

# Income Dynamics and Shocks Following the Great Recession: the Case of the UK

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We document patterns of the dynamics in household income and its components using 7 waves of data from the UK's household longitudinal study (UKHLS), known as "Understanding Society". The data begins immediately following the 2008 financial crisis, and gives insights into how living standards evolved in the post-crisis years, a period where employment initially fell but recovered quickly, but real earnings stagnated, and austerity affected both public sector pay and the generosity of the welfare state.

We are able to exploit sample sizes that are greater than other household panel studies, with UKHLS beginning with nearly 40,000 households. This allows us to examine the distribution of shocks to individual- and household- income in a way similar to Guvenen et al (2016), and how these vary by source of income (such as earnings, unearned income, net taxes and cash social security or welfare benefits), and individual characteristics (age, education, occupation, industry). We show the within-household correlations in these shocks.

We also show patterns of income dynamics for a subset of households over a much longer period, exploiting the linkage between the former British Household Panel Study (1991-2008) whose members were continued into the UKHLS.