

Household Income Volatility in the UK, 2009-2016

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We study the volatility of individual- and household-level income in the UK between 2009 and 2016 using data from a large longitudinal household panel survey. The volatility of earnings for the working-age has fallen in this period, partly due to a fall in the prevalence of large negative earnings shocks. For older aged individuals, we also find a large fall in the volatility of private income, mainly as a result of a fall in large positive income shocks. The tax-benefit system significantly reduces volatility, especially for retired and low income households; this effect has diminished over the period, and taxes and benefits have become less well correlated with earnings, limiting their ability to counteract swings in labour income, perhaps due to cuts to working age benefits, but by nothing like enough to outweigh the first impact.