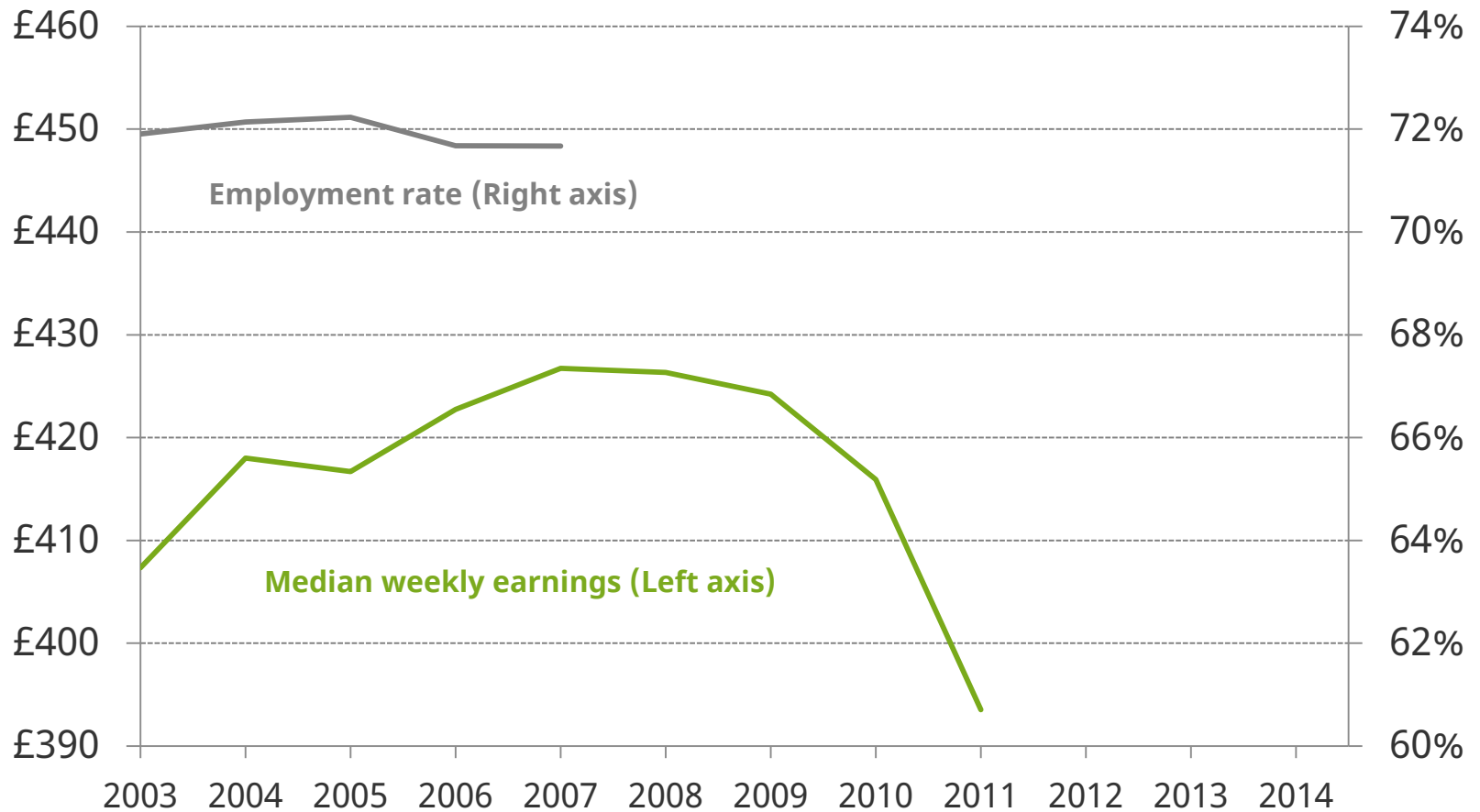
Source: Figures 2.4 and 2.5 of *Living Standards, Poverty and Inequality: 2016*

Labour market changes



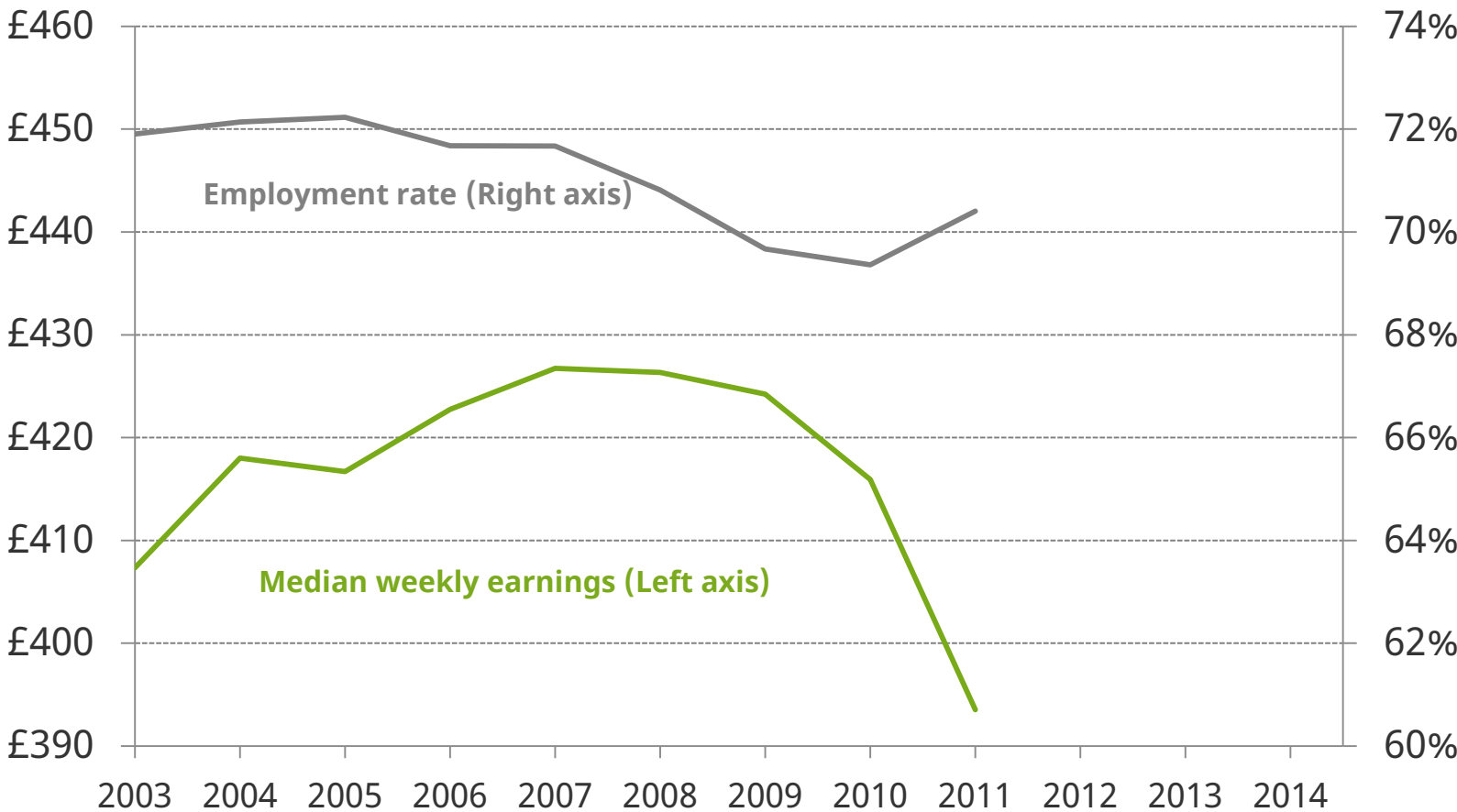
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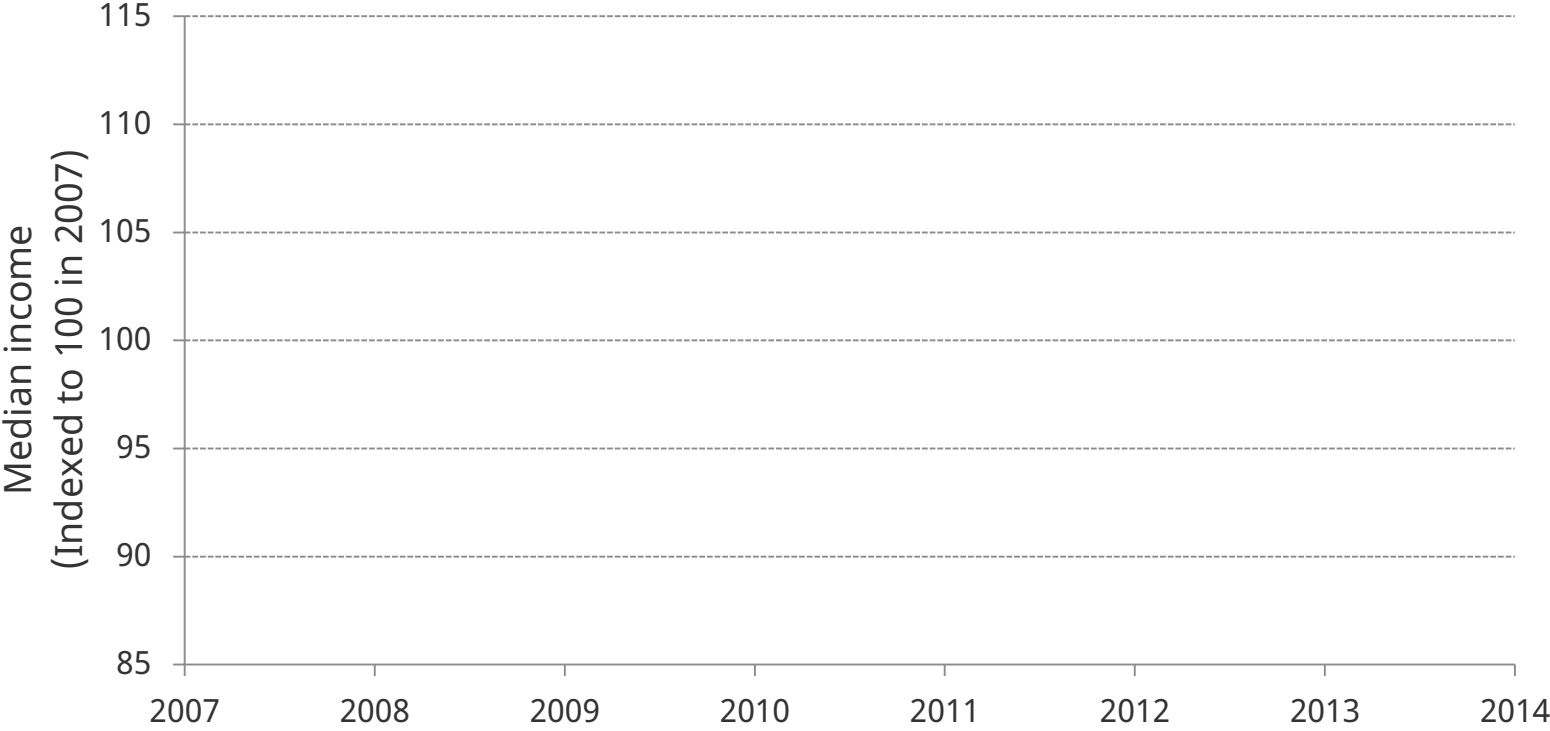
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Labour market changes



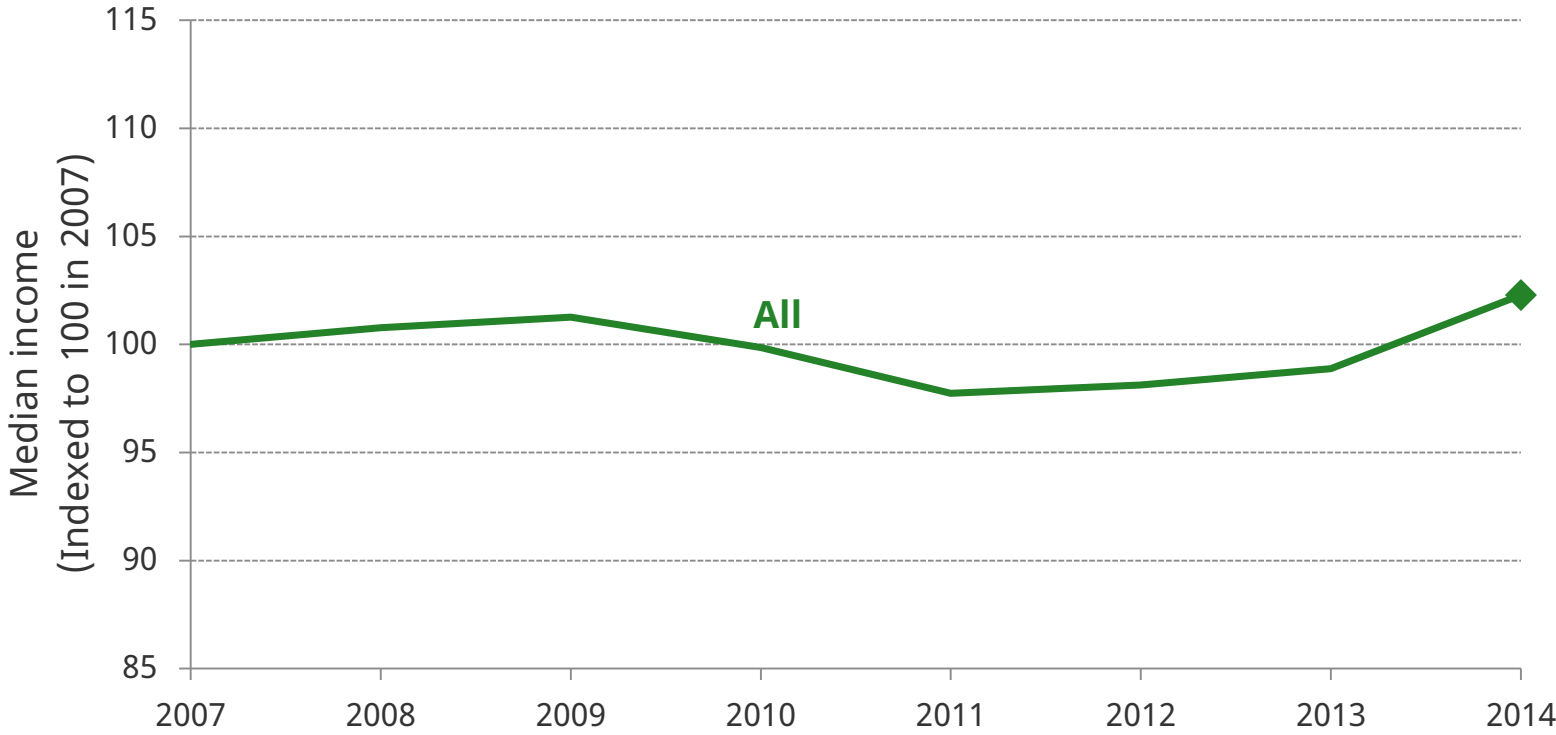
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Median income by age



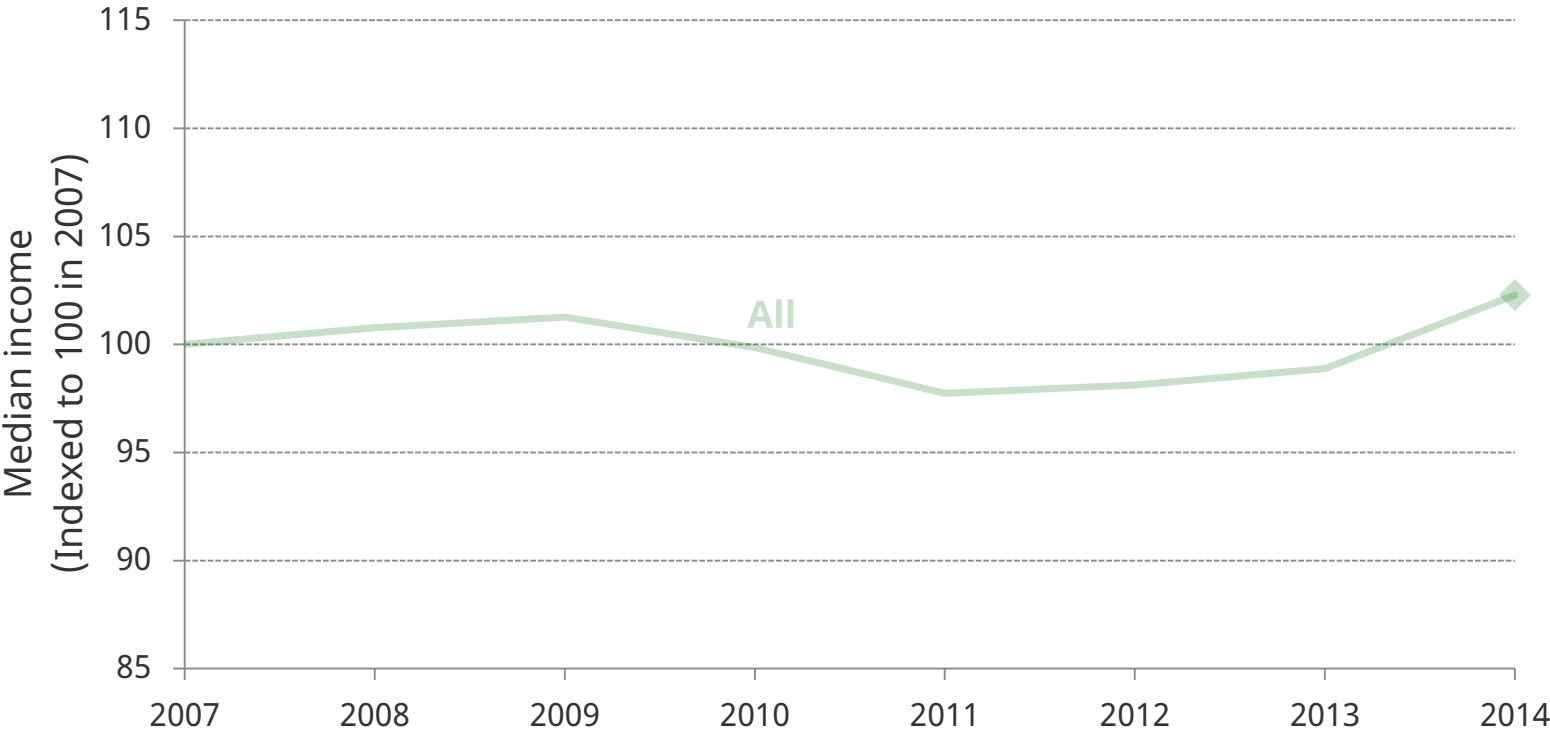
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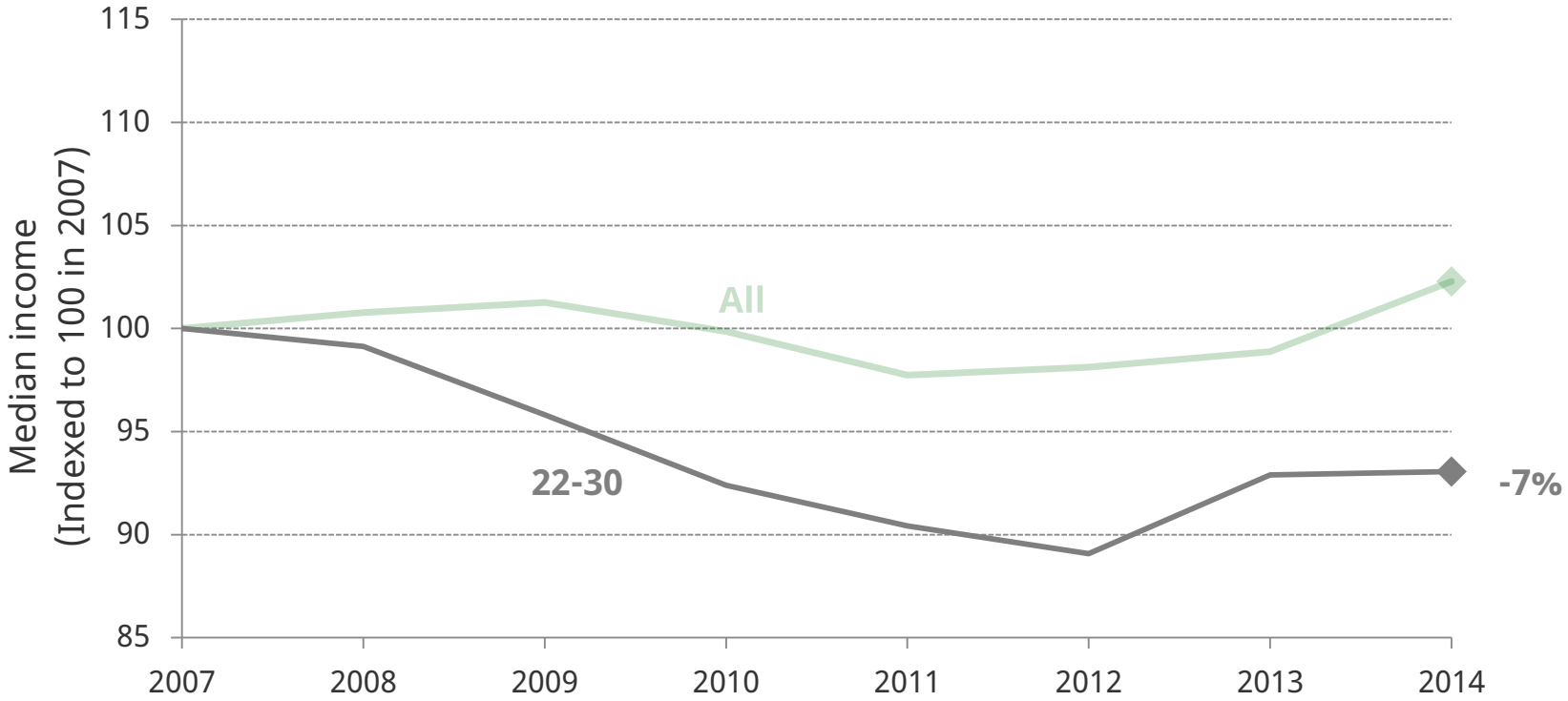
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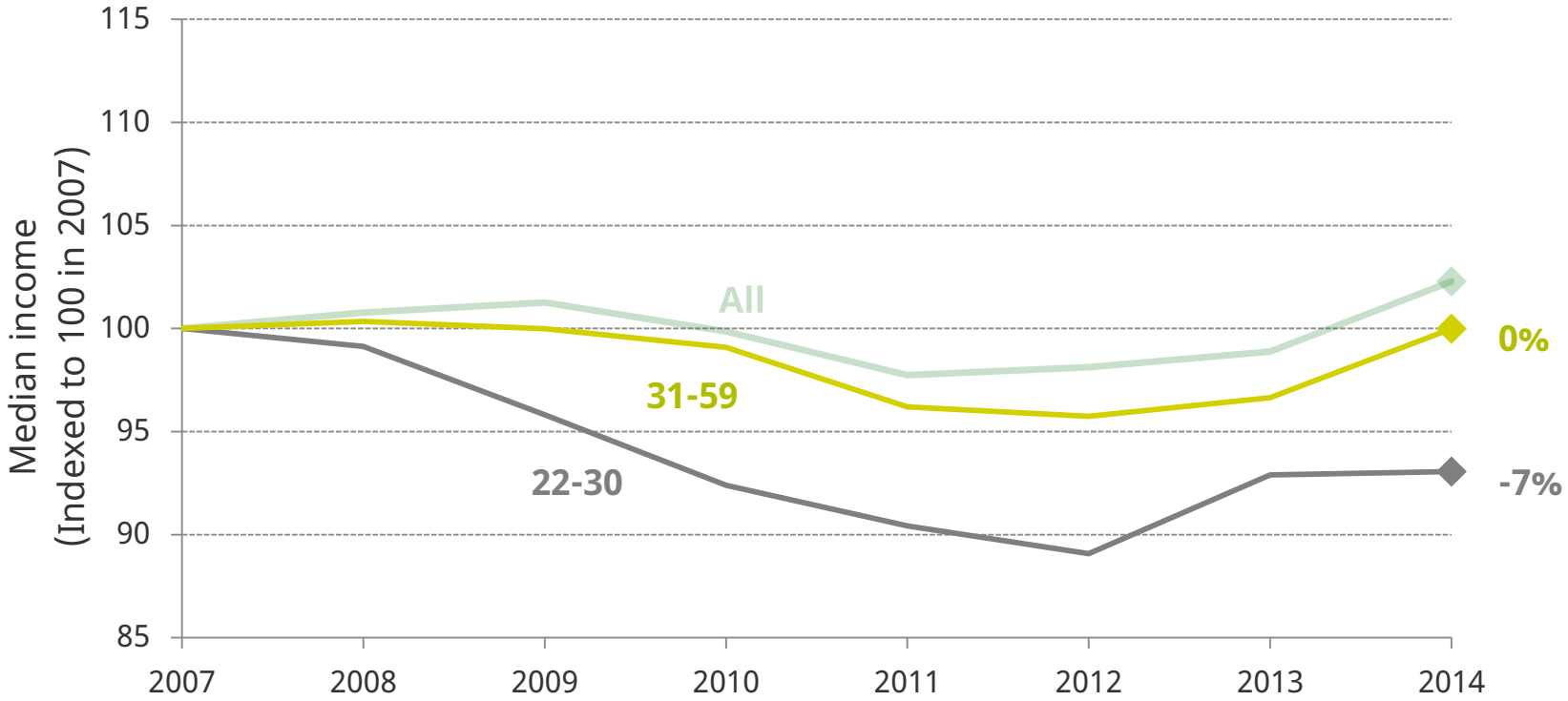
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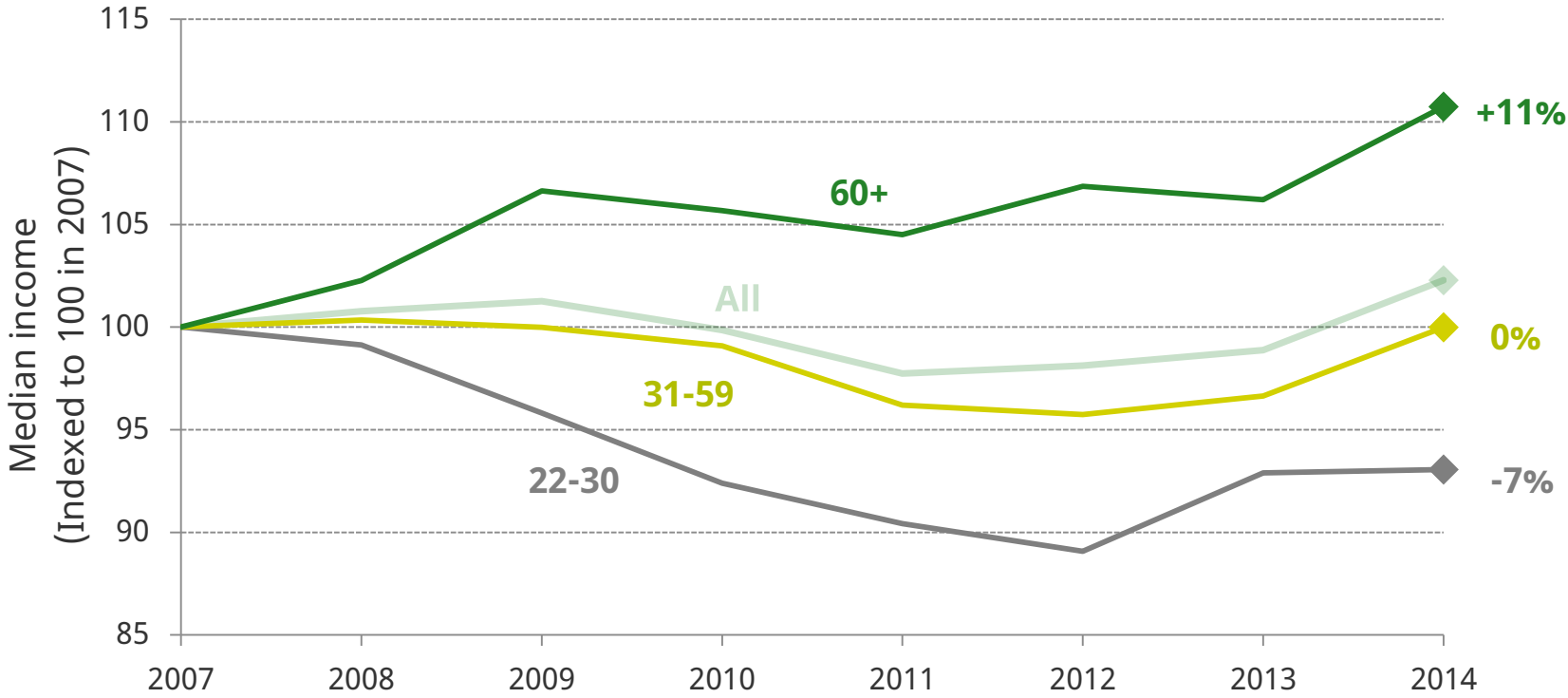
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Conclusion

- **Median income grew by 3.4%** in 2014-15 and is now higher than the pre-recession peak
- The recent rise in incomes has been **driven by employment growth** rather than increases in average earnings
- The **incomes of young adults remain 7%** below pre-recession levels
- Prospects for living standards very likely to be worse than expected prior to the Brexit vote but are highly uncertain