

In the United Kingdom, the impact on GDP, employment and public finances was considerable in the early years of the crisis, but it partly recovered since. By 2013, GDP and employment were around pre-crisis levels, but public expenditure and, especially, revenue were still away. Household disposable income remained stable between 2007 and 2009, but fell considerably in 2010.

Macro and aggregate statistics, United Kingdom 2007-2013

Cumulative percentage change between 2007 and 2013 (2007 = 0)

	GDP	Employment rate	Public expenditure	Public revenue	HDI
2008	0	0	3	3	0
2009	-5	-2	8	-9	0
2010	-3	-3	9	-6	-3
2011	-1	-3	4	-5	-
2012	-1	-2	3	-7	-
2013	1	-1	3	-7	-

Note: GDP: Gross domestic product by volume; Employment: employment rate of working-age population; Public expenditure: does not include general economic, commercial and labour affairs; Public revenue: only includes taxes and social contributions; HDI: mean household disposable income.

Source: OECD data from National Accounts Statistics, Labour Force Surveys and Income Distribution Database (IDD).

Tax-benefit measures implemented in the United Kingdom included stimulus measures in 2008-2009 and fiscal consolidation in 2010-2013. Fiscal stimulus measures included increasing benefits above inflation and reducing VAT. Fiscal consolidation measures included freezing the amount of several benefits; adding a higher tax rate, in 2010 (partially lowered in 2013); rising social contributions, in 2011; freezing child benefit and withdrawing it from high-earning families; freezing, abolishing or reducing tax credit elements; reforming housing benefit; increasing VAT, in 2011. Some of these measures were partly compensated with increases in the income tax basic allowance and per child element of child tax credit; and a “triple lock” indexation of basic state pension and pension credit guarantee.

Overall, simulation results suggest that tax-benefit measures had a small negative impact on the incomes of working-age family, mainly driven by benefit cuts. Families earning about the average wage gained from the rise in the income tax basic allowance. All other family groups lost with the benefit cuts.

Simulated effects of tax-benefit reforms on family disposable income, United Kingdom 2007-2013

Cumulate and annual percentage change of simulated family disposable income (2007 = 0)

	Total	Months in unemployment					% of AW										Pensions	VAT
		0-12	13-24	25-36	37-48	49-60	0-20	21-40	41-60	61-80	81-100	101-120	121-140	141-160	161-180	181-200		
Total	-2	-3	-3	-3	-3	-3	-4	-3	-3	-1	2	1	0	-3	-4	-3	(-)i	(+)2.5
Taxes	1	0	0	0	0	0	0	2	3	3	3	2	-1	-1	-1	-1		
Benefits	-3	-3	-3	-3	-3	-3	-5	-6	-6	-4	-1	-1	0	-2	-3	-2	(-)i	
2008	1	2	2	2	2	2	2	2	2	2	3	2	1	0	0	0		
2009	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	(+)i	(-)2.5
2010	-2	-2	-2	-2	-2	-2	-2	-2	-2	-1	-1	0	-1	-1	-1	-1		(+)2.5
2011	-1	0	0	0	0	0	-1	-1	-1	-1	-1	-1	-1	-2	-2	-1		(+)2.5
2012	-1	-2	-2	-2	-2	-2	-2	-1	-1	-1	0	0	0	0	0	0	(+)i	
2013	-1	-2	-2	-2	-2	-2	-2	-2	-2	-1	0	0	0	-1	-2	-2		

Note: See Read Me.

Source: OECD Tax Benefit Model, OECD VAT database, Bardens and Cracknell (2014).