Has Income Mobility in Britain Changed Over the Last two Decades?

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Abstract

The extent to which individuals’ incomes change over time (‘mobility’) is information relevant to society’s assessments of long-term income inequality and of economic insecurity. Using data from waves 1–4 (1991–94) of the British Household Panel Survey (BHPS), Jarvis and Jenkins (Economic Journal 1998) argued that there was much mobility in household income from one year to the next in Britain, regardless of the mobility concept used. However, most income changes were not very large and, when incomes were longitudinally averaged so that transitory variations were smoothed out, substantial ‘permanent’ income differences remain. I consider whether there have been changes in patterns of income mobility subsequently, using data from BHPS waves 1–16 (1991–2006). I extend the portfolio of mobility measures used in my earlier paper, and also add some comparisons between mobility in Britain and mobility in the USA, noting that there is now a substantial US literature arguing that there has been a secular rise in income insecurity. I consider what has been happening in Britain. Has income mobility increased? Is there evidence of greater income risk? Does the picture for individual earnings differ from that for household income?