



Department
for Work &
Pensions



Households Below Average Income

An analysis of the income distribution 1994/95 – 2012/13
July 2014 (United Kingdom)

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**An analysis of the income distribution
1994/95 – 2012/13**

Editorial team

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Department
for Work &
Pensions

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Executive summary

Introduction

This Households Below Average Income (HBAI) report presents information on living standards in the United Kingdom. It provides annual estimates on the number and percentage of people living in low-income households. Figures are also provided for children, pensioners, working-age adults and individuals living in a family where someone is disabled.

Most of the figures in this report come from the Family Resources Survey (FRS), a representative survey of around 20,000 households in the United Kingdom. Surveys gather information from a sample rather than from the whole population. The sample is designed carefully to allow for this, and to be as accurate as possible given practical limitations such as time and cost constraints. Results from sample surveys are always estimates, not precise figures. This means that they are subject to a margin of error which can affect how changes in the numbers should be interpreted, especially in the short-term. The latest estimates should be considered alongside medium and long-term patterns. **Unless otherwise stated, the changes in low-income measures over time that are discussed in the text are statistically significant.**

In the summary tables presented in this report, estimates of the **percentage** in low income that are statistically significant from (i) the previous year and (ii) 1998/99 are shown with an asterisk. Estimates of the **number** in low income that are statistically significant from the previous year are shown with an asterisk. However, it is not possible to calculate statistical significance for numerical changes compared to 1998/99 figures as these include imputed estimates for Northern Ireland. Changes marked by an asterisk are unlikely to have occurred as a result of chance. Further detailed information is available in **Chapter 8** of this report.

The 2012/13 report is the first to use 2011 Census data to derive grossing factors which are used to weight the survey findings so that they are representative of the whole UK population. In addition to the move to 2011 Census data, a number of minor methodological changes have also been implemented. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland for 1998/99 to 2001/02 have also been revised using these grossing factors where relevant.

Due to rounding, the estimates of change in percentages or numbers of individuals in low income or material deprivation may not equal the difference between the total percentage or number of individuals for any pair of years.

All income data are reported in 2012/13 prices using the Retail Prices Index (RPI) to convert monetary values from previous years into 2012/13 prices to make them comparable. Box A provides more information on inflation measures.

Box A: The effects of inflation indices

Inflation is the speed at which the prices of goods and services bought by households rise or fall. The use of different inflation measures has an effect on trends in average household income and absolute low income. HBAI uses variants of RPI to adjust for inflation to look at how incomes are changing over time in **real terms**.

In January 2013, the National Statistician announced that the formula used to produce the RPI did not meet international standards and recommended that a new index be published (RPIJ) using formulae that meet international standards. RPI and its derivatives have been assessed and found not to meet the required standard for designation as [National Statistics](#).

RPI has continued to be used as the inflation measure in this publication because there are currently no suitable alternatives with appropriate before and after housing cost indices available. A [statistical notice](#) was published on the HBAI web-page detailing this decision.

Headline figures for income and absolute low income trends, Before Housing Costs (BHC) are presented in [Annex 4](#) using RPIJ, CPI and CPIH. After Housing Cost (AHC) figures are not shown as not all indices have an appropriate AHC variant available for use. Relative low income figures under different inflation measures are also not presented in this Annex as the use of different inflation measures as an in-year deflator (to adjust household incomes from the date of interview to an average of survey-year prices) are likely to have only a minimal effect on the figures.

Using other inflation indices instead of RPI would decrease real terms income prior to 2012/13 (with the largest differences in earlier years), moderately increase the percentage and number of people in absolute low income prior to 2010/11 (with the largest differences in earlier years) and slightly decrease the percentage and number in absolute low income in 2012/13.

Living standards

Households Below Average Income (HBAI) uses data from the FRS to measure living standards in the UK using disposable household income and material deprivation. Adjustments are made to take account of the size and composition of households to make the income figures comparable. HBAI is the foremost source for data and information about household [income](#), income poverty and inequality, and is used for the analysis of low income by researchers and the Government. Household disposable income can be used as one measure of [well-being](#).

Material deprivation is an additional way of measuring living standards and refers to the self-reported inability of individuals or households to afford particular goods and activities that are typical in society at a given point in time, irrespective of whether they would choose to have these items, even if they could afford them. A suite of questions designed to capture the material deprivation experienced by families with children has been included in the FRS since 2004/05 and by pensioners since 2008/09.

Economic background

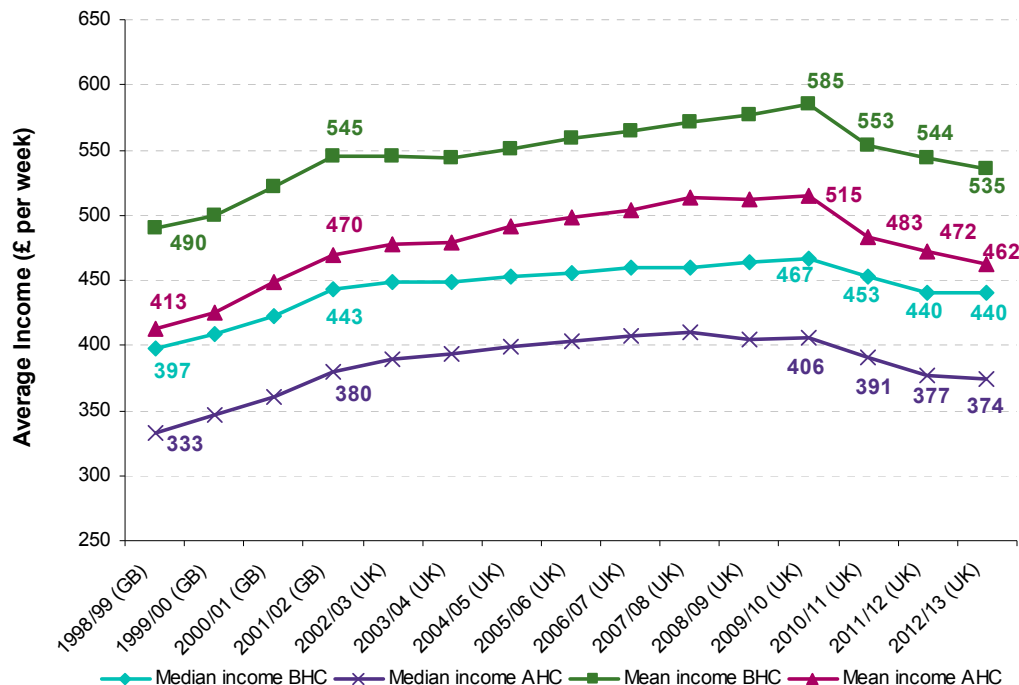
The latest figures cover a period where the UK was seeing little growth in Gross Domestic Product (GDP), earnings growth was less than inflation and there was a small increase in employment levels. A number of benefit changes (see [Annex 1](#)), although having different effects on different benefit recipients, resulted in smaller growth in real terms benefit income than would have been expected given that many benefits were uprated at a higher rate than RPI inflation.

2012/13 Key findings

Income (Chart 1, Tables 2a and 2b)

- The average (median) real terms household income Before Housing Costs (BHC), at £440 per week, has not changed from 2011/12, following two years of decreases. The average household income After Housing Costs (AHC) has continued to fall from the level in 2009/10, and for 2012/13 was £374 per week, affected by rising housing costs for some¹.
- Income inequality remained unchanged between 2011/12 and 2012/13. HBAI uses the Gini coefficient to measure income inequality, an indication of the gap between the least and most well off. The higher the number of the Gini coefficient, the greater the level of inequality across the population.
- Individuals at both the top and the very bottom of the income distribution have seen real terms falls in income in the latest year, primarily driven by falling earnings. These falls were not statistically significant. This kept the Gini coefficient flat, both BHC (34 per cent) and AHC (38 per cent)² in 2012/13.

Chart 1: Average real terms incomes in 2012/13 prices, 1998/99 to 2012/13, GB/UK



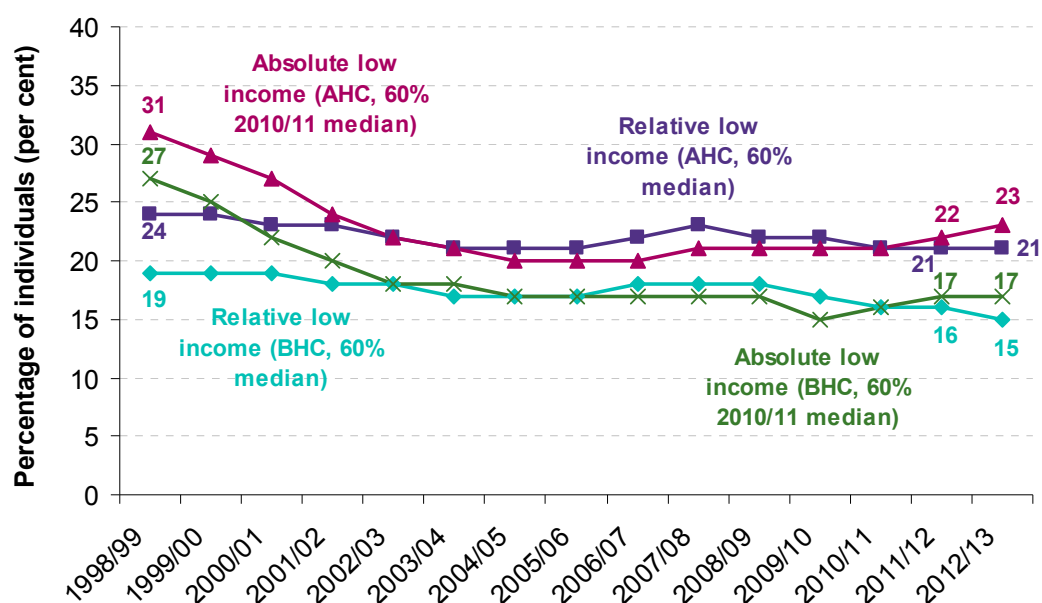
¹ [English Housing Survey 2012 - 13](#)

² The apparent inconsistency with Table 2b is due to rounding.

All individuals (Chart 2, Tables 3a and 3b)

- The percentage of individuals in relative low income has been decreasing gradually since 2008/09, and is at its lowest level since the 1980s³, at 15 per cent in 2012/13 BHC, broadly stable compared to 2011/12⁴.
- Looking at the percentage in absolute low income BHC, it remained at 17 per cent following increases over the previous two years.
- The percentage of individuals in absolute low income AHC increased slightly to 23 per cent, the highest it has been since 2001/02. However this change was not statistically significant.
- These latest figures BHC show 9.7 million individuals in relative low income, whilst there were 10.6 million under the absolute low income measure.

Chart 2: Percentage of individuals in relative and absolute low income, BHC and AHC, 1998/99 to 2012/13, UK



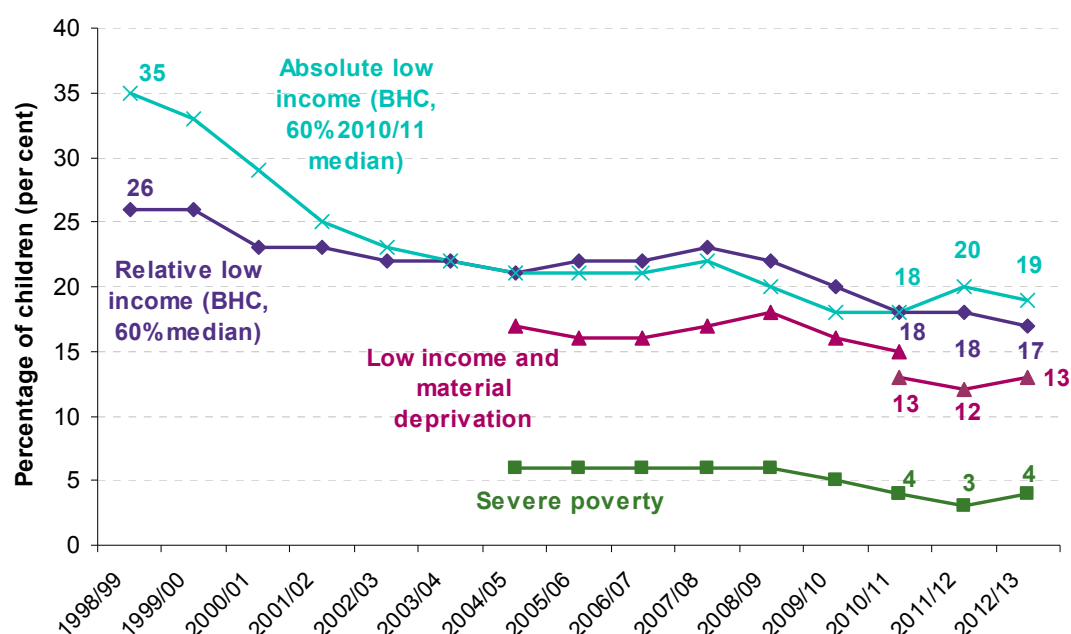
³ See Table 3.1tr

⁴ The apparent inconsistency with Table 3a and Chart 2 is due to rounding.

Children (Chart 3, Tables 4a-4c)

- There were some small movements in combined low income and material deprivation and severe poverty figures for children in 2012/13, while the percentage of children in relative and absolute low-income households generally remained flat. None of the changes were statistically significant.
- The percentage of children in relative low income BHC remained flat at 17 per cent⁵, its lowest level since the 1980s, and has seen a general decrease since 2007/08.
- Similarly, the percentage of children in absolute low income BHC in 2012/13 was stable at 19 per cent⁵. After an increase in 2011/12, this percentage remains slightly higher than the 2010/11 level.
- These latest figures BHC show 2.3 million children in relative low income, whilst there were 2.6 million under the absolute low income measure.
- The percentage of children in combined low income and material deprivation, or in severe poverty (household income of less than 50 per cent of median income and in material deprivation) have both seen a small and not statistically significant increase of 1 percentage point, returning to the level seen in 2010/11. It is not possible to look at longer term trends due to a [break in the series](#).

Chart 3: Children, main measures, 1998/99 to 2012/13, UK

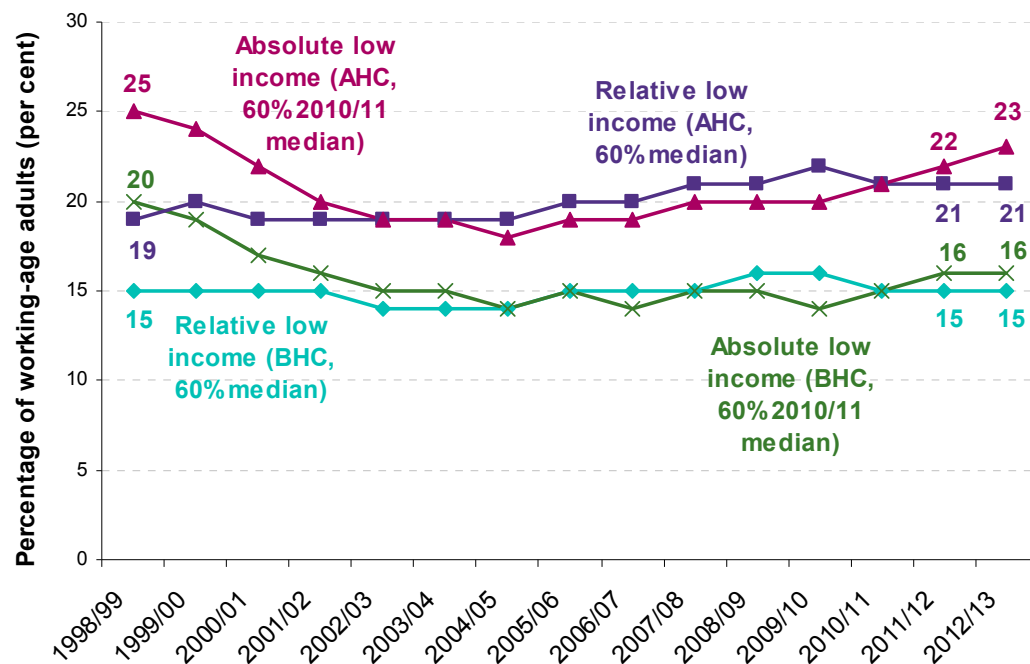


⁵ The apparent inconsistency with Table 4a and Chart 3 is due to rounding.

Working-age adults (Chart 4, Tables 5a and 5b)

- Generally, there has been little change in the percentage of working-age adults in low-income households in 2012/13.
- 15 per cent of working-age adults were in relative low income BHC. From 1998/99 the percentage of working-age adults in relative low income has not seen large changes, remaining between 14 and 16 per cent.
- 16 per cent of working-age adults were in absolute low income BHC in 2012/13. The percentage in absolute low income underwent a sustained decrease from 1998/99 to 2004/05. Following some years of fluctuating levels, there was an increase from 2009/10 to 2011/12. There was a 1 percentage point decrease in 2012/13⁶, which was not statistically significant, and it is at the same level as it was in 2001/02.
- These latest figures BHC show 5.5 million working-age adults in relative low income, whilst there were 5.9 million under the absolute low income measure.
- Whilst the effects of rising housing costs may be seen in the 1 percentage point increase in working-age adults in absolute low income AHC to 23 per cent, this change was not statistically significant. This follows small steady increases from 2004/05 onwards, returning to levels last seen between 1999/00 and 2000/01.

Chart 4: Percentage of working-age adults in relative and absolute low income, BHC and AHC, 1998/99 to 2012/13, UK

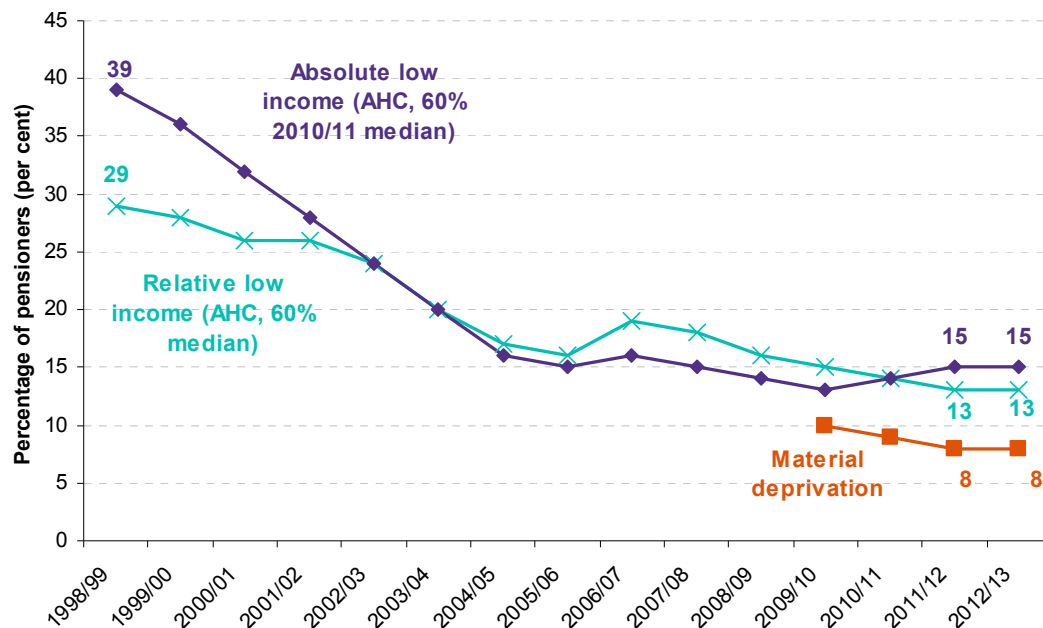


⁶ The apparent inconsistency with Table 5a and Chart 4 is due to rounding.

Pensioners (Chart 5, Tables 6a-6c)

- Around three-quarters of pensioners own their own home, so for this reason the preferred measure of low income for pensioners is based on incomes measured AHC. Examining pensioners' incomes compared to others after deducting housing costs allows for more meaningful comparisons of income between working-age people and pensioners, and the pensioner population over time.
- There has been no change in the percentage of pensioners in low-income households from the previous year.
- In 2012/13, 13 per cent of pensioners were in relative low income AHC whilst 15 per cent were in absolute low income and 8 per cent in material deprivation.
- The percentage of pensioners in low income saw large falls from 1998/99 to 2005/06. After an increase in 2006/07 the percentage in relative low income has continued to fall, whilst there was a small increase in the percentage in absolute low income since 2009/10.
- These latest figures AHC show 1.6 million pensioners in relative low income, whilst there were 1.8 million under the absolute low income measure.
- Pensioners continue to be the group with the lowest percentage in low-income households AHC.

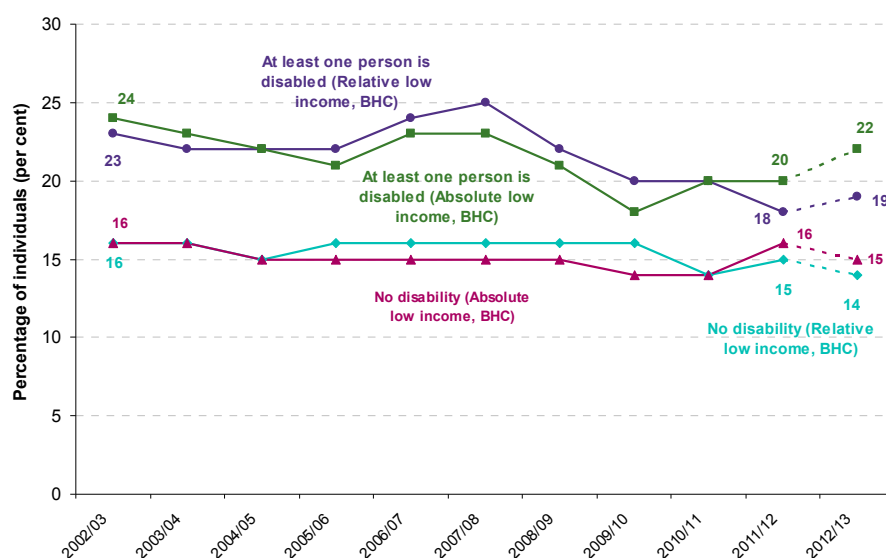
Chart 5: Pensioners, main measures, 1998/99 to 2012/13, UK



Disability analysis (Chart 6, Tables 7a-7h)

- The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures in 2012/13 and previous years should be made with caution.
- The percentage of individuals in relative low income BHC in families where at least one member is disabled increased by 1 percentage point to 19 per cent in 2012/13 which, although not statistically significant, was in contrast to the downward trend since 2007/08.
- In comparison, the percentage of individuals living in relative low income in families where no member is disabled decreased, from 15 to 14 per cent in 2012/13 BHC, also not statistically significant.
- Therefore, individuals in families with at least one disabled member were more likely to be in relative poverty than individuals in families with no disabled member (19 compared to 14 per cent).
- This gap was largest for working-age adults in families with at least one disabled member (22 compared to 12 per cent).
- The percentage of individuals in absolute low income in families where at least one member is disabled increased from 20 to 22 per cent BHC⁷, continuing increases seen since 2009/10. In contrast, the percentage of individuals living in absolute low income in families where no member is disabled decreased from 16 to 15 per cent BHC.
- These recent changes may be affected by the revised disability questions.
- These latest figures BHC for those living in families where at least one member is disabled show 3.7 million individuals in relative low income, whilst there were 4.2 million under the absolute low income measure.

Chart 6: Percentage of individuals in relative and absolute low income by family disability status, 2002/03 to 2012/13, UK



⁷ The apparent inconsistency with Table 7a and Chart 6 is due to rounding.

Summary of 2012/13 estimates

The tables below present the 2012/13 estimates, and changes compared to 2011/12. The latest estimates and changes should be considered alongside medium and long-term patterns.

2012/13 levels

Relative low income: Levels, percentage (%) and millions (m), in relative low income, below 60% of median threshold

		Total	Children	Working-age	Pensioners	Disability*
Relative low income, below 60% of 2012/13 median	BHC	15% 9.7m	17% 2.3m	15% 5.5m	16% 1.9m	19% 3.7m
	AHC	21% 13.2m	27% 3.7m	21% 8.0m	13% 1.6m	25% 4.7m
Children: Low income and Material Deprivation			13% 1.8m			

Absolute low income: levels, percentage (%) and thousands (k), in absolute low income, below 60% of 2010/11 median threshold uprated by RPI inflation

		Total	Children	Working-age	Pensioners	Disability*
Absolute low income, below 60% of 2010/11 median	BHC	17% 10.6m	19% 2.6m	16% 5.9m	17% 2.0m	22% 4.2m
	AHC	23% 14.6m	31% 4.1m	23% 8.7m	15% 1.8m	27% 5.3m

Change from 2011/12 to 2012/13

Relative low income: Changes, percentage points (ppt) and thousands (k), in relative low income, below 60% of median threshold

		Total	Children	Working-age	Pensioners	Disability*
Relative low income, below 60% of 2012/13 median	BHC	⇒ 0ppt ⇓ 100k	⇒ 0ppt ⇒ 0k	⇒ 0ppt ⇓ 100k	⇒ 0ppt ⇒ 0k	⇓ 1ppt ⇓ 200k
	AHC	⇒ 0ppt ⇓ 100k	⇒ 0ppt ⇓ 100k	⇒ 0ppt ⇓ 100k	⇒ 0ppt ⇒ 0k	⇓ 1ppt ⇓ 300k
Children: Low income and Material Deprivation			⇓ 1ppt ⇓ 100k			

Absolute low income: Changes, percentage points (ppt) and thousands (k), in absolute low income, below 60% of 2010/11 median threshold uprated by RPI inflation

		Total	Children	Working-age	Pensioners	Disability*
Absolute low income, below 60% of 2010/11 median	BHC	⇒ 0ppt ⇓ 200k	⇒ 0ppt ⇒ 0k	⇓ 1ppt ⇓ 200k	⇒ 0ppt ⇒ 0k	⇓ 2ppt ⇓ 400k
	AHC	⇓ 1ppt ⇓ 600k	⇓ 1ppt ⇓ 200k	⇓ 1ppt ⇓ 400k	⇒ 0ppt ⇒ 0k	⇓ 2ppt ⇓ 500k

Key

⇓ Statistically significant increase from 2011/12

⇓ Increase but not statistically significant from 2011/12

* Individuals in low income living in families where at least one member is disabled. The 2012/13 definition of disability adopted the new harmonised standards. Comparisons with previous years should be made with caution as they could be affected by this change in questions.

Changes to the 2012/13 publication

A number of changes have been made to the 2012/13 publication detailed in full in the [Statistical Notice](#) available on the HBAI web-page.

In summary, the changes are:

- **Inflation measure:** Following consultation with users, the RPI has continued to be used as the inflation measure in the 2012/13 publication, as there are currently no suitable alternatives with appropriate before and after housing cost indices available.
- **Publication format:** Following consultation with users, we have produced one report, including commentary, charts and summary tables – instead of a separate First Release and Report as was previously produced. All the publication tables previously published within the report are available as Excel spreadsheets on the [HBAI GOV.UK web-page](#).
- **Grossing:** This is the process of applying factors to the HBAI data so that they yield estimates which represent the overall population. In line with the FRS, the 2012/13 HBAI data incorporates the 2011 Census based mid-year population estimates into the grossing regime, with a consistent back series produced to 2002/03.
- **Additional tables:** We have published additional three-year averaged time-series tables on regional income and regional low income.
- **Disability:** The 2012/13 FRS adopted the new [harmonised standards](#) on disability. This classification is used in this HBAI publication and is designed to measure the core population of currently disabled people in line with the Equality Act definition.
- **Derivation of income:** A number of minor improvements to income derivation have been made.
- **Reporting uncertainty:** We have enhanced our reporting of uncertainty in the HBAI report, with the inclusion of [Chapter 8](#) explaining the accuracy of the survey estimates.
- **Child material deprivation:** Four new questions about additional material deprivation items for children were introduced into the 2010/11 FRS and from 2011/12 four questions from the original suite were removed. We now have three years of data covering the new questions and so are able to present three-year average results by ethnicity, region and country based on these new questions.
- **State Pension age:** Pensioners are defined as all those adults above State Pension age. Prior to 6th April 2010, women reached the State Pension age at 60. From 6th April 2010, the State Pension qualifying age for women has been gradually increasing. The changes do not affect the State Pension age of men, currently 65. Therefore, as with the previous two reports, the age groups covered by the analysis of working-age adults and pensioners will change for the 2012/13 report.

The material deprivation statistics will continue to be based on pensioners aged 65 and over.

- **Household bills in arrears:** The analysis of income by whether people are behind with household bills has been extended to include rent, mortgage payments and other loans.
- **Highest Qualification:** The 2012/13 FRS introduced some changes to the qualification questions to allow more detail of the level of the qualifications to be collected. Further to this, the qualification questions are now asked of all respondents aged 16 and over rather than those aged 16 to 75. There will be no change to HBAI outputs as a result of these changes.

Chapter 1

1. Using and interpreting HBAI statistics

This report presents information on living standards in the United Kingdom, and gives annual estimates on the number and percentage of people living in low-income households. Figures are also provided for children, pensioners, working-age adults and individuals living in a family where someone is disabled.

1.1 What does HBAI measure

Households Below Average Income (HBAI) uses data from the Family Resources Survey (FRS) to measure living standards in the UK using disposable household income. Adjustments are made to take account of the size and composition of households to make the income figures comparable. HBAI is the foremost source for data and information about household [income](#), income poverty and inequality, and is used for the analysis of low income by researchers and the Government. Household disposable income can be used as one measure of [well-being](#).

Populations and percentages in the text and tables are numbers and percentages of individuals.

1.2 Interpreting and working with HBAI statistics

The HBAI estimates incorporate widely-used, international standard measures of low income and inequality. The figures are based on survey data, meaning that they are subject to a margin of error which can affect how changes in the numbers should be interpreted, especially in the short term. The latest estimates should be considered alongside medium and long-term patterns. **Unless otherwise stated, the changes in low-income measures over time that are discussed in the text are statistically significant.** In the summary tables presented in this report, estimates of the **percentage** in low income that are statistically significant from (i) the previous year and (ii) 1998/99 are shown with an asterisk. Estimates of the **number** in low income that are statistically significant from the previous year are shown with an asterisk. However, it is not possible to calculate statistical significance for numerical changes compared to 1998/99 figures as these include imputed estimates for Northern Ireland. Changes marked by an asterisk are unlikely to have occurred as a result of chance.

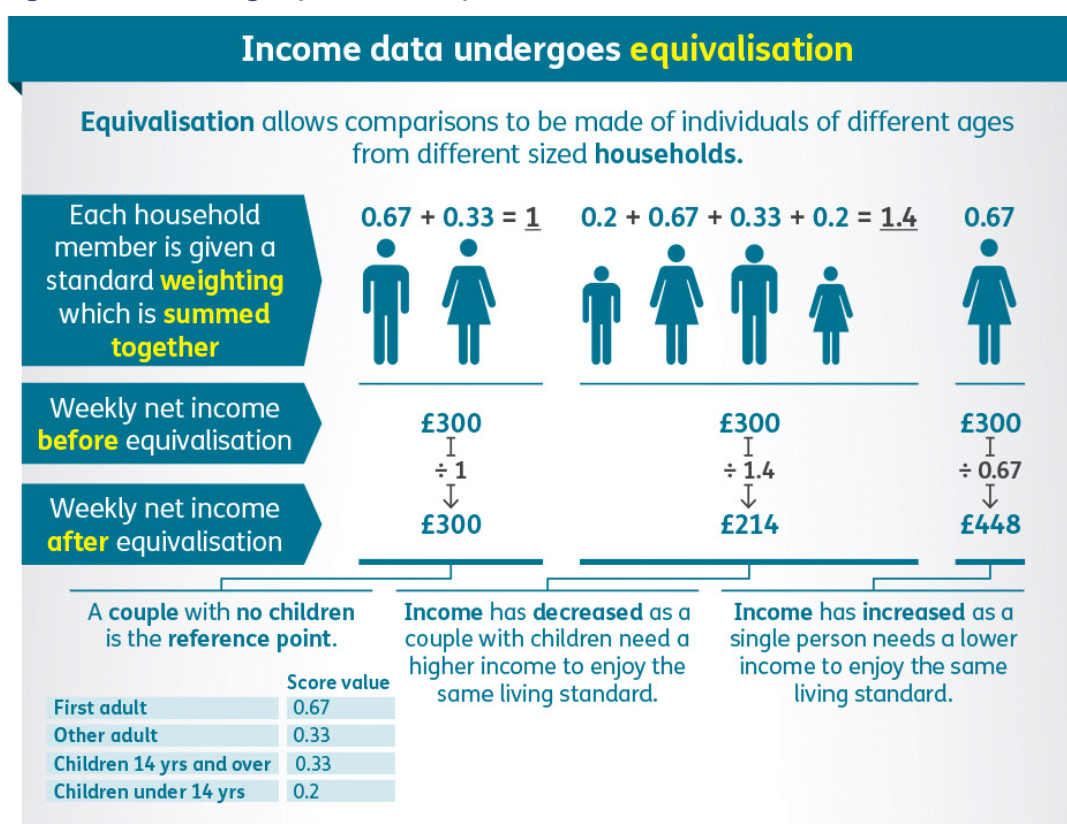
The series started in 1994/95 and so allows for comparisons over time, as well as between different groups of the population.

Equivalisation

Equivalisation adjusts incomes for household size and composition, taking an adult couple with no children as the reference point. For example, the process of equivalisation would adjust the income of a single person upwards, so their

income can be compared directly to the standard of living for a couple. See Figure 1.1 for more information on equivalisation.

Figure 1.1: Infographic on equivalisation⁸



What do we mean by average?

In HBAI, the term 'average' is used to describe the [median](#). This divides the population of individuals, when ranked by income, into two equal-sized groups, and unlike the mean is not affected by extreme values. See Figure 1.2 for more details.

HBAI measures

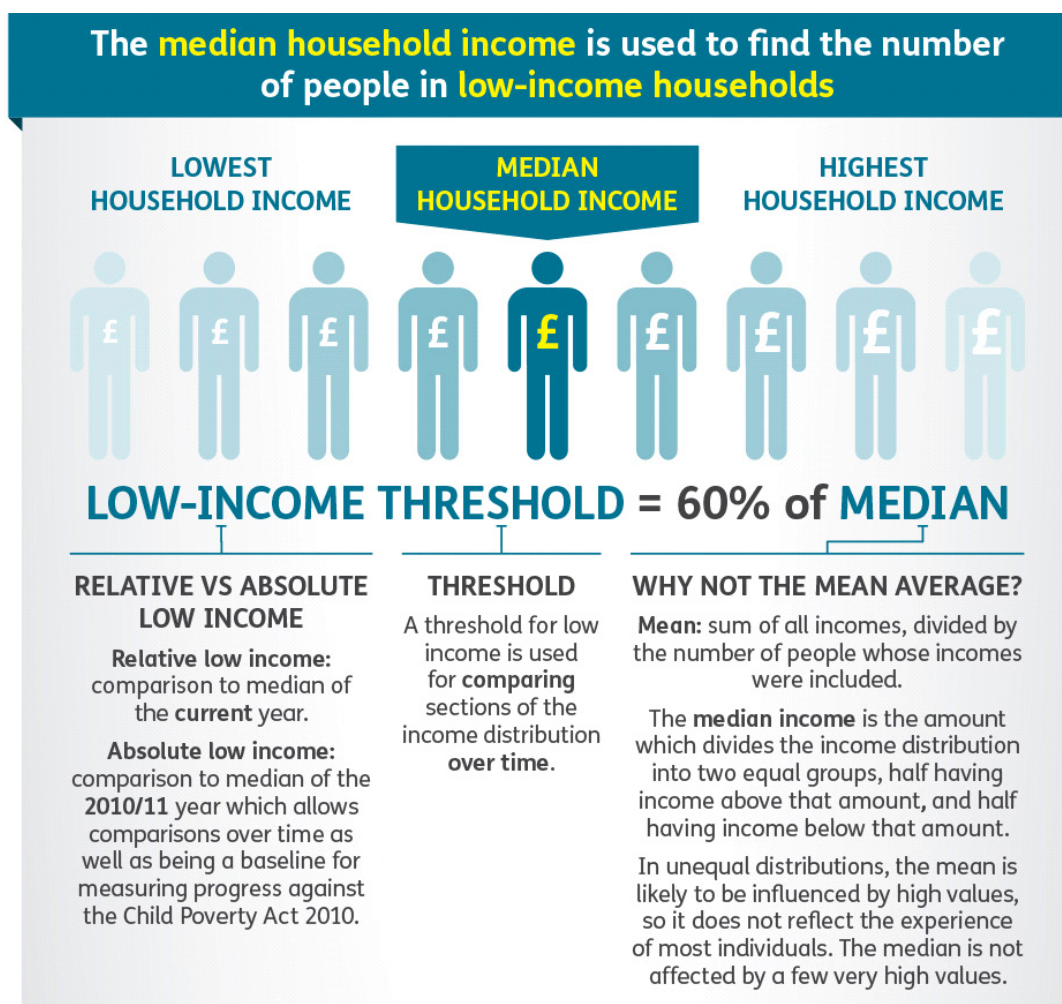
There are a range of measures of low income, income inequality and material deprivation to capture different aspects of changes to living standards:

- **Relative low income** measures the number and proportion of individuals who have household incomes below a certain proportion of the average in that year - and is used to look at how changes in income for the lowest income households compare to changes in incomes near the 'average'. In this report we concentrate on those with household incomes below 60 per cent of the average. Information on those with household incomes below 50 and 70 per cent of the average is available in the detailed tables published on the HBAI web-pages.
- **Absolute low income** measures the proportion of individuals who have household incomes a certain proportion below the average in 2010/11, adjusted for inflation. It is used to look at how changes in income for

⁸ Figure 1.1 refers to BHC equivalisation, corresponding AHC factors are different, see **HBAI Quality and Methodology Information Report** for full details of equivalisation weights.

the lowest income households compare to changes in the cost of living. In this report we concentrate on those with household incomes below 60 per cent of the average 2010/11 income. Information on those with household incomes below 50 and 70 per cent of the average is available in the detailed tables published on the HBAI web-pages.

Figure 1.2: Infographic on income measures



- **Income inequality**, measured by the Gini Coefficient, shows how incomes are distributed across all individuals, and provides an indicator of how high and low-income individuals compare to one another. It ranges from 0 (when everybody has identical incomes) to 100 per cent (when all income goes to only one person). The higher the number the greater the inequality across the population.
- **Income Before Housing Costs (BHC)**. Income trends over time before deducting housing costs are useful where there has been an increase in housing costs because of better quality housing, and so living standards have improved.
- **Income After Housing Costs (AHC)**. Income trends over time after deducting housing costs are useful where rents have increased for a given quality of accommodation, otherwise, for example a rise in

housing benefit to offset higher rents would be counted as an income rise.

1.3 Family Resources Survey

The focus of the FRS is on capturing information on incomes and, as such, is the foremost source of income data and provides more detail on different income sources than other household surveys. It also captures a lot of contextual information on the household and individual circumstances, such as employment, education level and disability. This is therefore a very comprehensive data source allowing for a lot of different analysis.

The FRS covers a sample of around 20,000 private households in the United Kingdom. Therefore, certain individuals, for example students in halls of residence and individuals in nursing or retirement homes, will not be included.

1.4 Using HBAI statistics

Sampling error. Results from surveys are estimates and not precise figures. Confidence intervals help to interpret the certainty of these estimates, by showing the range of values around the estimate that the true result is likely to be within. In general terms the smaller the sample size, the larger the uncertainty. Statistical significance indicates whether a change is due to chance within the population. It is important to bear in mind that confidence intervals are only a guide for the size of sampling error.

The latest figures should be considered alongside medium and long-term patterns. **Unless otherwise stated, the changes in low-income measures over time that are discussed in the text are statistically significant.**

[Chapter 8](#) presents further information on the uncertainty in the HBAI estimates.

Non-sampling error. In addition to sampling error, non-sampling error is another area of uncertainty that is present in all surveys as well as in censuses. Non-sampling error encompasses all error excluding sampling error. Types of non-sampling error include:

- **coverage error** - the FRS covers private households in the United Kingdom. Therefore individuals in nursing or retirement homes, for example, will not be included. This means that figures relating to the most elderly individuals may not be representative of the United Kingdom population, as many of those at this age will have moved into homes where they can receive more frequent help.
- **non-response error** - the FRS response rate in 2012/13 was 60 per cent. In an attempt to correct for differential non-response, estimates are weighted using population totals.
- **measurement error** – the FRS is known to under-report benefit receipt, more detail can be found in Table M.6 of the [FRS report](#).

Non-sampling error is minimised through effective and accurate sample and questionnaire design along with extensive quality assurance of the data. However, it is not possible to eliminate it completely, nor can it be quantified. It

is important to bear in mind that confidence intervals are only a guide for the size of sampling error.

The following issues need to be considered when using HBAI:

- **Grossing.** The 2012/13 report is the first to use 2011 Census data to derive grossing factors which are used to weight the survey findings so that they are representative of the whole UK population. In addition to the move to the 2011 Census, a number of minor methodological changes have also been implemented. These methodological changes were made on the recommendation of the ONS Methodological Advisory Service during an Initial Review of the FRS weighting scheme. The revised grossing regime is described in detail in the Methodology chapter of the [FRS report](#). A full [report](#) of the changes made to the grossing regime is also available. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors where relevant. A set of tables comparing key estimates using the old and new grossing factors is available on the [HBAI web-page](#). The comparative analysis of data from 2002/03 to 2011/12 shows that the methodological revisions had minor effects on HBAI estimates. The update to the use of 2011 Census based figures has a small effect on most estimates without significantly altering trends over time.
- **Lowest incomes.** Comparisons of household income and expenditure suggest that those households reporting the lowest incomes may not have the lowest living standards. The bottom 10 per cent of the income distribution should not, therefore, be interpreted as having the bottom 10 per cent of living standards. Results for the bottom 10 per cent are also particularly susceptible to sampling errors and income measurement problems.
- **Inflation.** There are a range of indices which seek to measure inflation, but there are differences in their coverage, calculation and population base⁹. As with previous years, the HBAI statistics use variants of the Retail Prices Index (RPI) to look at how incomes are changing over time in real terms. In accordance with the Statistics and Registration Service Act 2007, the RPI and its derivatives have been assessed against the Code of Practice for Official Statistics and found not to meet the required standard for designation as National Statistics. The full [assessment report](#) can be found on the UK Statistics Authority website.
- As advised in the [Statistical Notice](#) published in April 2014, an HBAI Technical Advisory Group recommended that the HBAI publication should continue to use RPI as the measure of inflation for the 2012/13 publication without change. To supplement this, they recommended that the publication should also show key BHC figures using other inflation measures in an Annex. The use of RPI for another year was

⁹ The ONS web-site provides further information on consumer price indices.
<http://www.ons.gov.uk/ons/guide-method/user-guidance/prices/cpi-and-rpi/index.html>

recommended because there are currently no suitable alternatives with appropriate BHC and AHC indices available.

- Using other inflation indices instead of RPI would decrease real terms income prior to 2012/13 (with the largest differences in earlier years), moderately increase the percentage and number of people in absolute low income prior to 2010/11 (with the largest differences in earlier years) and slightly decrease the percentage and number in absolute low income in 2012/13. [Annex 4](#) presents trends in income and absolute low income using alternative inflation measures.
- **Benefit receipt.** Relative to administrative records, the FRS is known to under-report benefit receipt. However, the FRS is considered to be the best source for looking at benefit and tax credit receipt by characteristics not captured on administrative sources, and for looking at total benefit receipt on a benefit unit or household basis.

An HBAI [Quality and Methodology Information Report](#) is available on the HBAI web-site, and each chapter in this report highlights key relevant quality issues.

1.5 Key terminology

Income

This is measured as total weekly household income from all sources after tax (including child income), national insurance and other deductions. An adjustment called 'equivalisation' is made to income to make it comparable across households of different size and composition.

Median

Median household income divides the population, when ranked by equivalised household income, into two equal-sized groups. More information can be found in Figure 1.2.

Deciles and Quintiles

These are income values which divide the whole population, when ranked by household income, into equal-sized groups. This helps to compare different groups of the population.

Decile and quintile are often used as a standard shorthand term for decile/quintile group.

Deciles groups are ten equal-sized groups - the lowest decile describes individuals with incomes in the bottom 10 per cent of the income distribution.

Quintiles groups are five equal-sized groups - the lowest quintile describes individuals with incomes in the bottom 20 per cent of the income distribution.

Income distribution

The spread of incomes across the population.

Equivalisation

Equivalisation adjusts incomes for household size and composition, taking an adult couple with no children as the reference point. For example, the process

of equivalisation would adjust the income of a single person upwards, so their income can be compared directly to the standard of living for a couple. See Figure 1.1 for more information on equivalisation.

Low income

Low income is defined using thresholds derived from percentages of average income for the whole population, and based on international standard measures. The main ones used in this report are:

- Individuals are said to be in *relative low income* if they live in a household with an equivalised income below 60 per cent of average (median) income of the year in question. The population in relative low income falls if income growth at the lower end of the income distribution outstrips average income growth.
- Individuals are said to be in *absolute low income* if they live in a household with an equivalised income below 60 per cent of average (median) income in 2010/11, adjusted for RPI inflation. The year 2010/11 is used in this report in order to measure absolute low income in line with the Child Poverty Act 2010. The population in absolute low income falls if individuals with the lowest incomes see their income rise more than inflation.

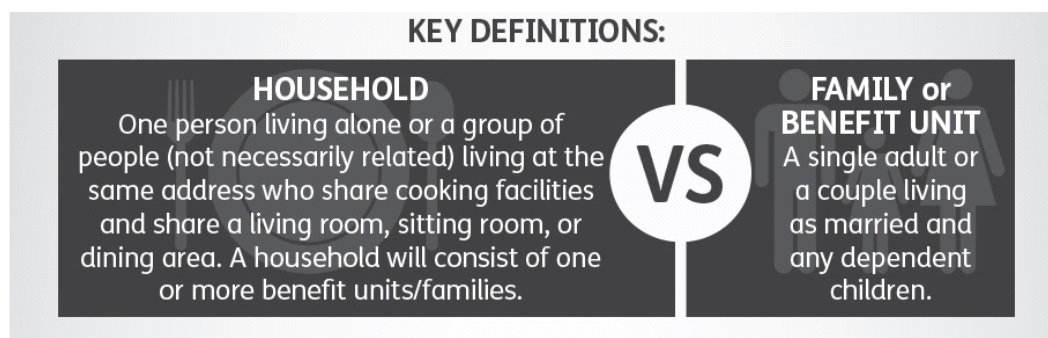
Housing costs

Housing costs include rent, water rates, mortgage interest payments, buildings insurance payments and ground rent and service charges. A full list can be found in the glossary in [Annex 5](#).

Benefit unit and households

HBAI presents information on an individual's household income by various household and benefit unit (family) characteristics. There are important differences between households and benefit units. Figure 1.3 explains the difference.

Figure 1.3: Infographic on household versus benefit unit



For example, a group of students with a shared living room would be counted as a single household even if they did not eat together, but a group of bed-sits at the same address would not be counted as a single household because they do not share living space or eat together.

A husband and wife living with their young children and an elderly parent would be one household but two benefit units. The husband, wife and children

would constitute one benefit unit and the elderly parent would constitute another. It should be noted that the term ‘benefit unit’ is used as a description of groups of individuals regardless of whether they are in receipt of any benefits or tax credits.

A household will consist of one or more benefit units, which in turn will consist of one or more individuals (adults and children).

Other terms

For more information on these and other terms used throughout the report, see the glossary in [Annex 5](#), and [infographic explaining key terms](#).

1.6 Comparing official statistics across the UK

All official statistics from the HBAI for the UK and constituent countries in this publication are considered by the Department for Work and Pensions (DWP) as “Fully Comparable at level A*” of the UK Countries Comparability Scale¹⁰.

1.7 National Statistics

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

1.8 Acknowledgements

As in previous years, the DWP would like to thank the Institute for Fiscal Studies (IFS) for the substantial assistance that they have provided in checking and verifying the income data and grossing factors underlying the main results in this edition.

We are also grateful to HM Revenue and Customs (HMRC) for the provision of aggregated data from the Survey of Personal Incomes.

1.9 Users and uses

HBAI is a key source for data and information about household income, income poverty and inequality, and is used for the analysis of low income by researchers and the Government. Users include: policy and analytical teams within the DWP, the Devolved Administrations, other government departments, local authorities, Parliament, academics, journalists, and the voluntary sector.

¹⁰ <https://gss.civilservice.gov.uk/wp-content/uploads/2014/02/Comparability-Report-Final.pdf>

The key reasons for the use of the published statistics and datasets¹¹ are:

- to inform policy development and monitoring of indicators on child, pensioner and disability poverty;
- for international comparisons, both within the EU and for OECD countries;
- for parliamentary, academic, voluntary sector and lobby group analysis. Examples include using the HBAI data to examine income inequality, poverty, the distributional impacts of fiscal policies and understanding the income profile of vulnerable groups.

Box 1a describes how HBAI statistics are used for some of the targets in the Child Poverty Act 2010.

Box 1a: Child Poverty Act 2010

The Child Poverty Act 2010 sets out four income-related targets that the Government must meet by 2020. The first three of the following targets use measures which are reported in HBAI.

Relative low income: The proportion of children living in households where income is less than 60 per cent of median household income BHC (the target is less than 10 per cent by 2020/21).

Absolute low income: The proportion of children living in households where income is less than 60 per cent of median household income BHC in 2010/11 adjusted for prices (the target is less than 5 per cent by 2020/21).

Combined low income and material deprivation: The proportion of children who are in material deprivation and live in households where income is less than 70 per cent of median household income BHC (the target is less than 5 per cent by 2020/21).

Persistent poverty: The proportion of children living in households where income is less than 60 per cent of median household income BHC, for at least three out of the last four years (this target is the subject of a consultation).

Further details of the uses of HBAI statistics are given in [Annex 3](#).

A **Poverty and Inequality Statistics Community** has been created for those with an interest in statistics and analysis relating to the various dimensions of poverty, inequality and deprivation. More details can be found here: <http://www.statsusernet.org.uk/home>

1.10 What do you think?

We are constantly aiming to improve this report and its associated commentary. We would welcome any feedback you might have, and would also be particularly interested in knowing how you make use of these data to inform your work. Please contact us via email: team.hbai@dwpgsi.gov.uk

¹¹ The UK Data Service website provides information on access to HBAI datasets <http://discover.ukdataservice.ac.uk/catalogue/?sn=5828&type=Data%20catalogue>

1.11 Guide to the tables

Following consultation with users, we have produced one report, including commentary, charts and summary tables. All the publication tables previously available within the report are available as Excel spreadsheets, along with some CSV files, on the [HBAI GOV.UK web-page](#).

We have also published a [directory of tables](#), listing all the tables produced with a summary of what information is available in each table.

The publication and tables follow the following conventions.

- .. not available due to small sample sizes (less than 100)
- the estimate is less than 50,000 or the percentage is less than 0.5 per cent

Population estimates are rounded to the nearest 100,000.

Percentages are rounded to the nearest 1 per cent.

Chapter 2

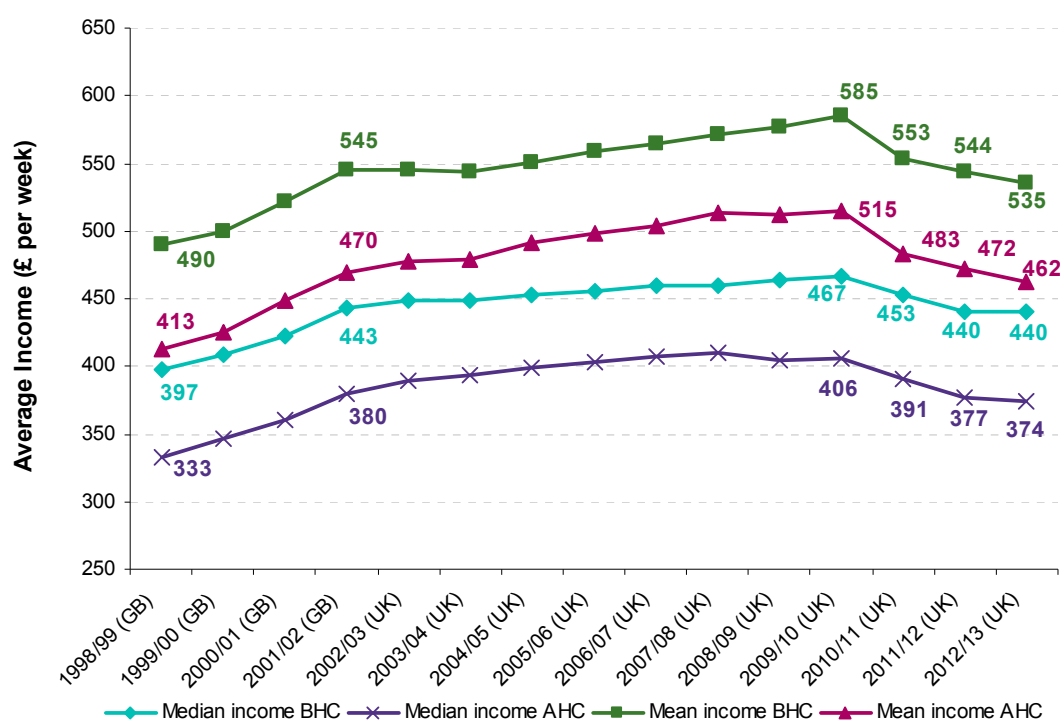
2. The income distribution

This chapter presents information on the overall income distribution. It looks at average income, as well as the inequality of income – the gap between the least and most well off. In order to place the findings presented in this report in a wider context, it considers social and economic conditions between 1994/95 and 2012/13. **All data are reported in 2012/13 prices ('real terms'), using RPI inflation to convert monetary values from previous years into 2012/13 prices to make them comparable.** Box 2a provides more information on inflation measures.

In 2012/13 the UK saw little growth in Gross Domestic Product (GDP), earnings growth was less than inflation and there was a small increase in employment levels. A number of benefit changes (see [Annex 1](#)), although having different effects on different benefit recipients, resulted in smaller growth in real terms benefit income than would have been expected, given that many benefits were uprated at a higher rate than RPI inflation.

Average (median) real terms household income Before Housing Costs (BHC) remained stable (at £440 per week) in 2012/13 following two years of falls. Average household income After Housing Costs (AHC) has continued its downward trend since 2009/10, and for 2012/13 was £374 per week (not a statistically significant difference compared to £377 in 2011/12), affected by rising housing costs for some. (Chart 2.1, Table 2b)

Chart 2.1: Average real terms incomes in 2012/13 prices, 1998/99 to 2012/13, GB/UK



Before 2009/10, average real terms household income had steadily increased since the series began in 1994/95, and 2012/13 real terms incomes were around levels seen in 2001/02.

In 2012/13 incomes at both the top and the very bottom of the income distribution saw real terms falls, primarily driven by earnings rising slower than prices and, as a result, income inequality was broadly unchanged from the previous year.

Box 2a: The effects of inflation indices

Inflation is the speed at which the prices of goods and services bought by households rise or fall. The use of different inflation measures has an effect on trends in average household income and absolute low income. HBAI uses variants of RPI to adjust for inflation to look at how incomes are changing over time in **real terms**.

Using other inflation indices instead of RPI would decrease real terms income prior to 2012/13 (with the largest differences in earlier years), moderately increase the percentage and number of people in absolute low income prior to 2010/11 (with the largest differences in earlier years) and slightly decrease the percentage and number in absolute low income in 2012/13. For more information and to see the income figures deflated by RPIJ, CPI and CPIH see [Annex 4](#).

2.1 Economic background

The latest figures cover a period where the UK economy was showing little growth in GDP¹² and average earnings fell in real terms. GDP growth in 2012/13 was either weak or negative, continuing a period of either weak or negative growth since 2008. Average earnings increased by less than inflation for each month in 2012/13.

Following a reduction between 2007/08 and 2009/10, and remaining stable between 2009/10 and 2011/12, employment rates have increased in 2012/13 for both males and females¹³.

In 2012/13 the CPI inflation rate was 2.6 per cent, the RPI inflation rate was 3.1 per cent and average earnings rose by 1.3 per cent. In most cases, Jobseekers Allowance was up-rated by 5.2 per cent in 2012/13, while the dependent child element was up-rated by 4.3 per cent. This is above both CPI and RPI inflation for 2012/13 and is also higher than average earnings growth.

Working tax credits were frozen in most cases, aside from the disabled worker element and enhanced disabled adult element which were both increased by 5.3 per cent.

¹² GDP is the monetary value of all the finished goods and services produced within a country, usually calculated on an annual basis. It includes all of private and public consumption, government spending, investments and net exports.

¹³ However there was a reduction in the number of working individuals in the FRS data in 2012/13, which is likely to be because of survey volatility as this change is not seen in other survey data sources, such as the Labour Force Survey.

The Basic State Pension was up-rated by 5.2 per cent and most other benefits for the elderly were up-rated by more than the 2012/13 inflation rate, although the maximum savings credit fell sharply in percentage terms.

Benefits for people on low income were also up-rated above inflation and above average earnings growth in 2012/13. Income Support and most elements of Housing Benefit and Council Tax Benefit rose by 5.2 per cent.

2.2 Key messages

Average income

In 2012/13 the average (median) real terms household income BHC was unchanged from 2011/12 at £440 per week, following two years of falls. Average household income AHC has continued its downward trend since 2009/10 and for 2012/13 was £374 per week (not a statistically significant difference compared to £377 in 2011/12), likely to be affected by rising housing costs in the social rented sector¹⁴. (Chart 2.1, Table 2b)

- Before 2009/10 real terms incomes steadily increased since the time series began in 1994/95 and, following falls since 2009/10, 2012/13 real terms incomes were around levels seen in 2001/02.
- These trends have occurred over a period where the UK was seeing little growth in GDP, earnings growth was less than inflation and there was a small increase in employment levels. A number of benefit changes (see [Annex 1](#)), although having different effects on different benefit recipients, resulted in smaller growth in real terms benefit income than would have been expected, given that many benefits were uprated at a higher rate than RPI inflation.
- Mean incomes fell in real terms both BHC and AHC, driven by large falls in earnings for those with the highest incomes; however, these falls were not statistically significant. Small improvements made to the calculation of bonus and property tax in the 2012/13 HBAI data, largely affecting those on the highest incomes, will also have had a small downward effect on the mean income (see the [Changes to the HBAI Statistics 2012/13](#) for more information).
- There are a number of factors which could be influencing the recent trend of falling real earnings following the economic downturn, including: changes in hours worked; the impact of falling productivity; changes in the composition of the workforce; and behavioural change in reaction to higher tax rate changes in April 2013¹⁵. More detail on the first three factors can be found in the ONS publication “An Examination of Falling Real Wages”¹⁶.
- The earnings in HBAI have shown greater growth than the ONS Average Weekly Earnings data. This was mainly due to a reduction in the number of low-paid working individuals in the FRS data. This is

¹⁴ [English Housing Survey 2012 - 13](#)

¹⁵ See page 56, [HMRC Income Tax Liabilities Statistics](#), and [ONS Average weekly earnings bonus payments report](#)

¹⁶ [An Examination of Falling Real Wages, 2010-2013; ONS](#)

likely to be due to survey volatility as this change is not seen in other survey data sources, such as the Labour Force Survey.

Income inequality

Individuals at both the top and the very bottom of the income distribution have seen real terms falls in income, BHC, in the latest year, primarily driven by falling earnings. These falls were not statistically significant. (Chart 2.2, Tables 2b and 2.1ts)

Quintiles divide the population, when ranked by household income, into five equal sized groups. The lowest quintile contains the 20 per cent of the population with the lowest incomes. The highest quintile contains the 20 per cent of the population who have the highest incomes. By looking at the changes to the average (median) incomes of the quintiles this gives an indication of how the most well off and least well off are doing in comparison with each other and with previous years.

- The majority of the quintiles had lower average incomes BHC in 2012/13 than they did in 2011/12 (Chart 2.2), although these were not statistically significant changes. The exception is quintile 2 which had a very slight, not statistically significant, increase of 0.3 per cent.
- Despite decreases in income across the distribution, the average income BHC has remained unchanged. This is because the average (median) income of the whole population is equal to the average of the middle quintile, which only saw a decrease of around 0.2 per cent (not large enough to be seen when incomes are reported to the nearest pound and changes to the whole percentage).
- The gap between the decrease in average income BHC and average income AHC is greater for quintiles 1, 2 and 3 (the 60 per cent of the population with the lowest incomes) than quintiles 4 and 5 (the 40 per cent of the population with the highest incomes). This is likely to be due to rising rents in the social rented sectors which will affect the lower quintiles more as they are less likely to own a property and will therefore be affected by increasing housing costs.

HBAI uses the Gini coefficient to measure income inequality, a measure of the gap between the least and most well off. The higher the Gini coefficient, the greater the level of inequality across the population. (Chart 2.3, Tables 2b, and 2.1ts)

The Gini coefficient can have a value of between zero and 100. A value of zero would indicate complete equality (where each person has the same income), while a value of 100 per cent would indicate total inequality (where all income is held by one person).

- The changes in income in 2012/13 affected individuals with the very lowest and higher household incomes similarly. This kept the Gini coefficient flat, both BHC (34 per cent) and AHC (38 per cent)¹⁷.
- The 90/10 ratio has followed a similar pattern to the Gini coefficient and remained flat in the latest year. The 90/10 ratio is the average

¹⁷ The apparent inconsistency with Table 2b is due to rounding.

(median) income of the top 20 per cent (quintile 5) divided by the average income of the bottom 20 per cent (quintile 1). The higher the number, the greater the gap between those with the highest incomes and those with the lowest incomes.

Chart 2.2: Percentage reduction in incomes in real terms, and confidence intervals, by quintile, 2011/12 to 2012/13, UK

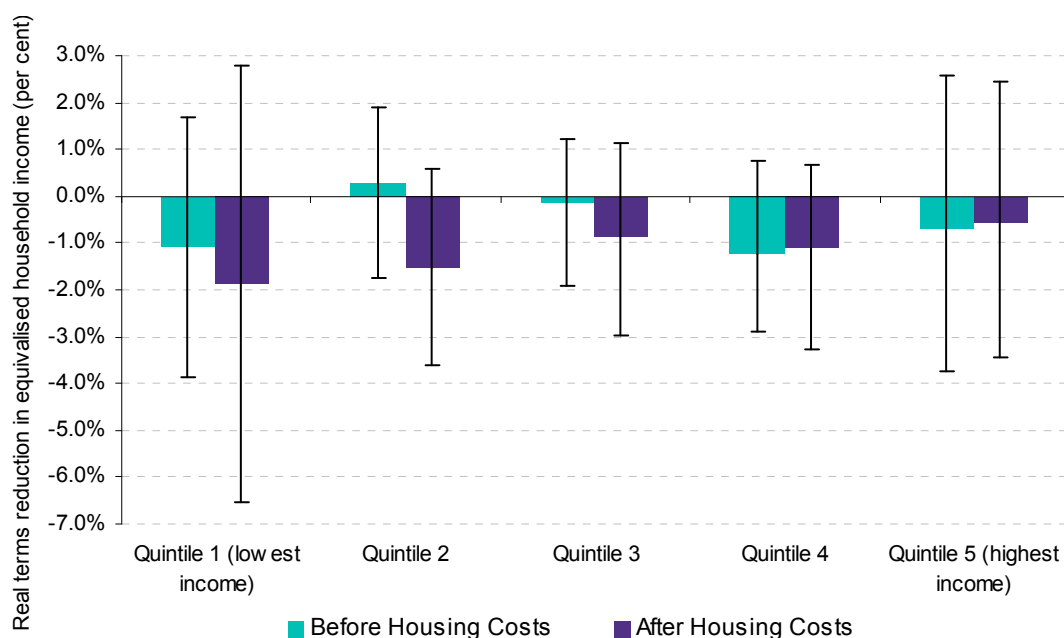
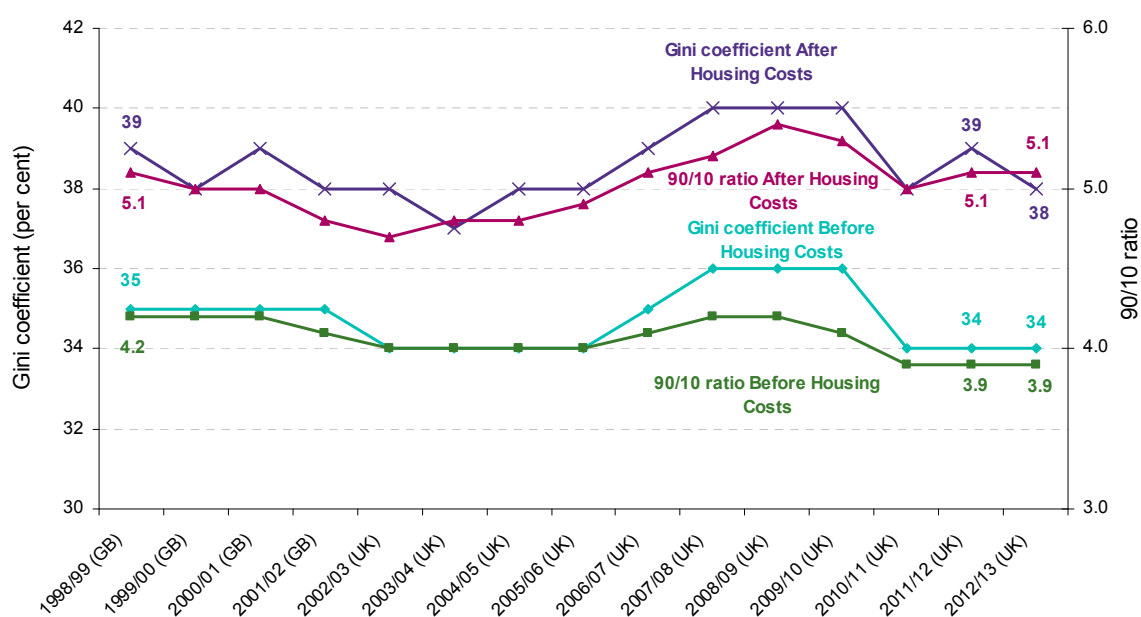


Chart 2.3: Measures of income inequality¹⁸, 1998/99 to 2012/13, UK



¹⁸ Note that the axes for Chart 2.3 do not start at zero.

- Following a peak between 2007/08 and 2009/10, income inequality in 2012/13 was around levels seen in 2005/06, BHC and AHC.
- Despite this, as in previous years, in 2012/13, individuals in the top quintile accounted for over 40 per cent of total income both BHC and AHC, whilst those in the bottom quintile accounted for less than 10 per cent. (Table 2.2ts).

2.3 The overall income distribution

Charts 2.4 show the income distribution for the United Kingdom in 2012/13 both BHC and AHC. The shaded areas numbered 1 to 10 show each successive tenth, or decile, of the population. An explanation of how zero incomes BHC and negative incomes AHC can occur is given in the [HBAI Quality and Methodology Information Report](#).

The relative and absolute low-income thresholds for a couple with no children in 2012/13 are given in Box 2b and Table 2.4ts.

Box 2b: Low-income thresholds, 2012/13

Relative low-income threshold for a couple with no children

(60 per cent of 2012/13 median)

BHC - £264 per week

AHC - £224 per week

Absolute low-income threshold for a couple with no children

(60 per cent of 2010/11 median in 2012/13 prices)

BHC - £272 per week

AHC - £235 per week

Table 2.4ts shows medians and low-income thresholds for other family types.

The income distribution for 2012/13 (Chart 2.4), shows that on a BHC basis, around two-thirds of individuals had an income that was less than the national mean (£535 per week). There was a large concentration of individuals around the 60 per cent of median income mark (£264 per week). The distribution showed similar characteristics on an AHC basis.

The presence of high numbers of individuals with relatively high incomes (4.3 million individuals had an equivalised income of over £1,000 a week BHC) results in a skewed or non-symmetrical distribution and a large difference between the overall mean and the median.

Chart 2.4 (BHC): Income distribution for the total population, 2012/13

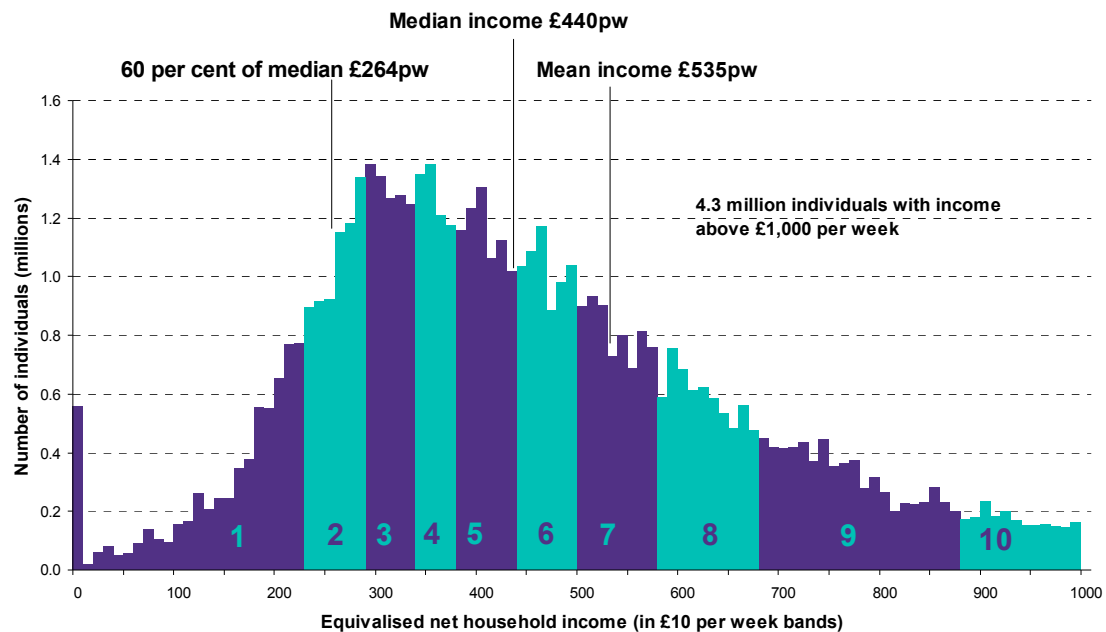
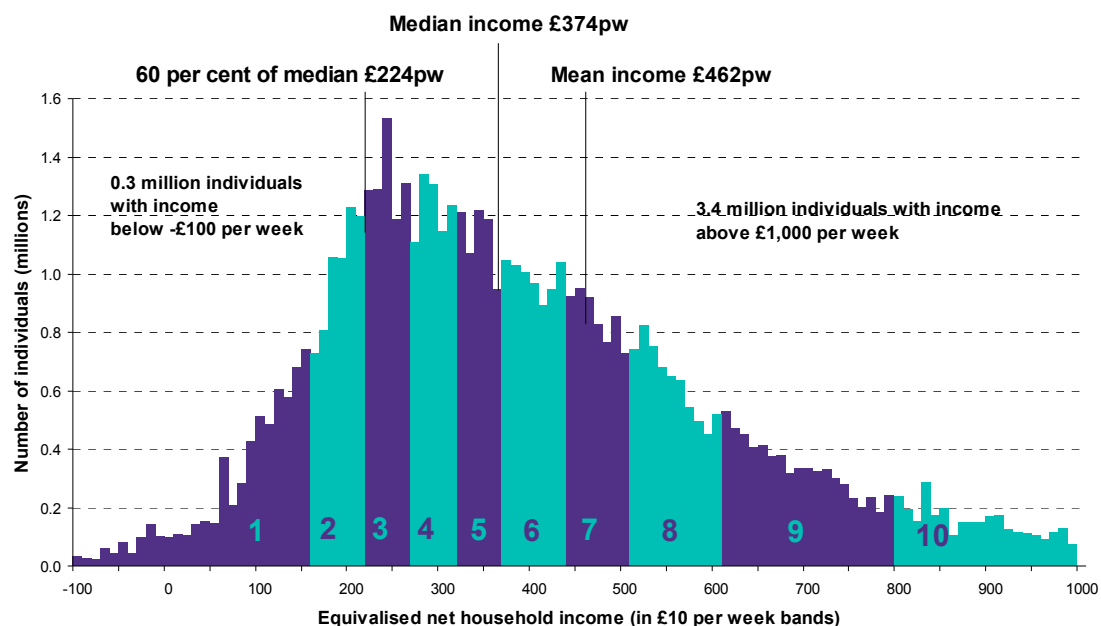


Chart 2.4 (AHC): Income distribution for the total population, 2012/13



Income components

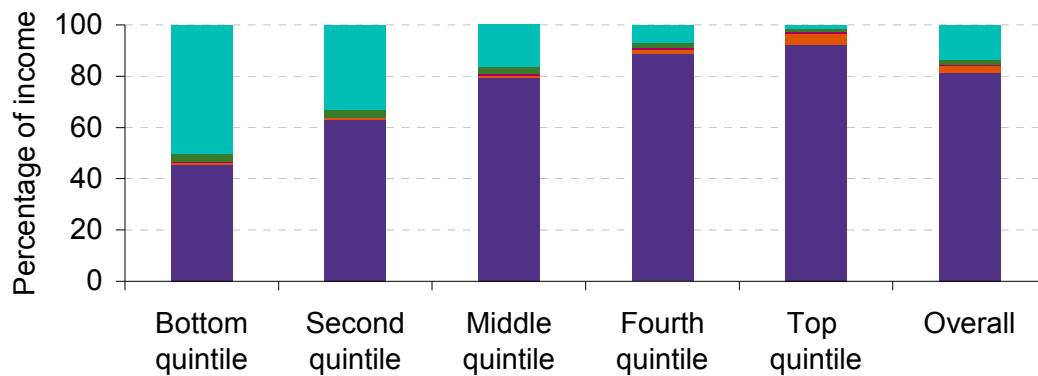
Higher-income households receive more of their income from earnings, whilst lower-income households receive more of their income from state support. (Chart 2.5, Table 2.1db)

- Earnings and state support were the main sources of income overall, accounting for almost 90 per cent of combined income.
- Overall BHC, earnings are around 34 per cent of the gross income of the bottom quintile while state support made up 54 per cent. In the top quintile, 83 per cent of income was derived from earnings.
- AHC, earnings made up around 39 per cent of the gross income of the bottom quintile while state support made up 50 per cent. In the top quintile, 81 per cent of income was derived from earnings.
- Chart 2.5 looks at the distribution of gross income sources for different household types for each fifth, or quintile, of the population, ranked by household income. For each quintile of the population and for each household type, the chart shows the percentage of total gross income that is accounted for by each income source.
- Households containing children and households containing working-age adults only show a similar breakdown of income components, with the majority of their income coming from earnings at the top of the distribution and 45 per cent at the bottom. In comparison, more of the income of households containing pensioners and no children comes from state support and occupational pensions.
- It should be noted that comparisons with National Accounts data would suggest that surveys such as the FRS understate investment income. It is also the case that the FRS underestimates receipt of most types of state support. See the FRS report for further details.

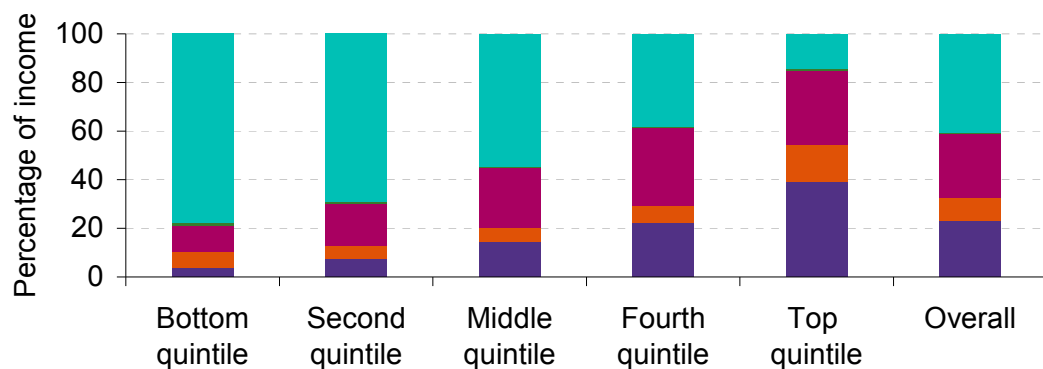
Chart 2.5 (BHC): Income sources as a proportion of gross income by quintile and household type, 2012/13

■ Earnings ■ Investments ■ Occupational pensions
■ Miscellaneous ■ State support received

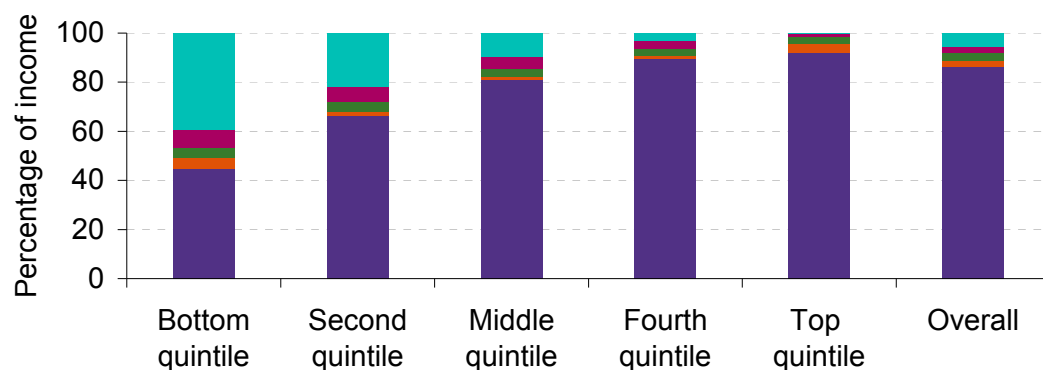
Households containing children



Households containing pensioners and no children



Households containing working-age adults only



2.4 Summary tables

Table 2a: Recent economic indicators^{1,2,3}

Percentages Source: ONS, Bank of England

	GDP Growth ⁴	Base Interest Rate ⁵	Inflation Rate (RPI) ⁶	Inflation Rate (RPIJ) ⁶	Inflation Rate (CPI) ⁶	Inflation Rate (CPIH) ⁶	Male Employment rate ⁷	Female Employment Rate ⁷	Average Earnings Growth ⁸	Real Household Disposable Income growth ⁹
1994/95	5.0	5.6	2.7	-	2.0	-	75.9	62.3	3.6	1.4
1995/96	3.4	6.5	3.3	-	2.7	-	76.5	63.1	3.0	3.1
1996/97	3.5	5.8	2.4	-	2.3	-	77.0	63.7	3.8	4.5
1997/98	4.4	6.9	3.3	-	1.7	-	78.0	64.3	4.5	4.4
1998/99	3.3	6.8	3.1	2.8	1.6	-	78.5	64.9	5.0	2.2
1999/00	3.4	5.4	1.6	1.3	1.1	-	79.0	65.4	5.1	5.1
2000/01	3.8	6.0	3.0	2.6	0.8	-	79.3	66.0	4.4	4.9
2001/02	2.0	4.7	1.5	1.2	1.4	-	79.1	66.1	4.4	4.0
2002/03	2.6	4.0	2.1	1.8	1.2	-	79.1	66.4	3.2	2.2
2003/04	4.3	3.7	2.8	2.5	1.3	-	79.3	66.6	3.1	3.1
2004/05	2.5	4.6	3.1	2.8	1.5	-	79.2	66.7	4.9	2.0
2005/06	3.7	4.6	2.6	2.3	2.1	-	78.9	66.9	4.7	1.8
2006/07	2.4	4.8	3.7	3.3	2.6	2.5	78.8	66.7	4.9	1.7
2007/08	3.5	5.5	4.1	3.7	2.2	2.1	78.9	66.7	4.5	0.7
2008/09	-3.2	3.6	3.0	2.6	3.8	3.5	78.0	66.6	1.7	0.1
2009/10	-3.4	0.5	0.5	0.0	2.2	2.0	75.4	65.8	1.6	2.5
2010/11	2.0	0.5	5.0	4.3	3.5	3.1	75.7	65.5	2.0	-0.6
2011/12	0.8	0.5	4.8	4.1	4.3	4.0	75.5	65.5	1.9	-0.3
2012/13	0.3	0.5	3.1	2.5	2.6	2.5	76.4	66.3	1.3	1.9

Notes:

1. All growth figures are for the financial year in question compared to the previous financial year.
2. All figures are for the United Kingdom, except Average Earnings Growth which covers Great Britain.
3. Some minor revisions exist since last year due to revisions to underlying ONS data.
4. Gross Domestic Product at market prices, seasonally adjusted, chained volume measures.
5. The base interest rate is the annual average for the relevant financial year.
6. Inflation rate is the annual average change for each financial year as measured by All Items Retail Prices Index or Consumer Prices Index. In accordance with the Statistics and Registration Service Act 2007, the Retail Prices Index and its derivatives have been assessed against the Code of Practice for Official Statistics and found not to meet the required standard for designation as National Statistics. A full report can be found on the UK Statistics Authority website.
7. Employment Rates are seasonally adjusted figures for the financial year and now cover the age range 16 to 64.
8. Average earnings growth is the actual (as opposed to real terms) annual average for each financial year. This is based on the Average Earnings Index to 2000/01 and Average Weekly Earnings from 2001/02.
9. Real disposable income growth is based on the Real Disposable Income series, seasonally adjusted, financial years, chained volume measures.

Table 2b: Estimated Gini coefficient, and money values of estimated quintile medians and overall population mean in average 2012/13 prices, United Kingdom^{1,2}

£pw equivalised 2012/13 prices								Source: FRS	
		Quintile group medians					Gini		
		Quintile 1	Quintile 2	Quintile 3 (median)	Quintile 4	Quintile 5	Population mean	coefficient (per cent)	
Income Before Housing Costs									
FRS (GB)	1994/95	185	267	368	501	756	444	33	
	1995/96	187	269	368	497	761	446	33	
	1996/97	190	278	384	517	783	461	33	
	1997/98	192	283	391	527	797	473	34	
	1998/99	195	288	397	542	826	490	35	
	1999/00	202	297	409	554	839	500	35	
	2000/01	209	309	422	570	870	522	35	
	2001/02	221	327	443	590	911	545	35	
FRS (UK)	2002/03	224	331	448	592	903	545	34	
	2003/04	225	334	449	596	898	544	34	
	2004/05	230	339	453	601	912	551	34	
	2005/06	229	340	456	608	923	559	34	
	2006/07	226	341	460	610	934	565	35	
	2007/08	225	342	460	613	943	571	36	
	2008/09	230	347	464	621	959	577	36	
	2009/10	237	351	467	622	962	585	36	
	2010/11	235	345	453	597	912	553	34	
	2011/12	230	335	440	585	890	544	34	
	2012/13	227	336	440	578	884	535	34	
	Percentage (point) change and significance		2011/12-2012/13 ^{3,4}	-1%	0%	0%	-1%	-1%	-2%	0
Income After Housing Costs									
FRS (GB)	1994/95	130	206	303	422	645	367	37	
	1995/96	134	207	304	419	652	369	37	
	1996/97	134	214	320	439	678	385	37	
	1997/98	137	223	325	448	692	397	38	
	1998/99	142	229	333	461	721	413	39	
	1999/00	147	238	346	476	735	425	38	
	2000/01	154	251	360	493	772	449	39	
	2001/02	166	269	380	514	804	470	38	
FRS (UK)	2002/03	171	275	390	526	809	477	38	
	2003/04	169	281	394	531	818	479	37	
	2004/05	176	288	399	538	836	491	38	
	2005/06	173	288	403	547	851	498	38	
	2006/07	168	288	407	549	863	504	39	
	2007/08	167	288	410	558	873	513	40	
	2008/09	164	288	405	560	881	512	40	
	2009/10	166	286	406	559	886	515	40	
	2010/11	165	281	391	531	833	483	38	
	2011/12	159	271	377	517	807	472	39	
	2012/13	156	267	374	512	803	462	38	
	Percentage (point) change and significance		2011/12-2012/13 ^{3,4}	-2%	-2%	-1%	-1%	-1%	-2%	0

Notes:

- Figures are for the United Kingdom from 2002/03 onwards. Earlier years are for Great Britain only.
- This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.
- The figures for changes in quintile medians and the mean are percentage changes, whilst the figures for the changes in the Gini coefficient are percentage point changes.
- Estimates that are statistically significant from the previous year are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

2.5 List of additional Chapter 2 tables available at GOV.UK

2.1tr	Key economic indicators.
2.1db	Income sources as a proportion of gross household income by quintile. Distribution of gross income sources for each fifth, or quintile, of the population, ranked by net disposable household income. The various sources of income are shown as a percentage of the total gross income of the quintile.
2.2db	Equivalised net disposable income distribution for different family types. This shows how the equivalised values of different statistics relating to the overall income distribution can be translated into actual household incomes for different family types.
2.1ts	Money values of decile and quintile medians and overall population mean. This shows the evolution of the income distribution since 1994/95. One way of measuring inequality is to determine the ratio of the top quintile median (90 th percentile) to the bottom quintile median (10 th percentile), often called the 90/10 ratio. This is shown in Table 2.1ts, which also shows the ratio of the top to middle quintile medians, and middle to bottom quintile medians.
2.2ts	Income shares and Gini coefficient. This shows the share of total income received by individuals in different quintiles of the income distribution. Table 2.2ts also shows the value of the Gini coefficient since 1994/95.
2.3ts	Values of quintile medians and population means for family type and economic status groups.
2.4ts	Equivalent money values of overall distribution mean, median and 60 per cent of median incomes. This shows how the equivalised values of different statistics relating to the overall income distribution can be translated into actual household incomes for different family types and over time.
2.5ts – 2.8ts	Median and mean household income for all individuals, children, working-age adults and pensioners by region and country.

Chapter 3

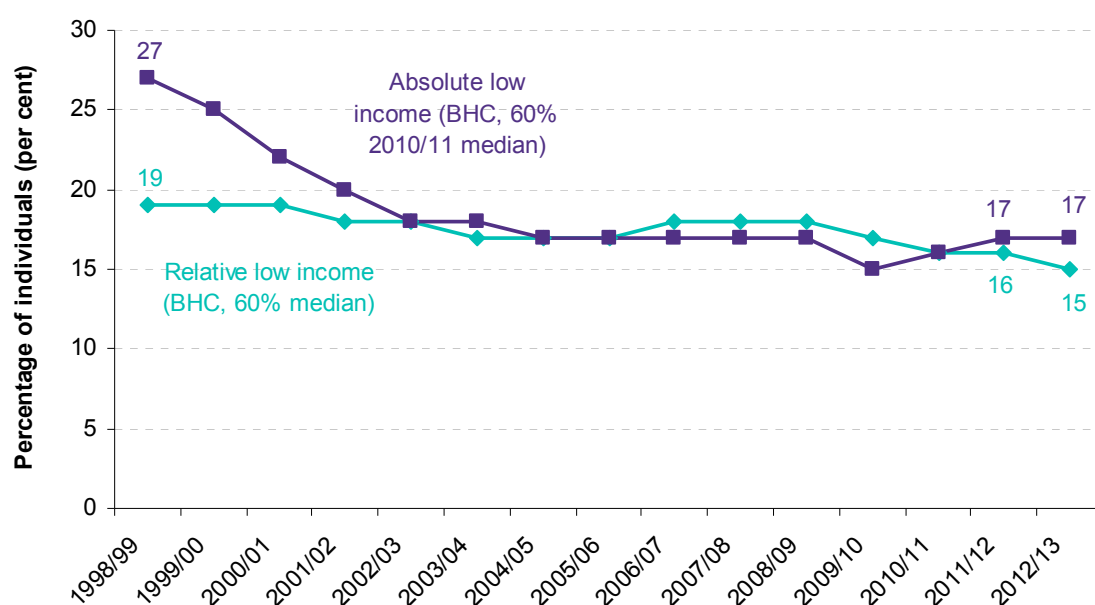
3. Whole population

This chapter presents information on living standards in the United Kingdom. It provides annual estimates on the number and percentage of people living in low-income households. It also looks at how these might be linked to their family or household characteristics. The latest estimates should be considered alongside medium and long-term patterns. Unless otherwise stated, the changes in low-income measures over time that are discussed in the text of this chapter are statistically significant.

Overall, the percentages of individuals in relative and absolute low income have not seen statistically significant changes in the latest year. Relative low-income levels have shown falls or periods of stability over the last few years, whilst the level of absolute low income has increased since 2009/10. (Charts 3.1 and Table 3a)

- The percentage of individuals in relative low income has been decreasing gradually since 2008/09, and is at its lowest level since the 1980s, at 15 per cent in 2012/13 Before Housing Costs (BHC)¹⁹.
- Absolute low income BHC, reached a historic low of 15 per cent in 2009/10 but has since seen two consecutive years of increases. In 2012/13 it remained flat at 17 per cent.

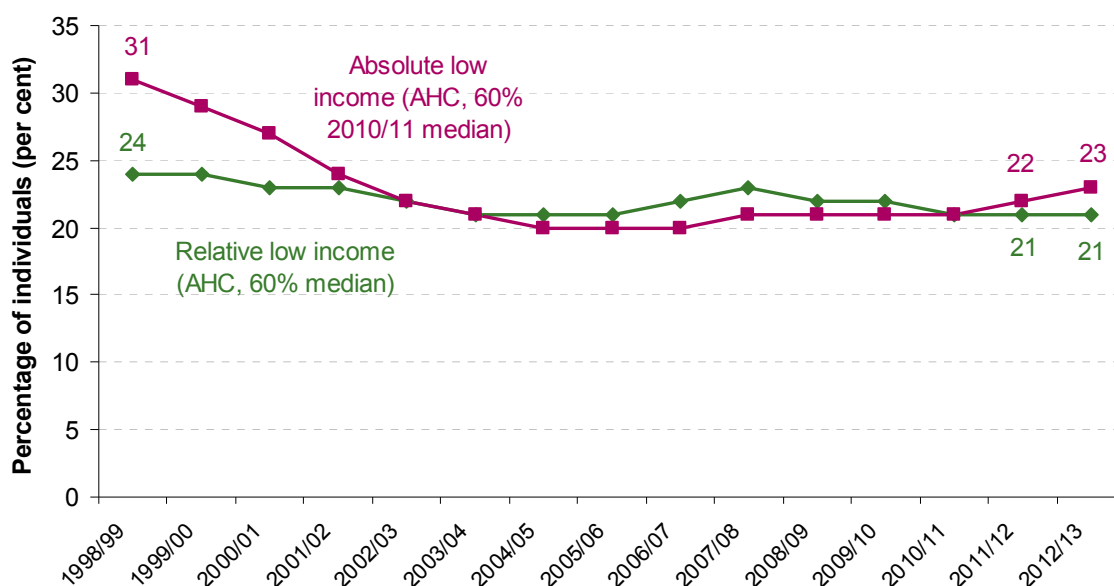
Chart 3.1 (BHC): Percentage of individuals in relative and absolute low income, 1998/99 to 2012/13, UK



¹⁹ The apparent inconsistency with Table 3a and Chart 3.1 (BHC) is due to rounding

- Relative and absolute BHC measures remained broadly stable in 2012/13 as incomes both around the low-income threshold (60 per cent of the average) and the average did not see any substantive changes compared to 2011/12.

Chart 3.1 (AHC): Percentage of individuals in relative and absolute low income, 1998/99 to 2012/13, UK



- After Housing Costs (AHC), the percentage in relative low income fell in 2010/11 but has remained broadly stable since, staying at 21 per cent in 2012/13.
- AHC absolute low income increased by 1 percentage point in 2012/13 to 23 per cent, which may have been due to rising housing costs for some of those who rent, but this change was not statistically significant.

Box 3a: The whole population

Whole population

In 2012/13 the whole UK population in private households, estimated to be 62.9 million individuals, was made up of around one fifth children, three fifths working-age adults and one fifth pensioners. As a result, the trends for the whole population are likely to mainly reflect the trends for working-age adults.

Children and working-age adults are more likely to be in both relative and absolute low income AHC, compared to pensioners, due to having higher housing costs. Pensioners generally have low housing costs and are therefore more likely to be in relative and absolute low income BHC, than they are AHC.

3.1 Key messages

Overall trends (Charts 3.1, Tables 3a and 3b)

Overall, the percentages of individuals in relative and absolute low income have not seen statistically significant changes in the latest year. Relative low-income levels have shown falls or periods of stability over the last few years, whilst the level of absolute low income has increased since 2009/10.

- Benefit and earnings changes have meant average household income has remained flat in real terms BHC following two years of real terms falls, and continued to fall in real terms AHC. Whilst this may have been driven by rising rents for some, the fall in 2012/13 was at a slower rate compared to the first fall seen in 2010/11, and was not statistically significant.
- In addition, real earnings growth was higher for those in work towards the lower end of the distribution compared to those at the top of the distribution. As a result, the household incomes of the population in work towards the lower end of distribution have kept up with RPI inflation growth.
- In 2012/13 the levels of relative low income remained flat in percentage terms BHC and AHC, and fell by 100,000 individuals BHC. This was not a statistically significant change. Over the longer term, the percentage in relative low income BHC was at its lowest level since the 1980s.
- The percentage of individuals in absolute low income BHC showed steady falls from 1998/99 to 2004/05, followed by a period of increases between 2009/10 and 2012/13, as increases in incomes in the bottom of the distribution were lower than the rate of RPI inflation following the recession, with no change in absolute low income BHC in the most recent year.
- The absolute low-income threshold (2010/11 baseline in 2012/13 prices) is slightly higher up the income distribution compared to the relative low-income threshold and therefore affects a larger number of individuals. As such, a larger effect is seen for the change in the number in absolute low income compared to the number in relative low income.
- Between 2011/12 and 2012/13 the number of individuals in absolute low income fell by 200,000 BHC and rose by 600,000 AHC. As with relative low income, neither of these numerical changes was statistically significant.

These latest figures BHC show 9.7 million individuals in relative low income, whilst there were 10.6 million under the absolute low income measure.

Tenure

As in previous years, individuals in the social rented sector had the highest percentage of individuals in relative low income. (Chart 3.2, Table 3.6db)

- Individuals in the social rented sector were around twice as likely to be in relative low income BHC, than individuals who own their own home, and almost four times as likely to be in relative low income AHC.
- Of those who own their own home, those who own it outright are more likely to be in relative low income BHC than those who own with a mortgage.

Chart 3.2: Percentage of individuals in relative low income by tenure, 2012/13, UK



Ethnicity

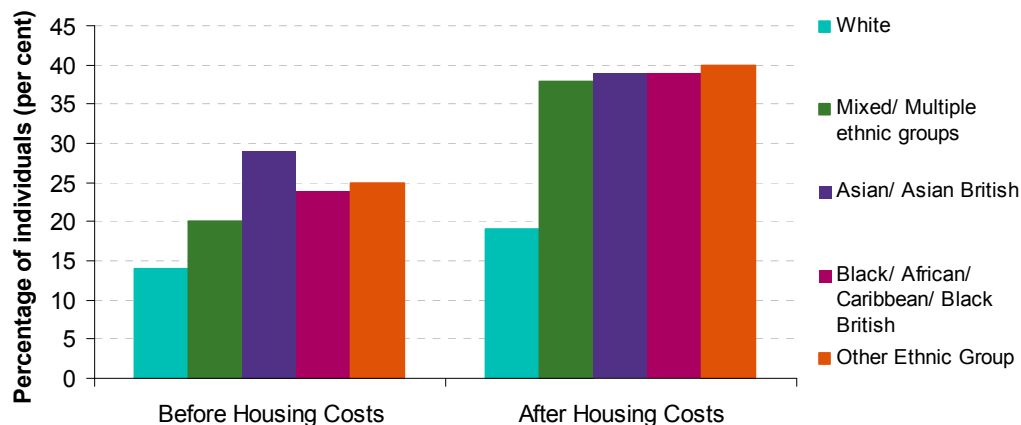
Smaller ethnic minority groups exhibit year-on-year variation which limits comparisons over time. For this reason, analysis by ethnicity is presented as three-year averages.

Individuals living in households headed by someone from an ethnic minority were more likely to live in low income. (Chart 3.3, Table 3.5db)

- This was particularly the case for households headed by someone of Pakistani or Bangladeshi ethnic origin. It is possible this may be because individuals living in workless households face very high risks of living in low income and employment rates vary by ethnicity, with high rates of worklessness among individuals of Pakistani and Bangladeshi origin²⁰.

²⁰ See Table A09 of Labour Market Statistics, available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-263579> which shows economic activity by ethnic group.

Chart 3.3: Percentage of individuals in relative low income by ethnic group, 2012/13, UK (3-year average)



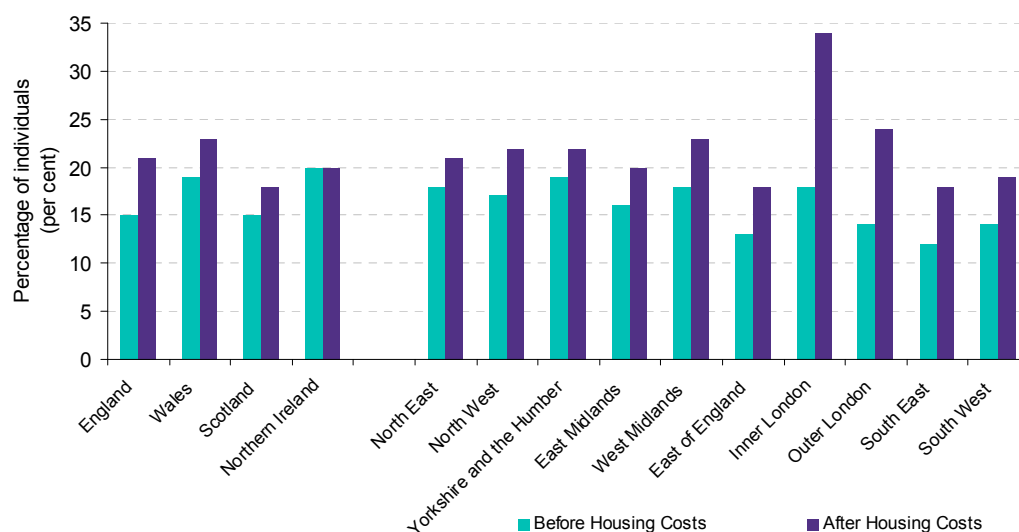
Region and country

Analysis by region is presented as three-year averages as single-year estimates are considered too volatile.

There was considerable variation in the percentage of individuals in low income by region. (Chart 3.4, Table 3.6db)

- Northern Ireland had the highest percentage of individuals in relative low income at 20 per cent BHC.
- AHC, the percentage of individuals in relative low income was highest in Inner and Outer London (34 per cent and 24 per cent) reflecting the higher housing costs in these regions.
- The South East had the lowest percentage of individuals in relative low income at 12 per cent BHC; and the joint lowest percentage at 18 per cent AHC, with Scotland and the East of England.

Chart 3.4: Percentage of individuals in relative low income by Region/ Country, 2012/13, UK (3-year average)



Disability

The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures in 2012/13 and previous years should be made with caution.

The percentage of individuals in relative low income BHC in families where at least one member is disabled increased by 1 percentage point to 19 per cent in 2012/13, which, although not statistically significant, was in contrast to the downward trend since 2007/08. (Table 7a)

The percentage of individuals in absolute low income in families where at least one member is disabled increased from 20 to 22 per cent BHC, continuing increases seen since 2009/10.

These recent changes may be affected by the revised disability questions.

Further disability analysis can be found in [Chapter 7](#).

3.2 Summary tables

Table 3a: Estimated percentage of individuals in relative/absolute low income, United Kingdom^{1, 2}

Percentage of individuals		Source: FRS			
		Before Housing Costs		After Housing Costs	
		Relative low income - percentage below 60% of contemporary median income	Absolute low income - percentage below 60% of 2010/11 median income held constant in real terms	Relative low income - percentage below 60% of contemporary median income	Absolute low income - percentage below 60% of 2010/11 median income held constant in real terms
FRS (GB)	1994/95	19	31	24	36
	1995/96	18	31	24	36
	1996/97	19	29	25	34
	1997/98	20	28	24	32
FRS (UK) ²	1998/99	19	27	24	31
	1999/00	19	25	24	29
	2000/01	19	22	23	27
	2001/02	18	20	23	24
	2002/03	18	18	22	22
	2003/04	17	18	21	21
	2004/05	17	17	21	20
	2005/06	17	17	21	20
	2006/07	18	17	22	20
	2007/08	18	17	23	21
	2008/09	18	17	22	21
	2009/10	17	15	22	21
	2010/11	16	16	21	21
	2011/12	16	17	21	22
	2012/13	15	17	21	23
Percentage point change and significance	1998/99-2012/13 ^{3,4}	-4 *	-10 *	-3 *	-8 *
	2011/12-2012/13 ^{3,4}	0	0	0	1

Notes:

1. FRS figures are for Great Britain up to 1997/98, and for the United Kingdom from 1998/99, with estimates for Northern Ireland imputed for the years 1998/99 through 2001/02. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.
3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 3b: Estimates of number of individuals in relative/absolute low income, United Kingdom^{1, 2}

Number of individuals (millions)		Before Housing Costs		After Housing Costs		Source: FRS
		Relative low income - number below 60% of contemporary median income	Absolute low income - number below 60% of 2010/11 median income held constant in real terms	Relative low income - number below 60% of contemporary median income	Absolute low income - number below 60% of 2010/11 median income held constant in real terms	All individuals
FRS (GB)	1994/95	10.4	17.2	13.5	19.9	55.3
	1995/96	9.9	17.0	13.5	19.9	55.5
	1996/97	10.8	16.0	14.0	18.8	55.6
FRS (UK) ²	1997/98	10.9	15.5	13.6	17.9	55.7
	1998/99	11.2	15.4	14.0	17.9	57.5
	1999/00	11.1	14.5	13.8	17.0	57.7
	2000/01	10.7	13.0	13.4	15.5	57.9
	2001/02	10.7	11.5	13.2	13.9	58.1
	2002/03	10.4	10.8	13.0	13.0	58.3
	2003/04	10.2	10.6	12.5	12.3	58.6
	2004/05	10.0	10.0	12.1	11.6	58.9
	2005/06	10.3	10.1	12.7	11.9	59.3
	2006/07	10.7	10.2	13.3	12.2	59.7
	2007/08	11.0	10.5	13.6	12.6	60.2
	2008/09	10.8	10.2	13.5	12.5	60.7
	2009/10	10.4	9.4	13.6	12.6	61.2
	2010/11	9.8	9.8	13.0	13.0	61.6
	2011/12	9.8	10.8	13.1	14.0	62.5
	2012/13	9.7	10.6	13.2	14.6	62.9
Numerical change, and significance for 2011/12-2012/13						
	1998/99-2012/13 ^{3,4}	-1.5	-4.8	-0.8	-3.3	5.4
	2011/12-2012/13 ^{3,4}	-0.1	-0.2	0.1	0.6	0.4

Notes:

1. FRS figures are for Great Britain up to 1997/98, and for the United Kingdom from 1998/99, with estimates for Northern Ireland imputed for the years 1998/99 through 2001/02. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in the number of individuals below low-income thresholds may not equal the difference between the total number of individuals below thresholds for any pair of years shown.

3.3 List of additional Chapter 3 tables available at GOV.UK

3.1tr – 3.4tr	Trends over time for headline figures for years covered by the FES and the FRS.
3.1db	Quintile distribution of income by: economic status of adults in the family; family type; gender and adulthood; marital status; disability; ethnic group (three-year average).
3.2db	Quintile distribution of income by: disability and receipt of disability benefits; tenure; direct payment accounts; savings and investments; region and country (three-year average).
3.3db – 3.4db	Composition of low-income groups of individuals with categories as outlined for tables 3.1db – 3.2db.
3.5db – 3.6db	Percentage of individuals falling into low-income groups with categories as outlined for tables 3.1db – 3.2db.
3.1ts - 3.3ts	Populations over time by: family type, and gender and adulthood; economic status of the family; disability and receipt of disability benefits respectively.
3.4ts – 3.6ts	Composition of individuals in households with incomes below 60 per cent of contemporary median income over time by: family type, and gender and adulthood; economic status of the family; disability and receipt of disability benefits respectively.
3.7ts – 3.9ts	Composition of individuals in households with incomes below 60 per cent of 2010/11 median income held constant in real terms over time by the categories outlined for tables 3.4ts – 3.6ts.
3.10ts – 3.12ts	Percentage of individuals in households with incomes below 60 per cent of contemporary median income over time by the categories outlined for tables 3.4ts – 3.6ts.
3.13ts – 3.15ts	Percentage of individuals in households with incomes below 60 per cent of 2010/11 median income held constant in real terms over time by the categories outlined for tables 3.4ts – 3.6ts.
3.16ts – 3.20ts	Population, number and percentage of individuals in households with incomes below 60 per cent of contemporary median income and 2010/11 median income held constant in real terms over time by region and country (three-year average).

Chapter 4

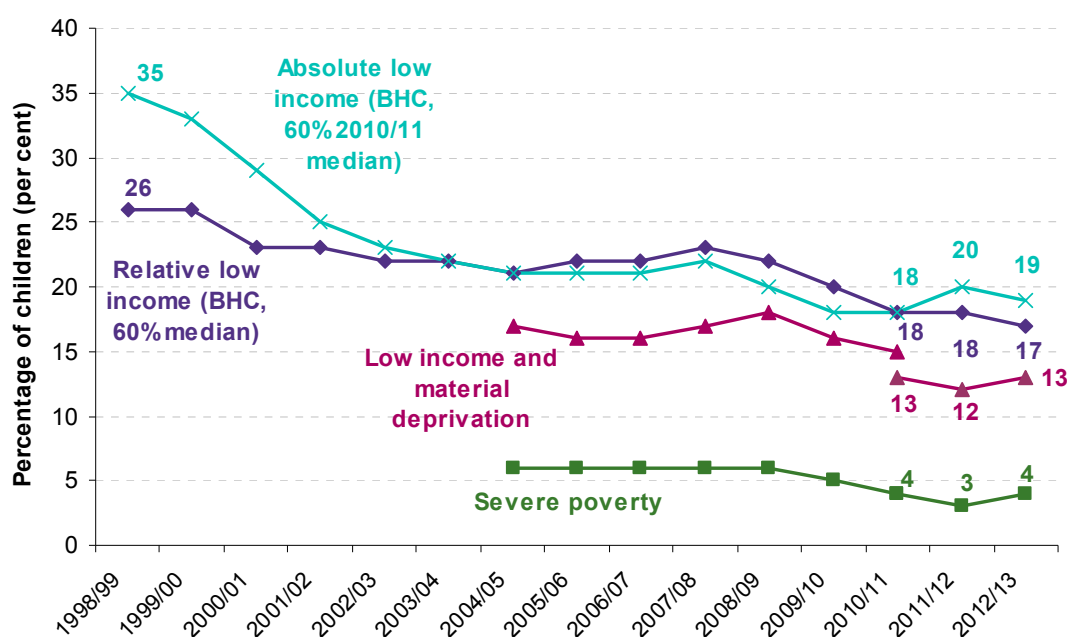
4. Children

This chapter presents information on living standards in the United Kingdom. It provides annual estimates on the number and percentage of children living in low-income households. It also looks at how these might be linked to their family or household characteristics. The latest estimates should be considered alongside medium and long-term patterns. Unless otherwise stated, the changes in low-income measures over time that are discussed in the text of this chapter are statistically significant.

There were some small movements in combined low income and material deprivation and severe poverty figures for children in 2012/13, while the percentage of children in relative and absolute low-income households remained flat Before Housing Costs (BHC). None of these changes were statistically significant. (Chart 4.1, Tables 4a and 4c)

- The percentage of children experiencing relative low income BHC, remained flat at 17 per cent²¹. This follows a general downward trend from 26 per cent in 1998/99 to 21 per cent in 2004/05, followed by a period of stability until 2008/09. There was a further decline between 2007/08 to 2010/11 with the trend stabilising after this point.
- The percentage of children in absolute low income BHC also remained flat at 19 per cent²¹. This follows a downward trend from 1998/99 to 2004/05, followed by a stable trend until 2008/09. There was a slight rise from 2010/11 to 2011/12 with the trend stabilising after this point.

Chart 4.1: Children, main measures, 1998/99 to 2012/13, UK



²¹ The apparent inconsistency with Table 4a and Chart 4.1 is due to rounding.

- Low income and material deprivation, and severe poverty, saw small increases, returning to 2010/11 levels of 13 per cent and 4 per cent respectively. These increases were not statistically significant. As a result of the questions changing prior to 2010/11, comparisons cannot be made to earlier years (see Box 4a).

Box 4a: Key Terminology

In 2012/13 the population of children in private households was estimated to be 13.4 million individuals.

Child: A child is defined here as an individual under 16 years of age, or an unmarried or non-cohabiting 16 to 19 year old in full-time non-advanced education. Unmarried or non-cohabiting 19 year olds in full-time non-advanced education have been included in this definition since April 2006.

Relative low income: The proportion of children living in households where income is less than 60 per cent of median household income.

Absolute low income: The proportion of children living in households where income is less than 60 per cent of median household income in 2010/11 uprated by RPI inflation.

Material deprivation: A child is considered to be in material deprivation if they live in a family that has a final material deprivation score of 25 or more out of a possible 100. This indicates that the family lacks the ability to purchase key goods or services.

New questions about four additional material deprivation items for children were introduced into the 2010/11 FRS and from 2011/12 four questions from the original suite were removed. This means that results from 2010/11 onwards cannot be compared with those from previous years.

The [HBAI Quality and Methodology Information Report](#) explains material deprivation in more detail.

Combined low income and material deprivation: The proportion of children who are in material deprivation and live in households where income is less than 70 per cent of median household income.

Severe poverty: A child is considered to be severe poverty if they are in material deprivation and have a household income below 50 per cent of median income BHC.

Persistent poverty: The proportion of children living in households where income is less than 60 per cent of median household income BHC, for at least three out of the last four years (this target is the subject of a consultation).

Child Poverty Act 2010

The [Child Poverty Act 2010](#) sets three income-related targets that the Government must meet by 2020, with a fourth to be set by December 2014. The first three of the following four targets use measures which are reported in HBAI (see Box 4b).

Box 4b: The four Child Poverty Act 2010 target measures

1. **Relative low income** target of less than 10 per cent BHC, by 2020/21.
2. **Absolute low income** target of less than 5 per cent BHC, by 2020/21.
3. **Combined low income and material deprivation** target of less than 5 per cent by 2020/21.
4. **Persistent poverty target**, which will be set by December 2014. A proposed target of less than 7 per cent of children living in households in relative low income for at least three out of the last four years by 2020/21 is currently out for consultation.

The '[Consultation on setting the 2020 persistent child poverty target](#)' was launched on 26th June 2014 and is set to end on 14th August 2014. The consultation invites views on its proposal to set a target level of below 7 per cent of children living in persistent poverty by 2020/21.

The Government also published its [2014-17 Child Poverty Strategy](#) on 26th June 2014. The strategy sets out the Government's action to tackle the root causes of child poverty by:

- raising the incomes of poor children's families by helping parents get into work and making work pay;
- supporting the living standards of low-income families;
- raising the educational outcomes of poor children.

The approach in the Strategy is based on the Government's in-depth [evidence review](#) of the drivers of child poverty published in February 2014. This identifies what leads families to be stuck in poverty for sustained periods and what leads poor children to become poor adults. By identifying and understanding the root causes of child poverty, now and across generations, the Government can target action effectively.

The first three of the targets listed in Box 4b concern different measures of contemporary low income and material deprivation and are reported in HBAI. The percentage of children in persistent poverty is reported in the [Low-Income Dynamics publication](#).

4.1 Key messages

Overall trends (Chart 4.1, Tables 4a-c)

There were some small movements in combined low income and material deprivation and severe poverty figures in 2012/13; however, none of these were statistically significant. The percentage of children in relative and absolute low income has generally remained flat.

These latest figures BHC show 2.3 million children in relative low income, whilst there were 2.6 million under the absolute low income measure.

From 1998/99 there was a marked decrease in the percentage of children in both relative and absolute low income BHC, with much of this decrease occurring between 1998/99 and 2004/05.

The percentage of children in relative low income BHC, remained flat at 17 per cent²² in 2012/13 compared to the previous year. This follows a decrease between 2008/09 and 2010/11 and a period of stability from then onwards.

- This stability from 2011/12 to 2012/13 can be explained by slight rises in the incomes of those near the middle of the distribution which left average income unchanged. Falls in income at the very top and bottom of the distribution caused by falling wages did not influence the middle of the distribution and also had no impact on children around the relative low-income threshold. As a result, the percentage of children in relative low income has remained stable.

The percentage of children in absolute low income BHC, remained flat at 19 per cent²² in 2012/13. Prior to this there was a decrease between 2007/08 and 2009/10, followed by an increase between 2010/11 and 2011/12.

- Despite many benefits being uprated by more than the 2012/13 RPI inflation rate, reforms to some benefits were introduced in the same year which meant that income from benefits did not rise at this rate for all families. These reforms included the removal of the second income threshold for Child Tax Credits and an increased work requirement for couples with children claiming Working Tax Credits from 16 hours to 24 hours per week, reducing eligibility for these benefits. Child Benefit was also frozen, with the withdrawal of this benefit for high earners taking effect late in 2012/13 (see [Annex 1](#)).
- Earnings fell in real terms. However, earnings in HBAI have seen smaller declines than the ONS Average Weekly Earnings data. This was mainly due to a reduction in the number of low paid working individuals in the FRS data. This is likely to be due to survey volatility as this change is not seen in other survey data sources, such as the Labour Force Survey.
- These changes to benefits and wages help to explain why, despite many benefits being uprated by a greater amount than 2012/13 RPI

²² The apparent inconsistency with Table 4a and Chart 4.1 is due to rounding

inflation, there was not a more marked decrease in the percentage of children in absolute low income.

The percentage of children in relative low income After Housing Costs (AHC) was unchanged from the previous year at 27 per cent. The percentage of children in absolute low income AHC, saw a slight, but not statistically significant, increase to 31 per cent. This follows on from increases in the previous year.

- Between 2011/12 and 2012/13 the number of children in relative low income AHC rose by 100,000, and for absolute low income AHC it increased by 200,000. Neither of these numerical changes was statistically significant.
- The percentage of children in relative and absolute low income AHC, remains much higher than that of the population as a whole (21 per cent and 23 per cent in relative and absolute low income respectively).
- Rents increased for the social rented sector in real terms between 2011/12 and 2012/13²³. This may have affected AHC incomes for those at the bottom of the distribution in particular, with families more likely to rent than buy homes when household income is low. Of those children in households experiencing relative low income AHC, the majority rented their homes, with 38 per cent living in social rented properties and 33 per cent living in private rented dwellings. (Table 4.4db)

Combined low income and material deprivation, and severe poverty, saw small increases, returning to 2010/11 levels. Combined low income and material deprivation rose by 1 percentage point (or 100,000 children²⁴) to 13 per cent in 2012/13, whilst severe poverty rose to 4 per cent in 2012/13. These changes were not statistically significant.

- These increases follow small, not statistically significant, decreases in both measures (by 1 percentage point) in 2011/12, with figures returning to 2010/11 levels in 2012/13. As a result of the questions changing prior to 2010/11, comparisons cannot be made to earlier years.
- Between 2011/12 and 2012/13 the number of families falling below the low-income thresholds did not change. The rise in the number of families experiencing combined low income and material deprivation and severe poverty was driven by a rise in families experiencing material deprivation. This recent increase in material deprivation is likely to have been driven by a relatively high level of inflation between 2011/12 and 2012/13 affecting families' purchasing power and their ability to afford various goods and services.

²³ [English Housing Survey 2012 - 13](#)

²⁴ The apparent inconsistency with Table 4c is due to rounding.

Work status

A higher percentage of children in workless families are in relative low income, compared to children in families where at least one adult is in work. (Charts 4.2 and 4.3, Table 4.6ts and 4.14ts)

- In 2012/13, 38 per cent of children in workless families were in relative low income BHC. In contrast, 13 per cent of children with at least one adult in work were in relative low income.
- Looking at the composition of children in relative low income BHC, a smaller percentage came from in-work families in 2012/13 compared to 2011/12 (65 to 63 per cent). This change, which is not statistically significant, is the result of the rise in the number of workless families with children in the 2012/13 HBAI data rather than an increase in the risk of these families being in relative low income. This rise in the number of workless families is due to a reduction in the number of working individuals in the FRS data in 2012/13, which is likely to be because of survey volatility, as this change is not seen in other survey data sources, such as the Labour Force Survey. This follows a previous upward trend from the mid 1990s.
- The fact that the majority of children in the population in low-income households are from in-work families should be viewed in the context that the large majority of children are from families with at least one adult in work (83 per cent).

Chart 4.2: Percentage of children in low-income groups by economic status of the family, 2012/13, UK

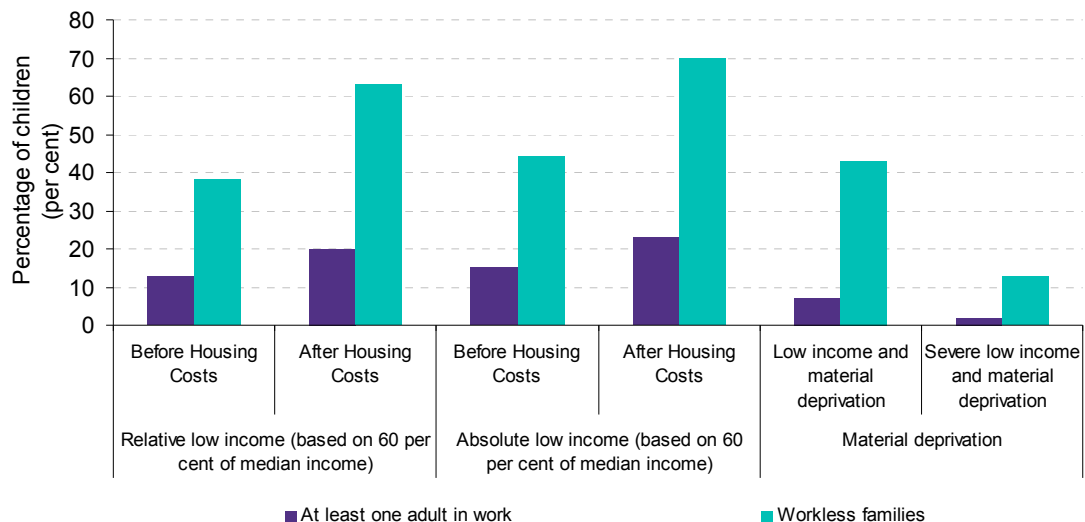


Chart 4.3: Composition of children in low-income groups by economic status of the family, 2012/13, UK



Family type

Children in lone-parent families are more likely to live in relative low-income households BHC than those in couple families; however, the difference between these two groups has narrowed over time before stabilising in 2010/11. (Table 4.14ts)

- There has been a reduction in the percentage of children in lone-parent families in relative low income BHC, from 1998/99 to 2010/11. This reduction is seen in lone-parent families in part-time work or not working. Trends for children living in lone-parent families who work full-time are difficult to discern as this series is volatile due to small sample size.
- However, it is still true that the likelihood of being in relative low income is reduced if the lone parent is in full-time work rather than working part-time or not working (12 per cent compared to 16 and 30 per cent respectively).
- Compared to 2011/12, the percentage of children in lone-parent families in relative low income BHC, has fallen slightly by 1 percentage point to 22 per cent in 2012/13, but this change is not statistically significant.

Family size

Children from larger families with three or more children are more likely to be in relative low income BHC, than children from smaller families - 22 per cent compared to 16 per cent for one-child families. (Table 4.18ts)

- However, the percentage of children in relative low income BHC, from families with three or more children has fallen (from 25 to 22 per cent), compared to the previous year. Although this change is not statistically significant, it follows steady year-on-year falls from 2006/07.
- This can be accounted for partly by the child element of Child Tax Credit (CTC) which was uprated by 5.2 per cent in 2012/13. This resulted in an extra £135 per year for eligible families with one child but an extra £405 per year for eligible families with three children.
- The percentage of children from one-child families in relative low income BHC, increased by 1 percentage point from 2011/12, which was not a statistically significant change.

Ethnicity

Smaller ethnic minority groups exhibit year-on-year variation which limits comparisons over time. For this reason, analysis by ethnicity is presented as three-year averages.

Children living in households headed by someone from an ethnic minority were more likely to live in low-income households BHC. (Table 4.5db)

- This was particularly the case for households headed by someone of Pakistani or Bangladeshi ethnic origin.
- It is possible that this may be because children living in workless households face very high risks of living in low income and employment rates vary by ethnicity, with high rates of worklessness among individuals of Pakistani and Bangladeshi origin²⁵.

Region and country

Analysis by region is presented as three-year averages as single-year estimates are considered too volatile.

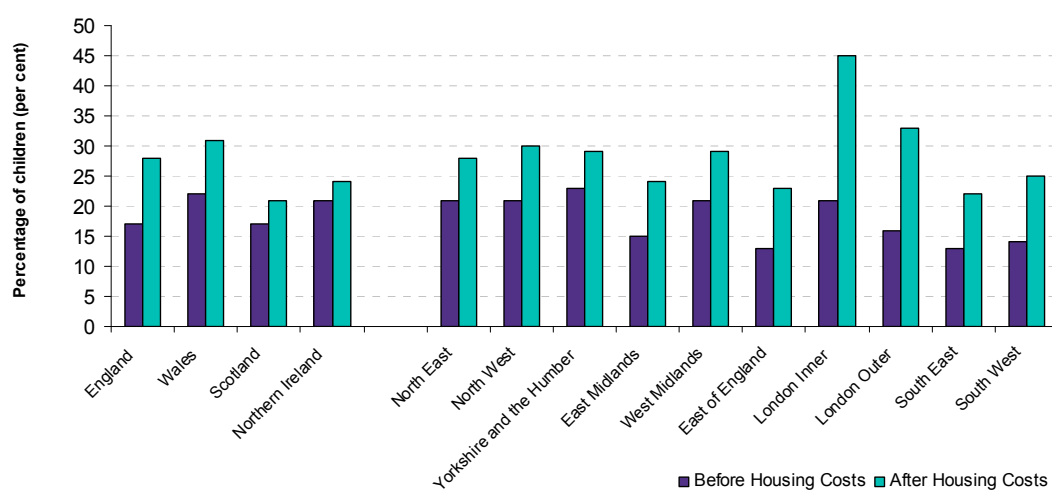
Children living in England and Scotland were less likely to live in low-income households BHC, than those living in Wales and Northern Ireland. (Chart 4.4, Table 4.6db)

- In England, children living in the South East and the East of England were least likely to live in low-income households whilst children living in Yorkshire and Humber BHC, and London (particularly Inner London) AHC, were most likely.

²⁵ See Table A09 of Labour Market Statistics, available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-263579> which shows economic activity by ethnic group.

- It is likely that this regional variation is explained by differences in employment rates between areas, with employment rates lower in Wales and Northern Ireland than in other parts of the UK and higher in the South East and East of England²⁶.
- Higher rates of low income for children living in London AHC, are likely to be driven by the high housing costs in this region.

Chart 4.4: Percentage of children in relative low income by Region/Country, 2012/13, UK (3-year average)



Disability

The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures in 2012/13 and previous years should be made with caution.

In 2012/13 the percentage of children in families with a disabled member that were in relative low income BHC remained at 21 per cent. (Table 7c)

For absolute low income BHC there was a 1 percentage point increase to 25 per cent which, whilst not a statistically significant change, follows on from the increase in 2011/12.

These recent changes may be affected by the revised disability questions.

Further disability analysis can be found in [Chapter 7](#).

²⁶ See Table A07 of Labour Market Statistics, available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-263579> which shows economic activity by region.

4.2 The income distribution

Chart 4.5 shows the income distribution for all individuals and children for the United Kingdom in 2012/13 BHC and AHC. The distribution of children and individuals was skewed towards the lower end of the income distribution. An explanation of how negative incomes AHC and zero incomes BHC shown in the chart can occur is given in the [HBAI Quality and Methodology Information Report](#).

Chart 4.5 (BHC): Income distribution; all individuals and children by income band, 2012/13

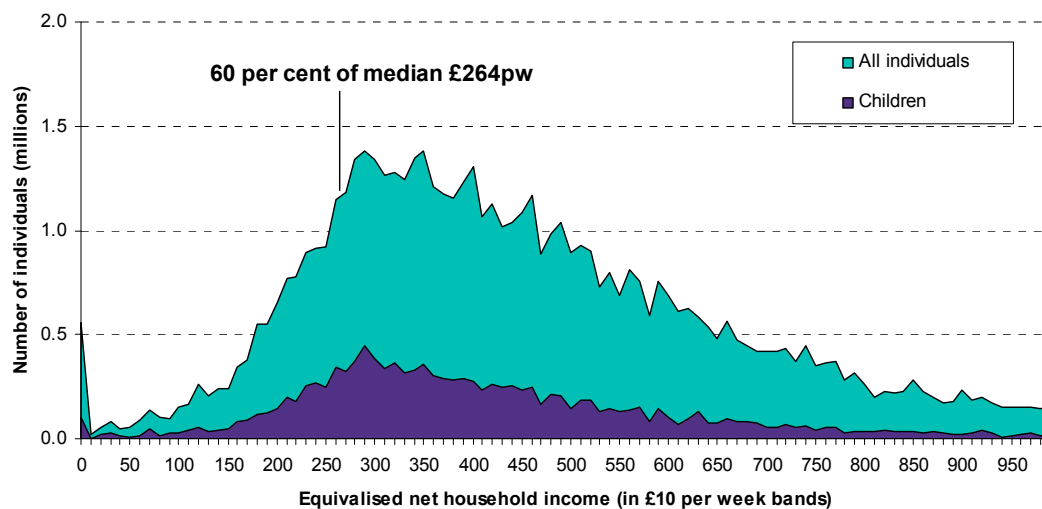
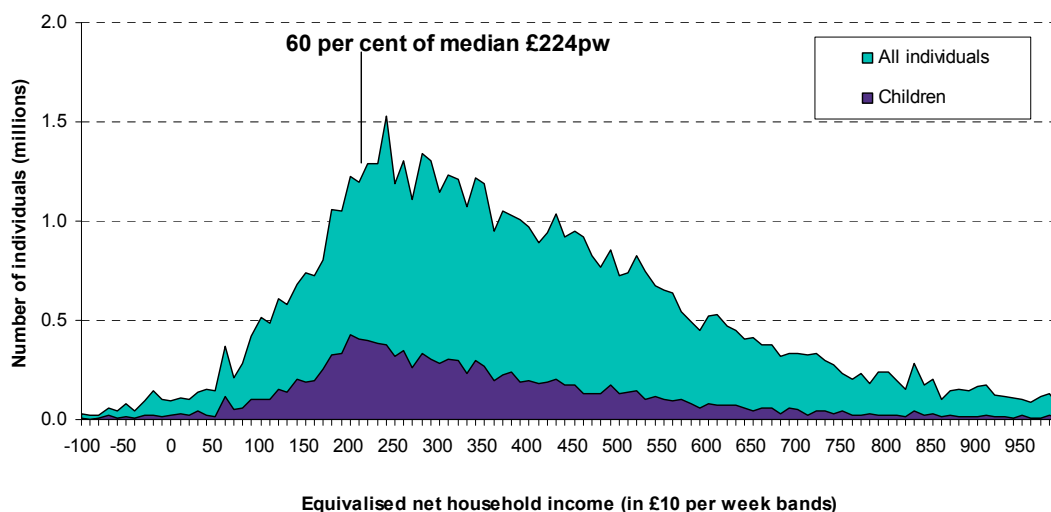


Chart 4.5 (AHC): Income distribution; all individuals and children by income band, 2012/13



As explained in Chapter 2, benefit and earnings changes have meant average (median) household income has remained flat in real terms BHC, and fallen slightly in real terms AHC, likely to be driven by rising rents for some. However, this change was not statistically significant.

4.3 Summary tables

Table 4a: Estimated percentage of children in relative/absolute low income, United Kingdom^{1,2}

Percentage of children		Source: FRS			
		Before Housing Costs		After Housing Costs	
		Relative low income - percentage below 60% of contemporary median income	Absolute low income - percentage below 60% of 2010/11 median income held constant in real terms	Relative low income - percentage below 60% of contemporary median income	Absolute low income - percentage below 60% of 2010/11 median income held constant in real terms
FRS (GB)	1994/95	25	39	33	46
	1995/96	24	39	33	46
	1996/97	27	37	34	44
	1997/98	27	36	33	42
FRS (UK) ²	1998/99	26	35	34	42
	1999/00	26	33	33	39
	2000/01	23	29	31	35
	2001/02	23	25	31	32
	2002/03	22	23	30	30
	2003/04	22	22	28	28
	2004/05	21	21	28	27
	2005/06	22	21	30	28
	2006/07	22	21	31	28
	2007/08	23	22	32	29
	2008/09	22	20	30	28
	2009/10	20	18	30	27
	2010/11	18	18	27	27
	2011/12	18	20	27	29
	2012/13	17	19	27	31
Percentage point change and significance	1998/99-2012/13 ^{3,4}	-9 *	-16 *	-6 *	-11 *
	2011/12-2012/13 ^{3,4}	0	0	0	1

Notes:

1. FRS figures are for Great Britain up to 1997/98, and for the United Kingdom from 1998/99, with estimates for Northern Ireland imputed for the years 1998/99 through 2001/02. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.
3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 4b: Estimates of number of children in relative/absolute low income, United Kingdom^{1,2}

Number of children (millions)		Source: FRS				
		Before Housing Costs		After Housing Costs		
		Relative low income - number below 60% of contemporary median income	Absolute low income - number below 60% of 2010/11 median income held constant in real terms	Relative low income - number below 60% of contemporary median income	Absolute low income - number below 60% of 2010/11 median income held constant in real terms	All individuals
FRS (GB)	1994/95	3.2	4.9	4.1	5.8	12.6
	1995/96	3.0	4.9	4.2	5.8	12.7
	1996/97	3.4	4.7	4.3	5.6	12.7
	1997/98	3.4	4.6	4.2	5.4	12.7
FRS (UK)	1998/99	3.4	4.6	4.4	5.5	13.1
	1999/00	3.4	4.3	4.3	5.2	13.2
	2000/01	3.1	3.7	4.1	4.6	13.1
	2001/02	3.0	3.3	4.0	4.2	13.1
	2002/03	2.9	3.0	3.8	3.8	12.9
	2003/04	2.8	2.9	3.7	3.6	12.9
	2004/05	2.7	2.8	3.7	3.5	12.9
	2005/06	2.8	2.7	3.8	3.6	12.9
	2006/07	2.9	2.7	4.0	3.6	13.0
	2007/08	2.9	2.8	4.1	3.8	13.0
	2008/09	2.8	2.7	3.9	3.6	13.0
	2009/10	2.6	2.4	3.9	3.6	13.2
	2010/11	2.3	2.3	3.6	3.6	13.2
	2011/12	2.3	2.6	3.6	3.9	13.3
	2012/13	2.3	2.6	3.7	4.1	13.4
Numerical change and significance for 2011/12-2012/13						
	1998/99-2012/13 ^{3,4}	-1.1	-2.0	-0.8	-1.4	0.3
	2011/12-2012/13 ^{3,4}	0.0	0.0	0.1	0.2	0.1

Notes:

1. FRS figures are for Great Britain up to 1997/98, and for the United Kingdom from 1998/99, with estimates for Northern Ireland imputed for the years 1998/99 through 2001/02. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in the number of individuals below low-income thresholds may not equal the difference between the total number of individuals below thresholds for any pair of years shown.

Table 4c: Percentage and number of children falling below thresholds of low income and material deprivation^{1,2}, United Kingdom³

Source: FRS						
		Low income and material deprivation		Severe low income and material deprivation		All children
		Percentage	Number (millions)	Percentage	Number (millions)	
FRS (UK)	2004/05	17	2.2	6	0.7	12.9
	2005/06	16	2.1	6	0.7	12.9
	2006/07	16	2.0	6	0.7	13.0
	2007/08	17	2.2	6	0.8	13.0
	2008/09	18	2.3	6	0.8	13.0
	2009/10	16	2.2	5	0.7	13.2
	2010/11	15	2.0	4	0.6	13.2
	New suite of questions⁵					
	2010/11	13	1.7	4	0.5	13.2
	2011/12	12	1.6	3	0.4	13.3
	2012/13	13	1.8	4	0.5	13.4
Percentage point/numerical change and significance	2011/12-2012/13 ^{4,6}	1	0.1	1	0.1	0.1

Notes:

1. A family is in low income and material deprivation if they have a material deprivation score of 25 or more and a household income below 70 per cent of contemporary median income, Before Housing Costs. See HBAI Quality and Methodology Information Report 2012/13 for further details.

2. A family is in severe low income and material deprivation if they have a material deprivation score of 25 or more and a household income below 50 per cent of contemporary median income, Before Housing Costs. See HBAI Quality and Methodology Information Report 2012/13 for further details.

3. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2004/05 using these new grossing factors.

4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

5. New questions about four additional material deprivation items for children were introduced into the 2010/11 FRS and from 2011/12 four questions from the original suite were removed. Figures from the old and new suite of questions are not comparable.

6. Due to rounding, the estimates of change in percentages and numbers of children below low-income thresholds may not equal the difference between the total percentage and total number of children below thresholds for any pair of years shown.

4.4 List of additional Chapter 4 tables available at GOV.UK

4.1tr – 4.5tr	Trends over time.
4.1db	Quintile distribution of income by: economic status of the family and family type; economic status of household; marital status; number of children in family; disability and receipt of disability benefits; ethnic group (three-year average).
4.2db	Quintile distribution of income by: state support received by family; age of youngest child in family; tenure; savings and investments; household bills in arrears; region and country (three-year average).
4.3db – 4.4db	Composition of low-income groups of children with categories as outlined for tables 4.1db – 4.2db.
4.5db – 4.6db	Percentage of children falling into low-income groups with categories as outlined for tables 4.1db – 4.2db.
4.7db	Material deprivation Quintile distribution of income for children by whether they have the material deprivation items and services.
4.8db	Material deprivation Quintile distribution of income for children by whether their parents have the material deprivation items and services.
4.1ts – 4.5ts	Populations over time by: family type and economic status of the family; economic status of household; region and country (three-year average); number of children in family; disability and receipt of disability benefits.
4.6ts – 4.9ts	Composition of children in households with incomes below 60 per cent of contemporary median income over time by: family type and economic status of the family; economic status of household; number of children in family; disability and receipt of disability benefits.
4.10ts – 4.13ts	Composition of children in households with incomes below 60 per cent of 2010/11 median income held constant in real terms over time by the categories outlined for tables 4.6ts – 4.9ts.
4.14ts – 4.19ts	Percentage of children in households with incomes below 60 per cent of contemporary median income over time by: family type and economic status of the family; economic status of household; region and country (three-year average, the number of children can be found in table 4.17ts); number of children in family; disability and receipt of disability benefits.
4.20ts – 4.25ts	Percentage of children in households with incomes below 60 per cent of 2010/11 median income held constant in real terms over time by the categories outlined for tables

4.14ts – 4.19ts. The number of children by region and country (three-year average) can be found in table 4.23ts.

Chapter 5

5. Working-age adults

This chapter presents information on living standards in the United Kingdom. It provides annual estimates on the number and percentage of working-age adults living in low-income households. It also looks at how these might be linked to their family or household characteristics. The latest estimates should be considered alongside medium and long-term patterns. Unless otherwise stated, the changes in low-income measures over time that are discussed in the text of this chapter are statistically significant.

There were no statistically significant changes to the percentage of working-age adults in relative or absolute low income from 2011/12 to 2012/13. Before Housing Costs (BHC) and After Housing Costs (AHC) the percentage in relative low income has been broadly flat since 1998/99. (Charts 5.1, Table 5a)

The percentage of working-age adults in absolute low income fell steadily from 1998/99, both BHC and AHC, until around 2002/03. On a BHC basis it has since remained broadly flat until 2009/10 when it began to rise, while AHC percentage has seen steady increases since 2004/05.

- There has been no change to the percentage in relative low income in the latest year. Following a fall of 1 percentage point in 2010/11, levels have remained stable at 15 per cent BHC and 21 per cent AHC.

Chart 5.1(BHC): Percentage of working-age adults in relative and absolute low income, 1998/99 to 2012/13, UK

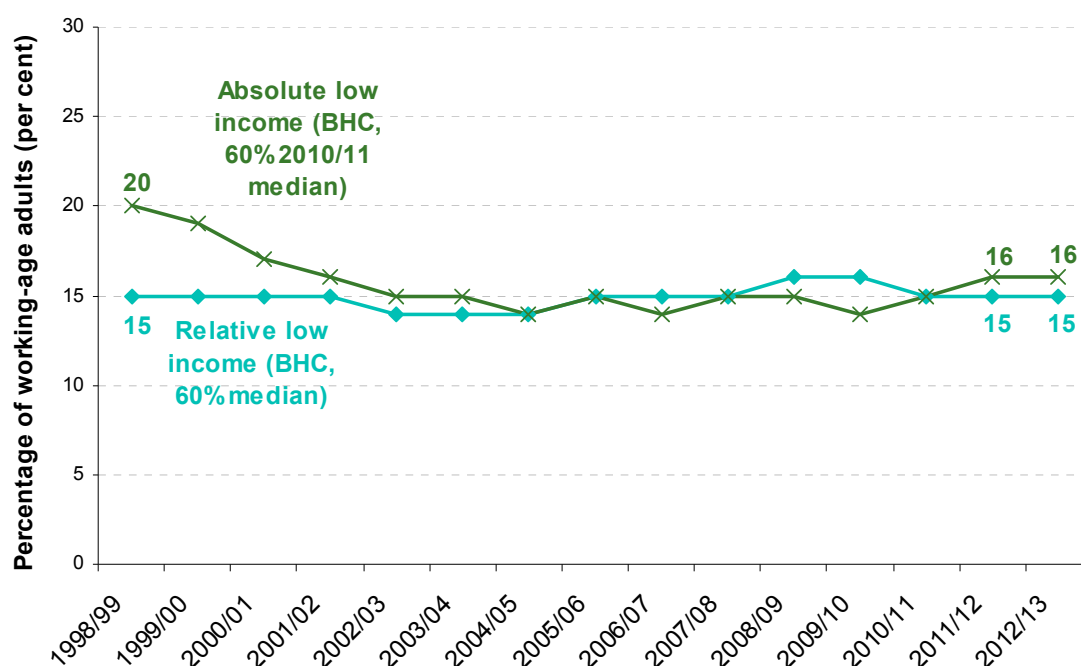
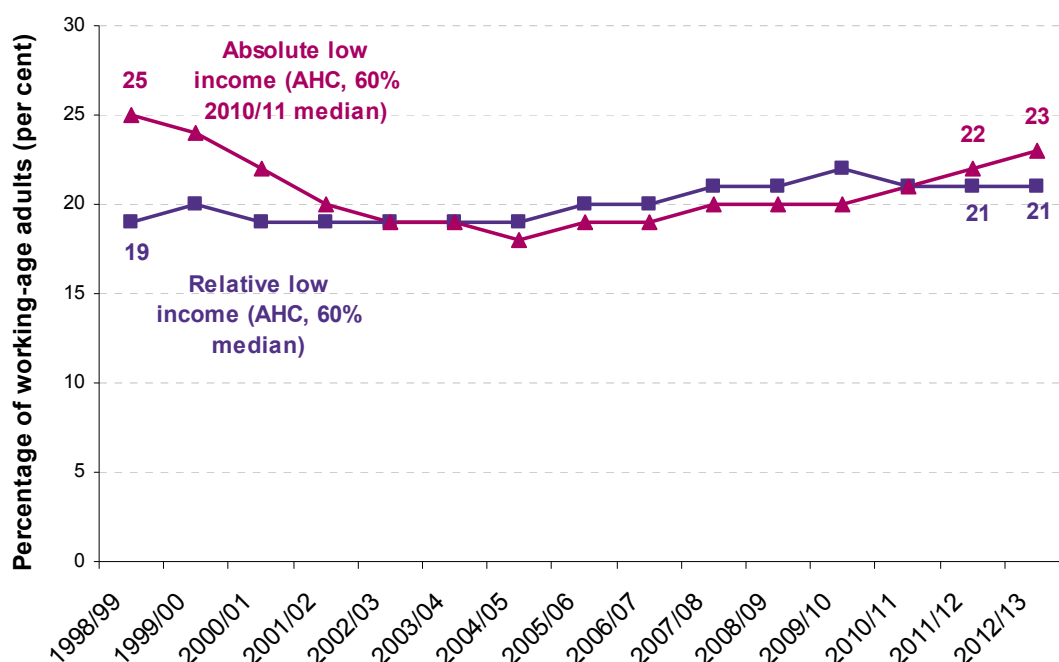


Chart 5.1(AHC): Percentage of working-age adults in relative and absolute low income, 1998/99 to 2012/13, UK



- The percentage in absolute low income has fallen by 1 percentage point BHC to 16 per cent²⁷, but increased by 1 percentage point AHC to 23 per cent. These changes are not statistically significant. The increase in the AHC measure follows increasing rents in the social rented sector.
- The level of absolute low income is now around 1 percentage point higher than relative low income BHC and 2 percentage points higher AHC. This is due to growth in income being less than inflation.

Box 5a: Working-age adults

In 2012/13 the working-age adult population in private households was estimated to be 37.7 million individuals. Working-age adults are defined as all adults below State Pension age. Prior to 6th April 2010, women reached the State Pension age at 60. From 6th April 2010, the qualifying age for women has been gradually increasing. The changes do not affect the State Pension age for men, currently 65.

The working-age adult population is a diverse group spread all the way across the income distribution. It makes up 60 per cent of the population and, as such, it is responsible for driving changes in median income, where earnings are the main source of income. Working-age adults also have a considerable effect on the top of the distribution, where changes are driven by earnings. The working-age adult population has two discrete groups who often react to economic changes in different ways; those families with children and those without.

²⁷ The apparent inconsistency with Table 5a and Chart 5.1 is due to rounding

5.1 Key messages

Overall trends (Charts 5.1, Tables 5a and 5b)

The percentage of working-age adults in relative low income has been broadly stable both BHC and AHC since 1998/99. In 2012/13, working-age adults in low income have seen their BHC incomes increase at the same level as RPI inflation and the average income. AHC incomes have fallen slightly in real terms, but this is not a statistically significant change, and is likely to be due to increased rents for some.

- Relative low income has remained flat in percentage terms BHC (15 per cent) and AHC (21 per cent). Due to small movements in the population, the numbers of working-age adults in low income has fallen from 2011/12 by 100,000 individuals BHC and risen by 100,000 individuals AHC. These changes are not statistically significant.
- The 2012/13 estimate for the percentage of working-age adults in relative low income BHC, 15 per cent, is at the same level as 1998/99 figures.

2012/13 figures show that the percentage of working-age adults in absolute low income fell steadily both BHC and AHC until around 2002/03. On a BHC basis the percentage has since remained broadly flat until 2009/10 when it began to rise, while the percentage AHC has seen steady increases from its lowest level of 18 per cent in 2004/05.

- The absolute low-income threshold is slightly higher up the income distribution and therefore affects a larger number of individuals. The absolute low income baseline is 2010/11 and is uprated by RPI inflation. Real terms income growth has not kept up with inflation over the last two years and, as such, the absolute low-income threshold has moved higher up the income distribution when compared to the relative low-income threshold.
- As a result, a larger effect is seen for the population in absolute low income. Between 2011/12 and 2012/13 absolute low income BHC fell by 1 percentage point²⁸ (200,000 working-age adults). This change was not statistically significant. Between 1998/99 and 2012/13, the percentage of working-age adults in absolute low income fell by 4 percentage points BHC.

These latest figures BHC show 5.5 million working-age adults in relative low income, whilst there were 5.9 million under the absolute low income measure.

²⁸ The apparent inconsistency with Table 5a and Chart 5.1 is due to rounding

Educational attainment

The group with the highest percentage of working-age adults in relative low income, by educational attainment, were those that reported no educational qualifications. Relative low income was lowest for those who reported a qualification of degree level or above. (Table 5.9db)

- 7 per cent of working-age adults who reported a qualification of degree level or above were in relative low income BHC. This increased to 15 per cent for those with a qualification below degree level, and increased again to 27 per cent for those with no reported qualifications.
- As in previous years, those with no qualifications were also more likely to be in relative low income AHC than those with qualifications.

Ethnicity

Smaller ethnic minority groups exhibit year-on-year variation which limits comparisons over time. For this reason, analysis by ethnicity is presented as three-year averages.

Working-age adults living in households headed by someone from an ethnic minority were more likely to live in low-income households. (Table 5.8db)

- This was particularly the case for households headed by someone of Pakistani or Bangladeshi ethnic origin.
- It is possible that this may be because individuals living in workless households face very high risks of living in low income and employment rates vary by ethnicity, with high rates of worklessness among individuals of Pakistani and Bangladeshi origin²⁹.

Region and country

Analysis by region is presented as three-year averages as single-year estimates are considered too volatile.

As with the whole population, there was much regional variation in the percentage in low income. (Table 5.8db)

- In the three-year average across 2010/11 to 2012/13, the South East had the lowest rate of relative low income among working-age adults, at 10 per cent BHC.
- In the North East, Yorkshire and the Humberside, Wales, and Northern Ireland, 19 per cent of working-age adults were in relative low income BHC, which was the highest rate for 2010/11 to 2012/13.
- Inner London had the highest rate of relative low income for working-age adults AHC (32 per cent). This is likely to be due to higher rents pushing up living costs in this region.

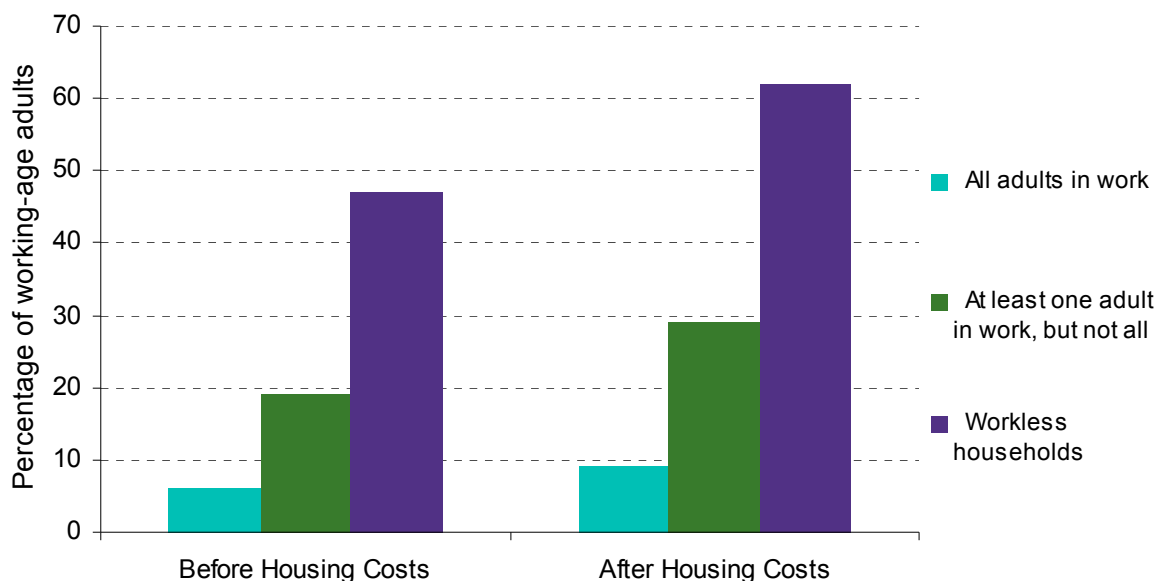
²⁹ See Table A09 of Labour Market Statistics, available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-263579> which shows economic activity by ethnic group.

Work status

Working-age adults in workless households were more than twice as likely to live in low income as those in households with at least one adult in work. (Chart 5.2, Tables 5.4db and 5.7db)

- Around 6 per cent of working-age adults in households with all adults in work were in relative low income BHC. This increased to 19 per cent if at least one adult was in work but not all, and increased further to 47 per cent if the household was workless.
- Despite their lower risk of relative low income, working-age adults in households where at least one adult was in work (including those where all adults were in work) made up around 60 per cent of the total number of working-age adults in relative low income BHC and AHC. This is because working-age adults in households where at least one adult was in work made up such a large proportion (87 per cent) of the total number of working-age adults.
- Looking at the composition of working-age adults in relative low income, BHC, a smaller percentage came from in-work households in 2012/13 compared to 2011/12 (61 to 59 per cent). This change, which is not statistically significant, is the result of the rise in the number of workless households in the 2012/13 HBAI data rather than an increase in the risk of these households falling in relative low income.
- This rise in the number of workless households is due to a reduction in the number of working individuals in the FRS data in 2012/13, which is likely to be because of survey volatility as this change is not seen in other survey data sources, such as the Labour Force Survey. This follows a previous upward trend from the mid 1990s.

Chart 5.2: Percentage of working-age adults in relative and absolute low income by economic status of the household, 2012/13, UK



Disability

The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures in 2012/13 and previous years should be made with caution.

From 2011/12 to 2012/13, the percentage of working-age adults living in families containing one or more disabled member in relative low income increased by 1 percentage point BHC to 22 per cent³⁰, and by 2 percentage points AHC to 29 per cent³⁰. Neither change was statistically significant. (Table 7e)

These recent changes may be affected by the revised disability questions.

Further disability analysis can be found in [Chapter 7](#).

5.2 The income distribution

Charts 5.3 compare the income distribution of working-age adults with and without children with that of the whole population for 2012/13 (BHC and AHC). For working-age adults with children, the distribution was similar to that of the population as a whole. By comparison, those without children were more likely to have higher incomes, but also had a higher proportion of the population on zero or negative incomes. This is due to the population without children having a much higher prevalence of all adults in the family being in full-time work. This group are clustered near the top of the distribution. Working-age adults without children also have a higher prevalence of being unemployed or inactive in the labour market. This population is clustered at the bottom of the distribution. An explanation of how zero incomes BHC and negative incomes AHC can occur is given in the [HBAI Quality and Methodology Information Report](#).

³⁰ The apparent inconsistency with Table 7e is due to rounding.

Chart 5.3 (BHC): Income distribution; all individuals and working-age by income band, 2012/13

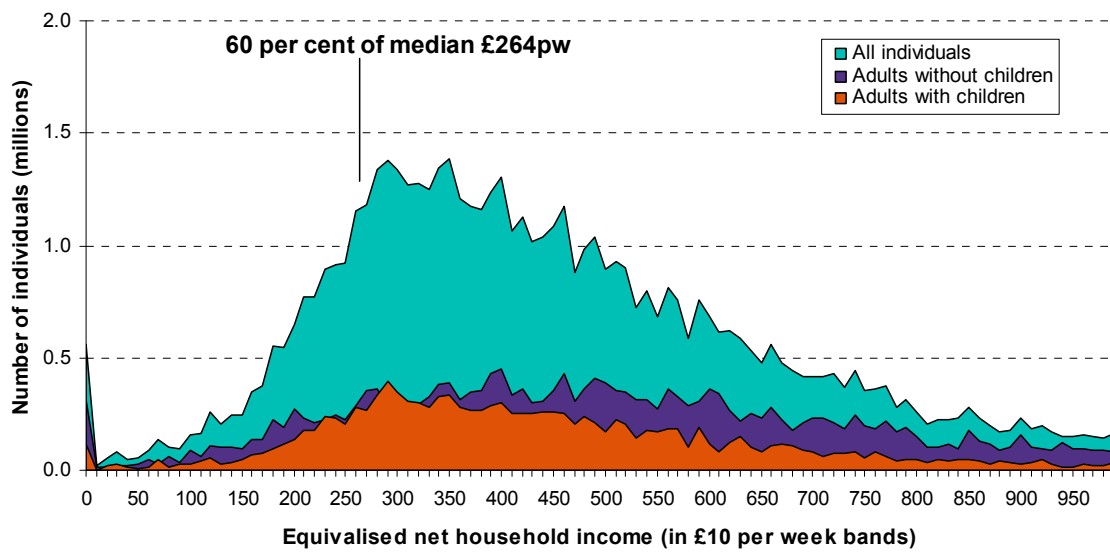
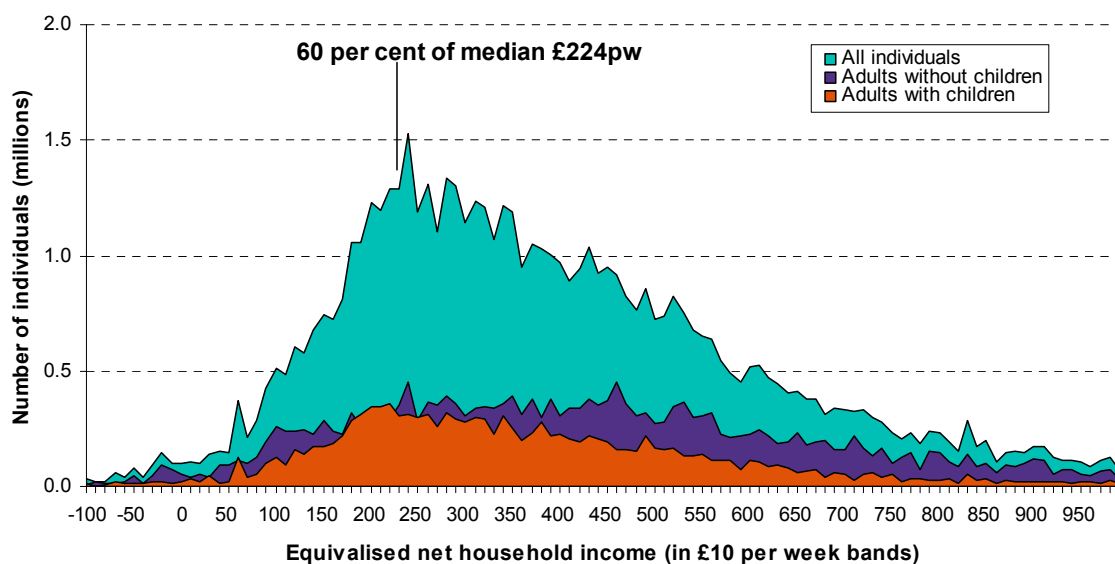


Chart 5.3 (AHC): Income distribution; all individuals and children by income band, 2012/13



5.3 Summary tables

Table 5a: Estimated percentage of working-age adults in relative/absolute low income, United Kingdom^{1,2}

Percentage of working-age adults		Source: FRS			
		Before Housing Costs		After Housing Costs	
		Relative low income - percentage below 60% of contemporary median income	Absolute low income - percentage below 60% of 2010/11 median income held constant in real terms	Relative low income - percentage below 60% of contemporary median income	Absolute low income - percentage below 60% of 2010/11 median income held constant in real terms
FRS (GB)	1994/95	15	24	20	29
	1995/96	14	23	20	29
	1996/97	15	22	21	27
	1997/98	15	21	20	26
FRS (UK) ²	1998/99	15	20	19	25
	1999/00	15	19	20	24
	2000/01	15	17	19	22
	2001/02	15	16	19	20
	2002/03	14	15	19	19
	2003/04	14	15	19	19
	2004/05	14	14	19	18
	2005/06	15	15	20	19
	2006/07	15	14	20	19
	2007/08	15	15	21	20
	2008/09	16	15	21	20
	2009/10	16	14	22	20
	2010/11	15	15	21	21
	2011/12	15	16	21	22
	2012/13	15	16	21	23
Percentage point change and significance	1998/99-2012/13 ^{3,4}	0	-4 *	2 *	-2 *
	2011/12-2012/13 ^{3,4}	0	-1	0	1

Notes:

1. FRS figures are for Great Britain up to 1997/98, and for the United Kingdom from 1998/99, with estimates for Northern Ireland imputed for the years 1998/99 through 2001/02. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.
3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 5b: Estimates of number of working-age adults in relative/absolute low income, United Kingdom^{1,2}

Number of working-age adults (millions)		Source: FRS				
		Before Housing Costs		After Housing Costs		
		Relative low income - number below 60% of contemporary median income	Absolute low income - number below 60% of 2010/11 median income held constant in real terms	Relative low income - number below 60% of contemporary median income	Absolute low income - number below 60% of 2010/11 median income held constant in real terms	All individuals
FRS (GB)	1994/95	4.8	7.7	6.6	9.5	32.8
	1995/96	4.6	7.6	6.5	9.5	32.8
	1996/97	5.0	7.3	6.8	9.0	32.9
FRS (UK) ²	1997/98	5.0	6.9	6.5	8.4	33.1
	1998/99	5.0	6.8	6.6	8.4	34.1
	1999/00	5.1	6.6	6.7	8.1	34.3
	2000/01	5.1	6.0	6.6	7.6	34.4
	2001/02	5.1	5.4	6.5	6.8	34.7
	2002/03	5.0	5.2	6.7	6.7	34.9
	2003/04	5.1	5.2	6.7	6.6	35.1
	2004/05	5.0	5.0	6.6	6.4	35.3
	2005/06	5.3	5.2	7.2	6.8	35.6
	2006/07	5.3	5.1	7.3	6.8	35.9
	2007/08	5.6	5.3	7.5	7.1	36.1
	2008/09	5.7	5.5	7.7	7.3	36.4
	2009/10	5.7	5.2	7.9	7.4	36.4
	2010/11	5.5	5.5	7.7	7.7	36.7
2011/12	5.6	6.1	7.9	8.3	37.5	
2012/13	5.5	5.9	8.0	8.7	37.7	
Numerical change and significance						
for 2011/12-	1998/99-2012/13 ^{3,4}	0.6	-0.9	1.4	0.3	3.5
2012/13	2011/12-2012/13 ^{3,4}	-0.1	-0.2	0.1	0.4	0.2

Notes:

1. FRS figures are for Great Britain up to 1997/98, and for the United Kingdom from 1998/99, with estimates for Northern Ireland imputed for the years 1998/99 through 2001/02. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in the number of individuals below low-income thresholds may not equal the difference between the total number of individuals below thresholds for any pair of years shown.

5.4 List of additional Chapter 5 tables available at GOV.UK

5.1tr – 5.6tr	Trends over time for headline figures for years covered by the Family Expenditure Survey (FES) and the Family Resources Survey (FRS).
5.1db	Quintile distribution of income by: economic status of adults in the family; economic status of household; family type and marital status; gender by number of adults in the family and work status.
5.2db	Quintile distribution of income by: age of head of family; tenure; ethnic group (three-year average); region and country (three-year average).
5.3db	Quintile distribution of income by: disability, and receipt of disability benefits and work status; state support received by family; savings and investments; household bills in arrears; educational attainment.
5.4db – 5.6db	Composition of low-income groups of working-age adults with categories as outlined for Tables 5.1db – 5.3db.
5.7db – 5.9db	Percentage of low-income working-age adults falling into various categories as outlined in Tables 5.1db – 5.3db.
5.1ts – 5.3ts	Populations over time Tables 5.1ts to 5.3ts present populations over time by: family type; family type and economic status of the family; disability, and receipt of disability benefits and work status.
5.4ts – 5.6ts	Composition of working-age adults in households with incomes below 60 per cent of contemporary median income over time by: family type; family type and economic status of the family; disability, and receipt of disability benefits and work status.
5.7ts – 5.9ts	Composition of working-age adults in households with incomes below 60 per cent of 2010/11 median income held constant in real terms over time by the categories outlined for Tables 5.4ts – 5.6ts.
5.10ts – 5.12ts	Percentage of working-age adults in households with incomes below 60 per cent of contemporary median income over time by the categories outlined for Tables 5.4ts – 5.6ts.
5.13ts – 5.15ts	Percentage of working-age adults in households with incomes below 60 per cent of 2010/11 median income

held constant in real terms over time by the categories outlined for Tables 5.4ts – 5.6ts.

5.16ts – 5.20ts

Population, number and percentage of working-age adults in households with incomes below 60 per cent of contemporary median income and below 60 per cent of 2010/11 median income held constant in real terms over time by region and country (three-year average).

Chapter 6

6. Pensioners

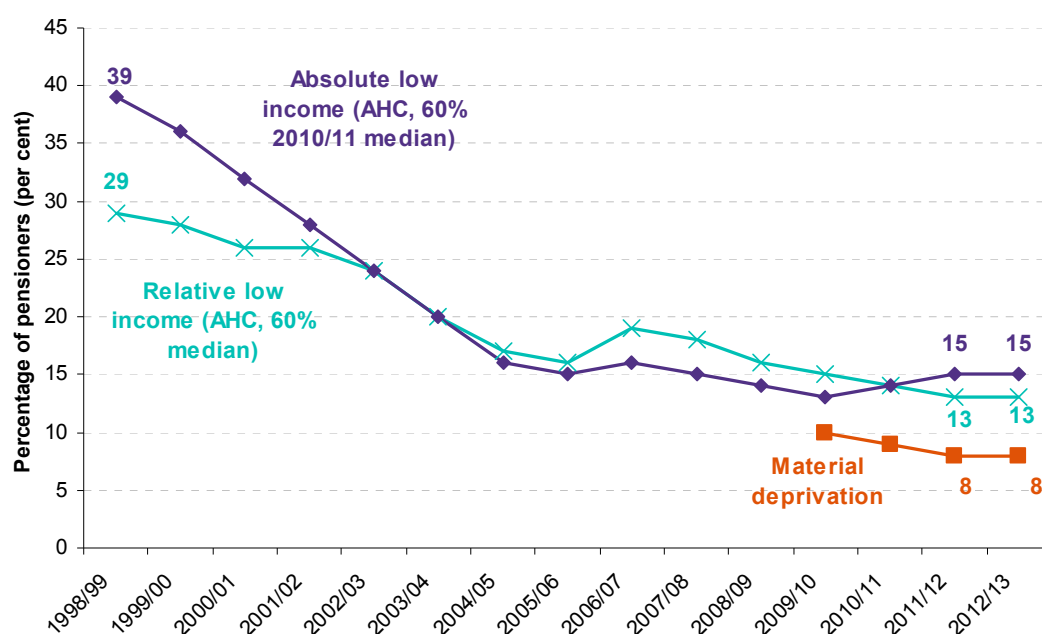
This chapter presents information on living standards in the United Kingdom. It provides annual estimates on the number and percentage of pensioners living in low-income households. It also looks at how these might be linked to their family or household characteristics. The latest estimates should be considered alongside medium and long-term patterns. Unless otherwise stated, the changes in low-income measures over time that are discussed in the text of this chapter are statistically significant.

The percentage and number of pensioners in relative low income and absolute low income remained flat between 2011/12 and 2012/13, both Before Housing Costs (BHC) and After Housing Costs (AHC). (Chart 6.1, Table 6a)

- Relative low income has followed a general downward trend over the longer term with the exception of a rise between 2005/06 and 2006/07.
- Absolute low income saw falls up to 2009/10, with the exception of a small increase between 2005/06 and 2006/07, but has remained broadly flat up to 2012/13.

Around three-quarters of pensioners own their own home, so the preferred measure of low income for pensioners is based on incomes measured AHC. Examining pensioners' incomes compared to others after deducting housing costs allows for more meaningful comparisons of income between working-age people and pensioners, and the pensioner population over time.

Chart 6.1: Pensioners, main measures, 1998/99 to 2012/13, UK



Box 6a: Definition of a pensioner

In 2012/13 the pensioner population in private households was estimated to be 11.8 million individuals. Pensioners are defined as all those adults above State Pension age (SPa).

For women born on or before 5th April 1950, SPa is 60. From 6th April 2010, the SPa for women born on or after 6th April 1950 will increase gradually between April 2010 and November 2018.

Therefore the age groups included in this chapter have changed over time. The changes do not affect the State Pension age for men, currently 65, for the 2012/13 HBAI statistics.

Other changes are planned or have been announced from December 2018 when the SPa for both men and women will start to increase to reach 66 in October 2020. Further increases to bring the SPa to 67 are proposed to be phased in between 2026 and 2028. These changes are published at: <https://www.gov.uk/changes-state-pension>

6.1 Key messages

Overall trends (Chart 6.1, Tables 6a-6c)

Pensioners are less likely to be in relative and absolute low income AHC than the population as a whole.

- In 2012/13, 13 per cent of pensioners were in relative low income AHC, compared to 21 per cent of the whole population.
- Relative low income in 2012/13 for pensioners was close to its lowest rate since the series began. This downward trend was driven primarily by incomes for pensioners at the lower end of the income distribution rising relative to incomes around the average.
- The Basic State Pension was up-rated by 5.2 per cent in April 2012 in accordance with the triple guarantee (the highest of earnings, prices or 2.5 per cent). In addition the Pension Credit Standard Minimum Guarantee was increased by 3.9 per cent to ensure the lowest income pensioners benefited from the full cash increase of the Basic State Pension.
- Between 2011/12 and 2012/13 relative low income for pensioners was flat because, despite the triple guarantee, average income from benefits did not increase in real terms for pensioner families at the bottom of the income distribution.
- Over the period 1998/99 to 2012/13, there was a marked fall in the percentage of pensioners in absolute low income both BHC and AHC. This reduction primarily occurred between 1998/99 and 2004/05, with levels broadly unchanged since then.
- Between 2011/12 and 2012/13, the percentage of pensioners in absolute low income remained flat at 15 per cent AHC. This is again due to income remaining relatively flat in real terms for pensioner

families around the absolute low income threshold, and therefore growing at the same rate as this threshold.

These latest figures AHC show 1.6 million pensioners in relative low income, whilst there were 1.8 million under the absolute low income measure.

Box 6b: Pensioner indicators

The HBAI is used to inform the DWP indicator to measure progress on the Government's aim of [providing decent State Pensions, encouraging employers to provide high quality pensions and making automatic enrolment and higher pension saving a reality](#). The indicator measures the percentage of pensioners with incomes below 60 per cent of contemporary median income AHC.

The indicator is also used to provide further equality information in compliance with the [specific](#) duties under the Equality Act 2010.

The percentage of pensioners aged 65 and over that were living in material deprivation remained unchanged between 2011/12 and 2012/13 at 8 per cent.

- There remains a very small overlap between low income and material deprivation, with only around 2 per cent of pensioners in both low income and material deprivation.
- Taking a holiday away from home was the most lacked item with around 40 per cent of pensioners saying they did not have this. However, the most common reason for a 'no' response was 'Health/disability prevents me'. Half of pensioners in the bottom quintile, which consists of households in the bottom 20 per cent of the income distribution, were unable to take a holiday away from home (Table 6.11db).

Box 6c: Material deprivation

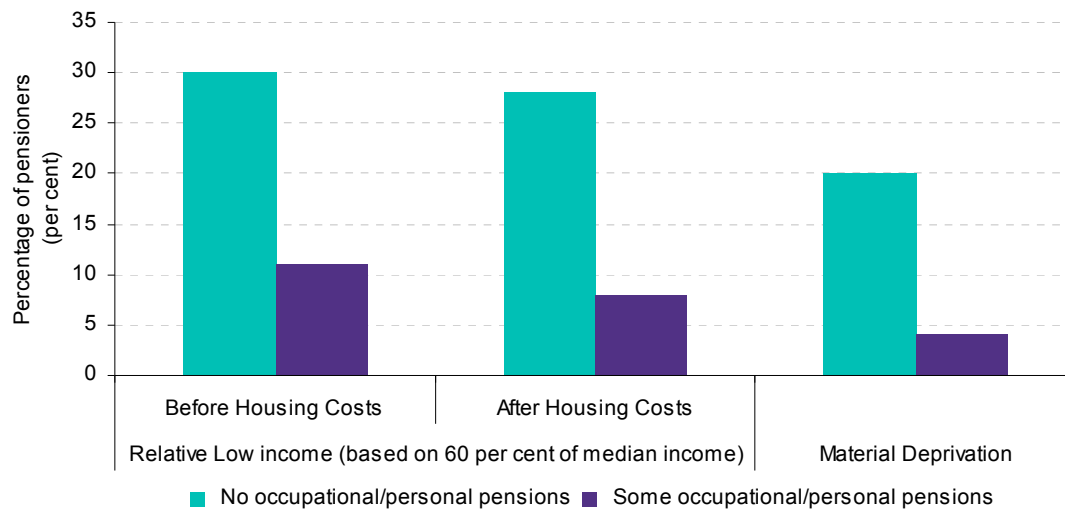
The material deprivation measure, introduced in 2009/10, is an additional way of measuring living standards for pensioners. The measure is comprised of a suite of 15 questions based on access to specific goods, services and experiences. It is used to explore a broader definition of pensioner poverty and captures both financial and non-financial reasons for being in material deprivation.

Income from private pensions

Pensioners not receiving an occupational or personal pension were more likely to live in low-income households than those who were in receipt of an occupational or personal pension. (Chart 6.2, Table 6.6db)

- Pensioners not in receipt of occupational or personal pensions were around three times more likely to be in relative low income AHC, than those who did receive these. By family type, couples where both pensioners were in receipt of occupational or personal pensions had the lowest percentage in low income at 4 per cent AHC.

Chart 6.2: Percentage of pensioners in low-income groups by pensions receipt, 2012/13, UK



Age

The oldest pensioner age group is the most likely to be in relative low income, although this is more prevalent BHC. (Tables 6.5db and 6.9db)

- The population of pensioners aged under 65 fell by 300,000 between 2011/12 and 2012/13, partly reflecting the equalisation of the State Pension age, which has meant that fewer women are reaching State Pension age each year.
- The population of pensioners aged 65 to 69 rose between 2011/12 and 2012/13, due to the spike in the birth rate in 1947. That cohort of people born in that year reached age 65 in 2012/13.
- 2012/13 estimates show that 22 per cent of pensioners aged 85 and over were in relative low income BHC, compared to 13 per cent for those aged 65 to 69 and 14 per cent for those aged 70 to 74.
- The gap in low income between older and younger pensioners is smaller AHC, with 18 per cent of pensioners aged 85 and over in low income AHC, compared to 12 per cent for those aged 65 to 69 and 12 per cent for those aged 70 to 74.
- Those pensioners who are materially deprived are more evenly spread across the age groups.
- The HBAI covers people in private households and so individuals in nursing or retirement homes, will not be included in these statistics.

Ethnicity

Smaller ethnic minority groups exhibit year-on-year variation which limits comparisons over time. For this reason, analysis by ethnicity is presented as three-year averages.

Pensioners living in households headed by someone from an ethnic minority were more likely to live in low-income households and more likely to be in material deprivation. (Tables 6.5db and 6.9db)

- 2012/13 estimates show that 31 per cent of pensioners living in a household headed by someone of Asian/Asian British background were in relative low income AHC, compared to 13 per cent living with a White head of household. The figures for those living in material deprivation were 21 and 8 per cent respectively.

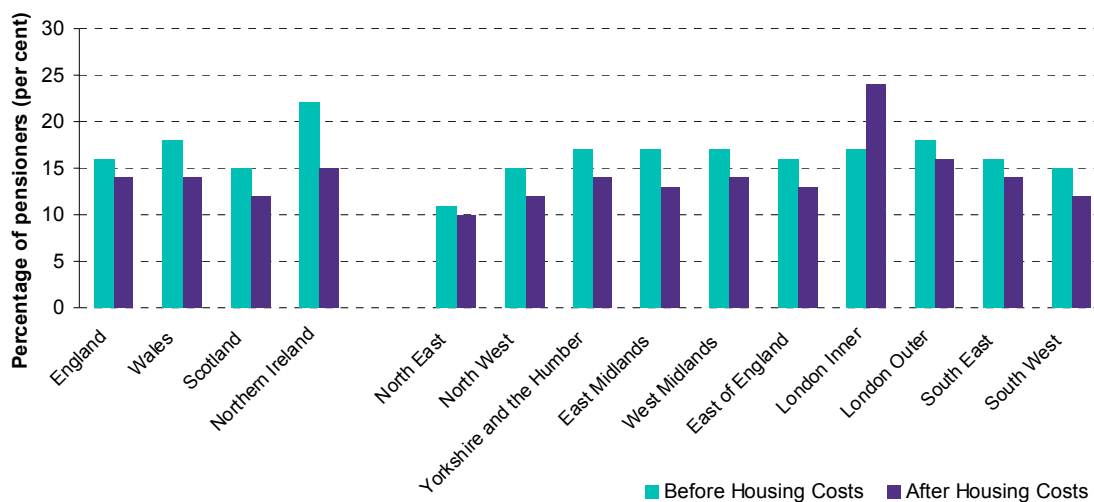
Region and country

Analysis by region is presented as three-year averages as single-year estimates are considered too volatile.

There is considerable variation in the percentage of pensioners in relative low income or in material deprivation by region. (Chart 6.3, Tables 6.6db and 6.10db)

- Pensioners in Inner London had the highest rates of relative low income AHC, at 24 per cent, nearly double that of the whole pensioner population at 13 per cent. This reflects the higher housing costs in the area
- The North East had the lowest percentage of pensioners in relative low income, 10 per cent AHC.
- Pensioners in Northern Ireland had the highest percentage of relative low income BHC, at 22 per cent, compared to 16 per cent for pensioners as a whole.
- Pensioners in Inner London were around three times as likely to be in material deprivation compared to the whole pensioner population, 24 per cent compared to 8 per cent. This is likely to be due to the higher living costs involved with living in London.

Chart 6.3: Percentage of pensioners in relative low income by Region/ Country, 2012/13, UK (3-year average)



Disability

The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures in 2012/13 and previous years should be made with caution.

In 2012/13 pensioners living in families containing one or more disabled member had similar rates of low income AHC to pensioners living in families not containing a disabled member, and show broadly similar trends over time, falling steadily from 2002/03 to 2011/12 with the exception of an increase in 2006/07. (Table 7g)

Further disability analysis can be found in [Chapter 7](#).

6.2 The income distribution

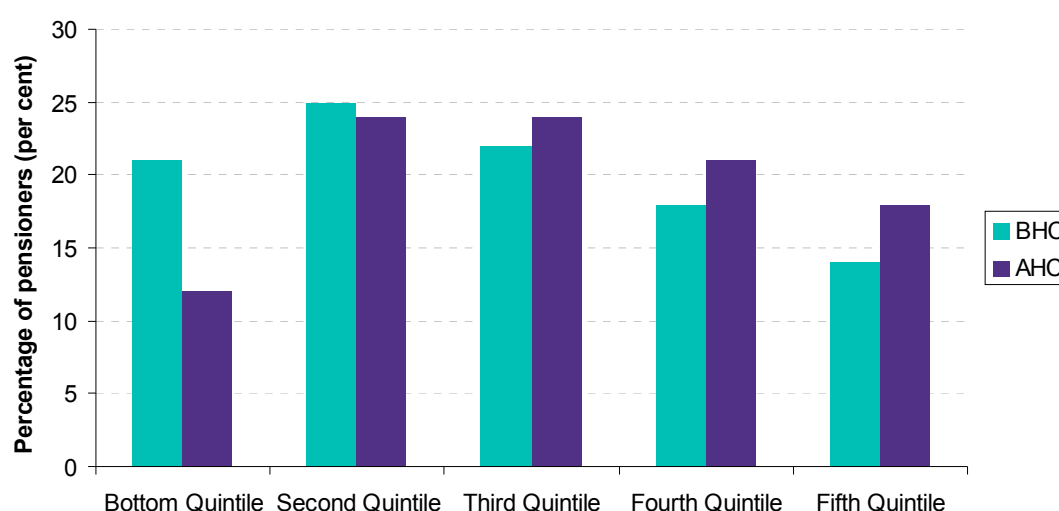
Charts 6.5 compares the income distribution of pensioners in 2012/13 with that of the entire population. An explanation of how negative incomes AHC and zero incomes BHC shown in the chart can occur is given in the [HBAI Quality and Methodology Information Report](#).

In 2012/13, as in previous years, pensioners were less likely to be in the top quintile (i.e. the top 20 per cent of the income distribution) both BHC and AHC than the population as a whole.

This is mainly due to households containing pensioners receiving a higher proportion of their income from benefits³¹ compared to the overall population and therefore being less likely to live in higher-income households.

However, pensioners were also less likely to be in the bottom quintile (i.e. the bottom 20 per cent of the income distribution) AHC, than the population as a whole, and less likely to be in a household receiving a negative income AHC. (Chart 6.4, Table 6.1db)

Chart 6.4: Quintile distribution for pensioners, 2012/13, UK



³¹ Table 2.3 in the Family Resources Survey 2012/13 report shows sources of total weekly household income by age of head.

Chart 6.5 (BHC): Income distribution; all individuals and pensioners by income band, 2012/13

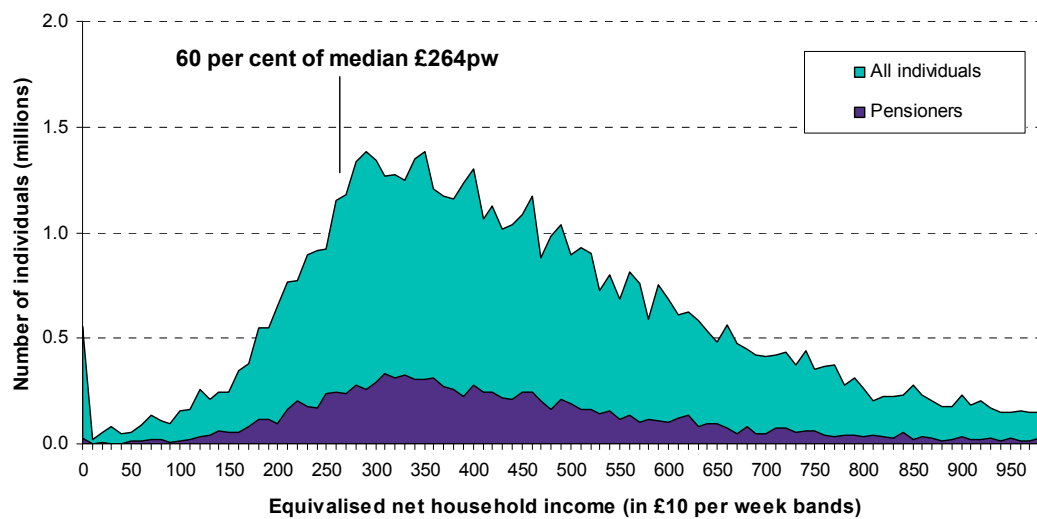
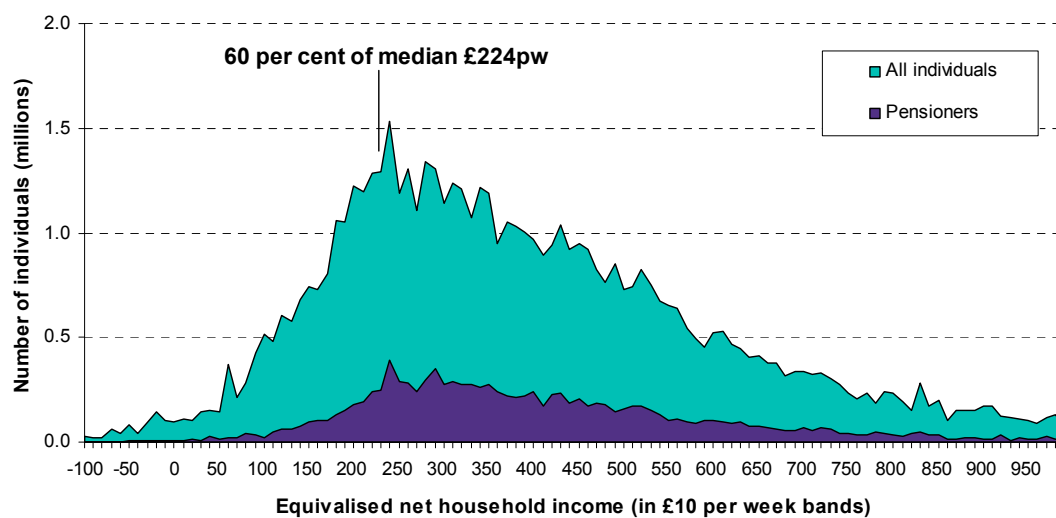


Chart 6.5 (AHC): Income distribution; all individuals and pensioners by income band, 2012/13



6.3 Summary tables

Table 6a: Estimated percentage of pensioners in relative/absolute low income, United Kingdom^{1,2}

Percentage of pensioners		Source: FRS			
		Before Housing Costs		After Housing Costs	
		Relative low income - percentage below 60% of contemporary median income	Absolute low income - percentage below 60% of 2010/11 median income held constant in real terms	Relative low income - percentage below 60% of contemporary median income	Absolute low income - percentage below 60% of 2010/11 median income held constant in real terms
FRS (GB)	1994/95	24	46	28	47
	1995/96	24	45	28	46
	1996/97	25	41	29	42
	1997/98	25	39	29	41
FRS (UK) ²	1998/99	27	39	29	39
	1999/00	25	35	28	36
	2000/01	25	31	26	32
	2001/02	25	27	26	28
	2002/03	24	25	24	24
	2003/04	23	23	20	20
	2004/05	21	21	17	16
	2005/06	20	20	16	15
	2006/07	23	22	19	16
	2007/08	22	21	18	15
	2008/09	20	18	16	14
	2009/10	18	16	15	13
	2010/11	17	17	14	14
	2011/12	16	17	13	15
	2012/13	16	17	13	15
Percentage point change and significance	1998/99-2012/13 ^{3,4}	-11 *	-22 *	-15 *	-24 *
	2011/12-2012/13 ^{3,4}	0	0	0	0

Notes:

1. FRS figures are for Great Britain up to 1997/98, and for the United Kingdom from 1998/99, with estimates for Northern Ireland imputed for the years 1998/99 through 2001/02. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 6b: Estimates of number of pensioners in relative/absolute low income, United Kingdom^{1,2}

Number of pensioners (millions)		Source: FRS				
		Before Housing Costs		After Housing Costs		
		Relative low income - number below 60% of contemporary median income	Absolute low income - number below 60% of 2010/11 median income held constant in real terms	Relative low income - number below 60% of contemporary median income	Absolute low income - number below 60% of 2010/11 median income held constant in real terms	All pensioners
FRS (GB)	1994/95	2.4	4.5	2.8	4.7	9.9
	1995/96	2.4	4.5	2.8	4.6	9.9
	1996/97	2.4	4.1	2.9	4.2	9.9
	1997/98	2.5	3.9	2.9	4.0	10.0
FRS (UK) ²	1998/99	2.8	4.0	2.9	4.0	10.3
	1999/00	2.6	3.6	2.8	3.7	10.3
	2000/01	2.6	3.2	2.7	3.3	10.3
	2001/02	2.6	2.8	2.7	2.9	10.4
	2002/03	2.5	2.6	2.5	2.5	10.5
	2003/04	2.4	2.5	2.1	2.1	10.6
	2004/05	2.2	2.2	1.8	1.7	10.7
	2005/06	2.2	2.1	1.8	1.6	10.8
	2006/07	2.5	2.3	2.0	1.8	10.9
	2007/08	2.5	2.3	2.0	1.7	11.1
	2008/09	2.2	2.1	1.8	1.6	11.3
	2009/10	2.0	1.8	1.8	1.5	11.6
	2010/11	2.0	2.0	1.6	1.6	11.7
	2011/12	1.9	2.0	1.6	1.8	11.7
	2012/13	1.9	2.0	1.6	1.8	11.8
Numerical change and significance for 2011/12-2012/13						
	1998/99-2011/12 ^{3,4}	-0.9	-2.0	-1.4	-2.2	1.6
	2011/12-2012/13 ^{3,4}	0.0	0.0	0.0	0.0	0.1

Notes:

1. FRS figures are for Great Britain up to 1997/98, and for the United Kingdom from 1998/99, with estimates for Northern Ireland imputed for the years 1998/99 through 2001/02. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in the number of individuals below low-income thresholds may not equal the difference between the total number of individuals below thresholds for any pair of years shown.

Table 6c: Estimated percentage and number of pensioners aged 65 or over in material deprivation¹, United Kingdom

		Source: FRS		
		Percentage	Number (millions)	Pensioners aged 65 or over
FRS (UK)	2009/10	10	0.9	9.7
	2010/11	9	0.9	9.9
	2011/12	8	0.8	10.1
	2012/13	8	0.9	10.5
Percentage point/numerical change and significance				
	2011/12-2012/13 ^{3,4}	0	0.1	0.4

Notes:

1. A family is in material deprivation if they have a material deprivation score of 20 or more. See HBAI Quality and Methodology Information Report 2012/13 for further details.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2009/10 using these new grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in numbers of pensioners in material deprivation may not equal the difference between the total number of pensioners in material deprivation for any pair of years shown.

6.4 List of additional Chapter 6 tables available at GOV.UK

6.1tr – 6.7tr	Trends over time for headline figures for years covered by the Family Expenditure Survey (FES) and the Family Resources Survey (FRS).
6.1db	Quintile distribution of income by: economic status of adults in the family; age; family type; gender; marital status; disability and receipt of disability benefits; tenure; ethnic group (three-year average).
6.2db	Quintile distribution of income by: pensions receipt; state support received by family; savings and investments; region and country (three-year average).
6.3db – 6.4db	Composition of low-income groups of pensioners with categories as outlined for Tables 6.1db – 6.2db.
6.5db – 6.6db	Percentage of pensioners falling into low-income groups with categories as outlined for Tables 6.1db – 6.2db.
6.7db – 6.8db	Composition of pensioners in material deprivation with categories outlined for Tables 6.1db – 6.2db for pensioners aged 65 or over.
6.9db – 6.10db	Percentage of pensioners aged 65 or over in material deprivation with categories outlined for Tables 6.1db – 6.2db.
6.11db	Material deprivation Quintile distribution of income for pensioners aged 65 or over by whether they have the material deprivation items and services.
6.1ts – 6.4ts	Populations over time by: age and gender; tenure; region and country (three-year average); disability and receipt of disability benefits.
6.5ts – 6.7ts	Composition of pensioners in households with incomes below 60 per cent of contemporary median income over time by: age and gender; tenure; disability and receipt of disability benefits.
6.8ts – 6.12ts	Percentage of pensioners in households with incomes below 60 per cent of contemporary median income over time by: age and gender; tenure; region and country (three-year average, the number of pensioners can be found in Table 6.11ts); disability and receipt of disability benefits.

6.13ts – 6.17ts **Percentage** of pensioners in households with incomes below 60 per cent of 2010/11 median income held constant in real terms over time by the categories outlined for Tables 6.8ts – 6.12ts.

Chapter 7

7. Disability analysis

This chapter presents information on living standards in the United Kingdom. It provides annual estimates on the number and percentage of individuals in families with at least one disabled member living in low-income households. It also looks at how these might be linked to their family or household characteristics.

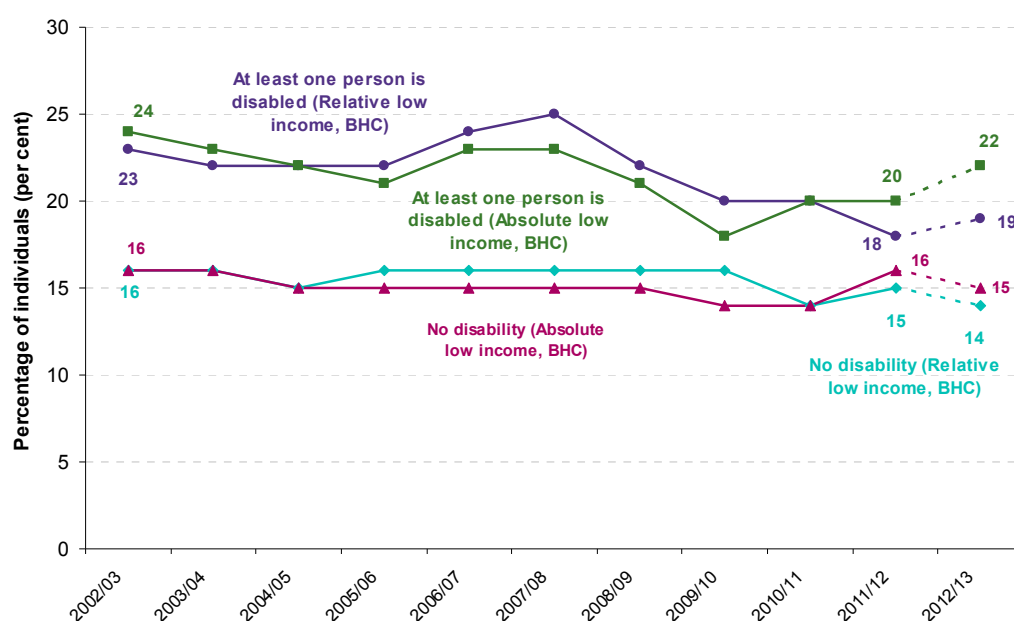
For the first time we have brought together the information on disability into one chapter. This allows for comparison between the different groups – all individuals, children, working-age adults and pensioners - as well as with those in families where no one is disabled. **The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures in 2012/13 and previous years should be made with caution (see Box 7a).**

The latest estimates should be considered alongside medium and long-term patterns. Unless otherwise stated, the changes in low-income measures over time that are discussed in the text of this chapter are statistically significant.

The percentage of individuals in relative low income Before Housing Costs (BHC) in families where at least one member is disabled increased by 1 percentage point to 19 per cent in 2012/13, which, although not statistically significant, was in contrast to the downward trend since 2007/08.

The percentage of individuals in absolute low income in families where at least one member is disabled increased from 20 to 22 per cent BHC, continuing increases seen since 2009/10. These recent changes may be affected by the revised disability questions. (Chart 7.1, Table 7a)

Chart 7.1: Percentage of individuals in relative and absolute low income, BHC, by family disability status, 2002/03 to 2012/13, UK



- In comparison, the percentage of individuals living in relative low income in families where no member is disabled has decreased, from 15 to 14 per cent in 2012/13 BHC, also not statistically significant.

In 2012/13 the percentage of children in families with a disabled member that were in relative low income BHC remained at 21 per cent. For absolute low income BHC there was a 1 percentage point increase to 25 per cent³² which, whilst not a statistically significant change, follows on from the increase in 2011/12.

With the exception of pensioners, those living in families with a disabled member are more likely to be in low income than those in families without a disabled member. (Tables 7a-7h)

- This situation is particularly true for working-age adults, who were almost twice as likely to be in low income if their family had a disabled member - 22 per cent with a disabled member in relative low income compared to 12 per cent with no disabled member BHC. After Housing Costs (AHC) figures are 29 and 19 per cent respectively.
- In contrast, pensioners living in families with a disabled member had a similar percentage in relative low income AHC, compared to those in families without a disabled member - 13 per cent compared to 14 per cent (BHC figures are 15 and 16 per cent respectively).

These latest figures BHC for those living in families where at least one member is disabled, show 3.7 million individuals in relative low income, whilst there were 4.2 million under the absolute low income measure.

In HBAI, disability benefits such as Disability Living Allowance and Attendance Allowance are included as income because they provide an important cash contribution to the incomes of disabled people. No adjustment is made to disposable household income to take into account any additional costs that may be incurred due to the illness or disability in question. This means that the position in the income distribution of these groups may be somewhat upwardly biased. Analysis excluding Disability Living Allowance and Attendance Allowance from the calculation of income is published in separate tables. (Tables 7.1ts-7.3ts)

³² The apparent inconsistency with Table 7c is due to rounding.

Box 7a Definition of disability – see [HBAI Quality and Methodology Report](#)

The means of identifying people with a disability has changed over time. Data is not available for 1994/95. Between 1995/96 and 2001/02 all those who reported having a long-standing limiting illness were identified as having a disability. From 2002/03 onwards, statistics were based on responses to questions about difficulties across a number of areas of life. Figures for 2002/03 and 2003/04 are based on those reporting substantial difficulties across eight areas of life and figures from 2004/05 to 2011/12 are based on those reporting substantial difficulties across nine areas of life.

Changes in 2012/13

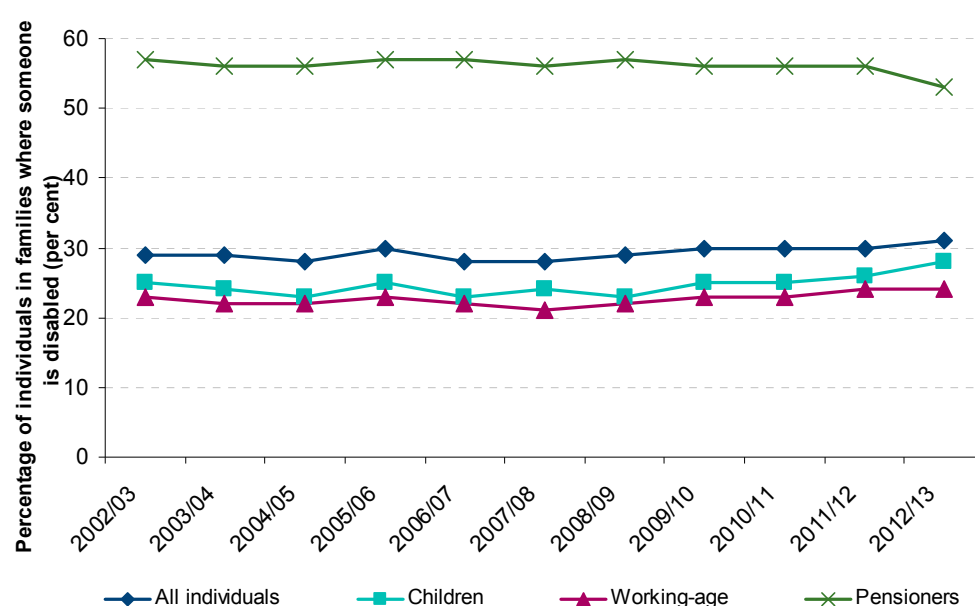
In 2012/13 the Family Resources Survey (FRS) disability questions were revised to reflect new [harmonised standards](#). Disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.

Comparisons over time

Compared to 2011/12 the number of individuals in disabled families went up by 0.2m in 2012/13 (similar to those in non-disabled families). However, while the number of pensioners in non-disabled families increased by 0.4m, the number in disabled families decreased by 0.3m. The reverse was true for the number of children in disabled families, which increased by 0.3m, while those in non-disabled families fell by 0.2m.

These figures could be affected by the change in the disability questions. Individuals might have different interpretations of particular health conditions or question wording meaning that changes to the disability question may have had a different effect on certain groups. **Therefore, comparisons between the 2012/13 figures in this report and past data should be made with caution, as they may be affected by the change in the definition of disability.**

Percentage of individuals in families where someone is disabled, 2002/03 to 2012/13, UK



7.1 Whole population

(Charts 7.1 and 7.2, Tables 7a and 7b)

The percentage of individuals in relative low income BHC, in families where at least one member is disabled increased by 1 percentage point to 19 per cent in 2012/13, which, although not statistically significant, was in contrast to the downward trend since 2007/08.

- In comparison, the percentage of individuals living in relative low income in families where no member is disabled has decreased, from 15 to 14 per cent in 2012/13 BHC, which was also not a statistically significant change.

The percentage of individuals in absolute low income in families where at least one member is disabled increased from 20 to 22 per cent BHC, continuing increases seen since 2009/10.

- In contrast, the percentage of individuals living in absolute low income in families where no member is disabled decreased from 16 to 15 per cent BHC, following an increase in 2011/12.
- These recent changes may be affected by the revised disability questions.

These latest figures BHC, for those living in families where at least one member is disabled show 3.7 million individuals in relative low income, whilst there were 4.2 million under the absolute low income measure.

A higher percentage of individuals in families with at least one disabled member were living in relative low income BHC, compared to individuals living in families with no disabled members (19 per cent compared to 14 per cent).

- This was particularly the case for individuals in families containing one or more disabled member and not in receipt of disability benefits³³, at 23 per cent BHC. This group are more likely to be in the bottom quintile of the income distribution than those in families containing one or more disabled member and in receipt of disability benefits. (Table 3.12ts)

Pensioners aside, those living in families with a disabled member are more likely to be in relative low income than those in families without a disabled member.

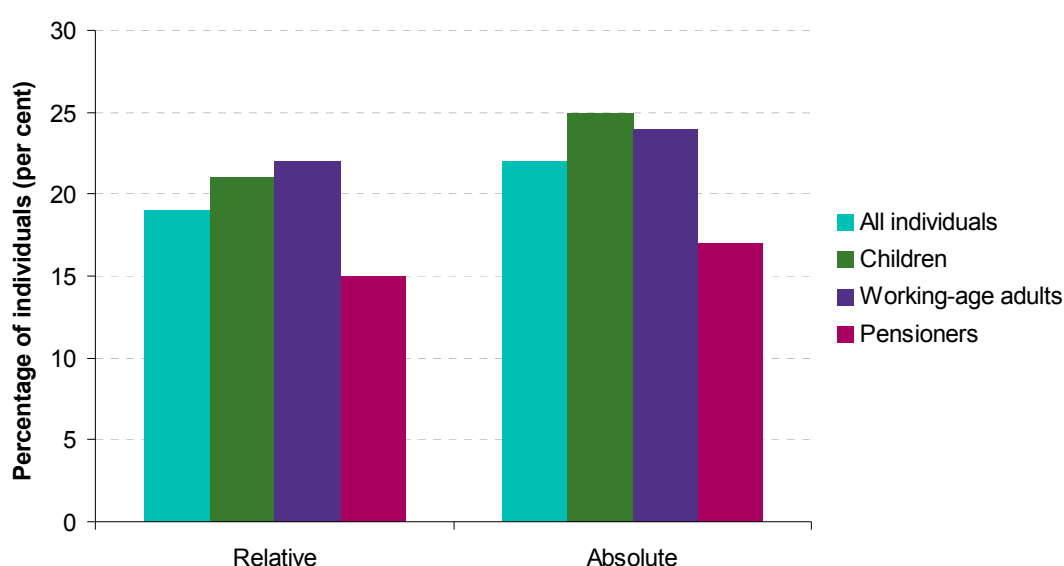
- This situation is particularly true for working-age adults, who are almost twice as likely to be in low income if their family has a disabled member - 22 per cent with a disabled member compared to 12 per cent with no disabled member BHC.

³³ Disability benefits are Disability Living Allowance; Armed Forces Compensation Scheme; Attendance Allowance (for those over 65 years old); Industrial Injuries Disablement Benefit. Disability benefits may be received by or on behalf of the eligible person in the household.

Overall, of those living in families with a disabled member, working-age adults and children have higher rates of low income than pensioners. (Chart 7.2)

- 22 per cent of working-age adults and 21 per cent of children in a family with a disabled member are in relative low income BHC, compared to 15 per cent for pensioners.

Chart 7.2 (BHC): Percentage of individuals living in families with a disabled member, in relative and absolute low income, 2012/13, UK



7.2 Children

(Chart 7.3, Tables 7c and 7d)

In 2012/13 the percentage of children in families with a disabled member that were in relative low income BHC remained at its lowest rate since information on disability has been collected, at 21 per cent.

For absolute low income BHC there was a 1 percentage point increase to 25 per cent³⁴ which, whilst not a statistically significant change, follows on from the increase in 2011/12.

- For children living in families with no disabled members, the percentage in absolute low income decreased from 19 to 18 per cent BHC, but increased by 1 percentage point from 27 to 28 per cent AHC. Neither of these changes was statistically significant.
- Children in families where someone is disabled and in receipt of disability benefits had much lower rates of relative low income than those where someone is disabled but not in receipt of disability benefits; 15 per cent and 23 per cent respectively BHC.

³⁴ The apparent inconsistency with Chart 7.3 and Table 7c is due to rounding.

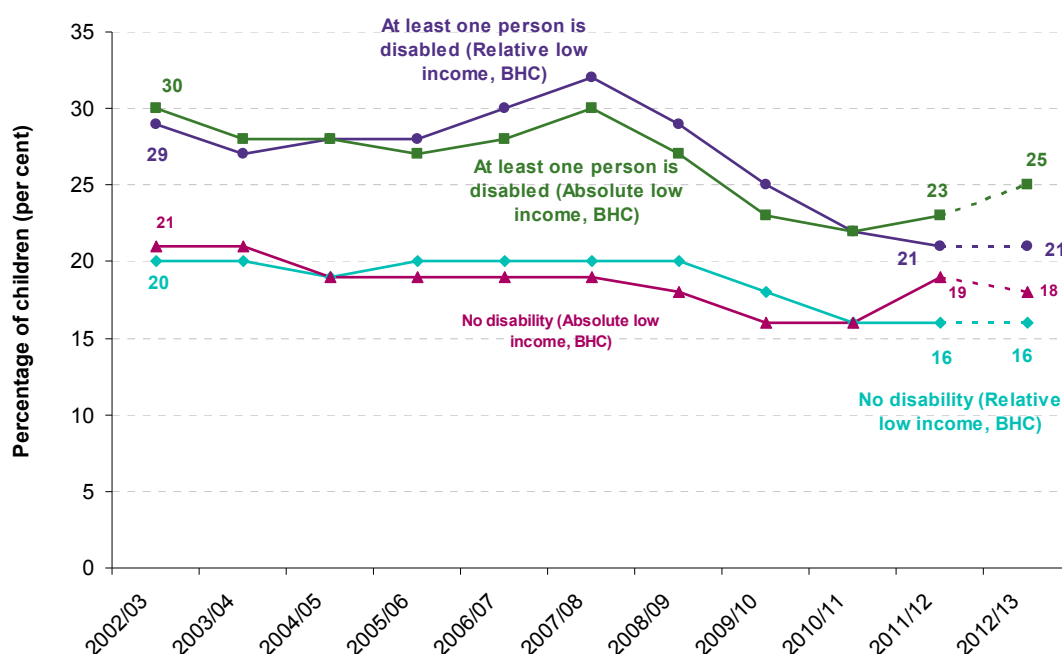
- Children in families containing one or more disabled member were twice as likely to live in households in combined low income and material deprivation than those in families with no disabled member, 22 per cent compared to 10 per cent BHC. (Table 4.5db)
- These recent changes may be affected by the revised disability questions.

Box 7b Child Material Deprivation

A child is considered to be in material deprivation if they live in a family that has a final material deprivation score of 25 or more out of a possible 100. This indicates that the family lacks the ability to purchase key goods or services.

New questions about four additional material deprivation items for children were introduced into the 2010/11 FRS and from 2011/12 four questions from the original suite were removed. This means that results from 2010/11 onwards cannot be compared with those from previous years.

Chart 7.3: Percentage of children in relative and absolute low income by family disability status, 2002/03 to 2012/13, BHC, UK



7.3 Working-age adults

(Chart 7.4, Tables 7e and 7f)

Working-age adults in families containing one or more disabled member were more likely to live in low-income households than those in families with no disabled member.

- Between 2011/12 and 2012/13, the percentage of working-age adults living in families containing one or more disabled member in relative low

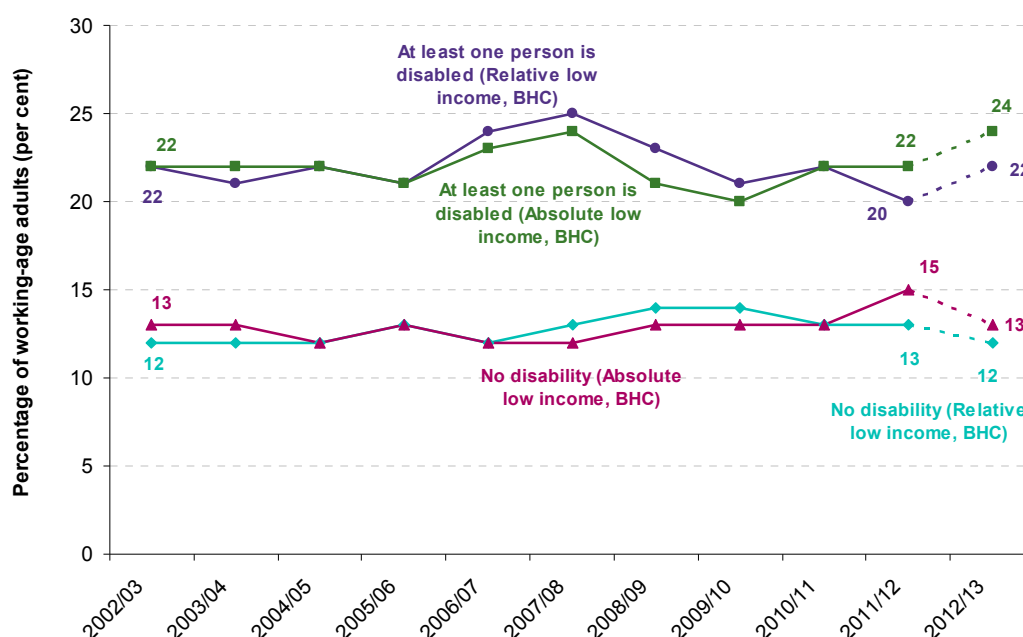
income increased by 1 percentage point BHC to 22 per cent³⁵, and by 2 percentage points AHC to 29 per cent³⁵. Neither change was statistically significant.

- The percentage of working-age adults in families with at least one disabled member in absolute low income increased by 2 percentage points to 24 per cent BHC, and is now at levels last seen in 2007/08, although the increase in 2012/13 was not statistically significant.
- In comparison, the percentage of working-age adults living in absolute low income in families where no member is disabled decreased by 1 percentage point BHC to 13 per cent³⁵.
- These recent changes may be affected by the revised disability questions.
- Working-age adults living in families containing one or more disabled member and not receiving disability benefits were more likely to be in relative low-income households compared to those in receipt of disability benefits, 23 per cent compared to 17 per cent BHC. (Table 5.12ts)

Working-age adults living in workless families containing one or more disabled member had similar rates of relative low income BHC to working-age adults living in workless families with no disabled members, with both at 38 per cent in 2012/13. (Table 5.12ts)

- However, for families with one or more adult in work, the levels of low income were higher for those with a disabled member – 13 per cent compared to 8 per cent for those with no disabled member BHC.

Chart 7.4: Percentage of working-age adults in relative and absolute low income by family disability status, 2002/03 to 2012/13, BHC, UK



³⁵ The apparent inconsistency with Chart 7.4 and Table 7e is due to rounding.

7.4 Pensioners

(Chart 7.5, Tables 7g and 7h)

Pensioners are much more likely to live in families containing one or more disabled member than children or working-age adults. (Box 7a)

- In 2012/13, 53 per cent of pensioners lived in a family containing one or more disabled member, compared to 28 per cent for children and 24 per cent for working-age adults.

In 2012/13 pensioners living in families containing one or more disabled member had similar rates of relative low income AHC, to pensioners living in families not containing a disabled member, and show broadly similar trends over time, falling steadily from 2002/03 to 2011/12 with the exception of an increase in 2006/07.

- Between 2011/12 and 2012/13, the percentage of pensioners living in families containing one or more disabled member in relative low income increased to 13 per cent AHC, however this change was not statistically significant. This remains around the lowest level since disability information was collected in the FRS.
- Pensioners living in families containing one or more disabled member and not receiving disability benefits were around three times more likely to be in low-income households AHC (18 per cent) compared to those in receipt of disability benefits (6 per cent). (Table 6.12ts)
- The percentage of pensioners living in families containing one or more disabled member in absolute low income increased by 1 percentage point AHC, to 15 per cent, although this change was not statistically significant.
- Pensioners in families with no disabled members saw a 1 percentage point decrease in both relative and absolute low income AHC³⁶, although neither of these changes were statistically significant.
- These recent changes may be affected by the revised disability questions.

Box 7c Pensioner Material deprivation

The material deprivation measure, introduced in 2009/10, is an additional way of measuring living standards for pensioners. The measure is comprised of a suite of 15 questions based on access to specific goods, services and experiences. It is used to explore a broader definition of pensioner poverty and captures both financial and non-financial reasons for being in material deprivation.

- Pensioners living in families where someone is disabled were around three times as likely to be in material deprivation compared to those living in families where no-one is disabled, 12 per cent compared to 4 per cent. (Table 6.9db)
- The FRS does not record information on individuals in nursing or retirement homes. This means that figures relating to older people may

³⁶ The apparent inconsistency with Chart 7.5 and Table 7g is due to rounding.

not be representative of the United Kingdom population, as many older people may have moved into homes where they can receive more frequent help.

Chart 7.5: Percentage of pensioners in relative low income by family disability status, 2002/03 to 2012/13, AHC, UK



Box 7d Disability indicators

The HBAI is used to inform the DWP indicator to measure progress on the Government's aim of [helping disabled people to fulfil their potential](#). The indicator measures the percentage of individuals in families containing someone who is disabled with incomes below 60 per cent of contemporary median income AHC.

The indicator is also used to provide further equality information in compliance with the [specific](#) duties under the Equality Act 2010.

The **Fulfilling Potential Outcomes and Indicators Framework** is a set of indicators designed to measure progress towards the vision of the Fulfilling Potential strategy. The indicators cover the key Fulfilling Potential themes of: education; employment; income; health and well-being; choice and control; and inclusive communities. 2004/05 is the baseline for this set of indicators.

Between 2004/05 and 2012/13, there has been a decrease in the percentage of individuals living in relative low income in families where at least one member is disabled of 3 percentage points BHC, to 19 per cent. AHC, there was a fall of 1 percentage point to 25 per cent³⁷; this change was not statistically significant. During the same period, the percentage of individuals living in relative low income in families where no-one is disabled fell by 1 percentage point BHC to 14 per cent, while AHC it saw increase of 1 percentage point to 19 per cent³⁷. The increase for AHC was not statistically significant.

Between 2004/05 and 2012/13, the percentage of children in families with a disabled member that were in relative low income fell by 7 percentage points to 21 per cent BHC and by 5 percentage points at 33 per cent AHC.

³⁷ The apparent inconsistency with Table 7a is due to rounding.

7.5 The income distribution

Charts 7.6 shows the income distribution for all individuals and for those in families with at least one disabled member for the United Kingdom in 2012/13 both BHC and AHC. The distribution of those in families with at least one disabled member was skewed towards the lower end of the income distribution, as it was with the overall population.

Chart 7.6 (BHC): Income distribution; all individuals and all in families with at least one disabled member by income band, 2012/13

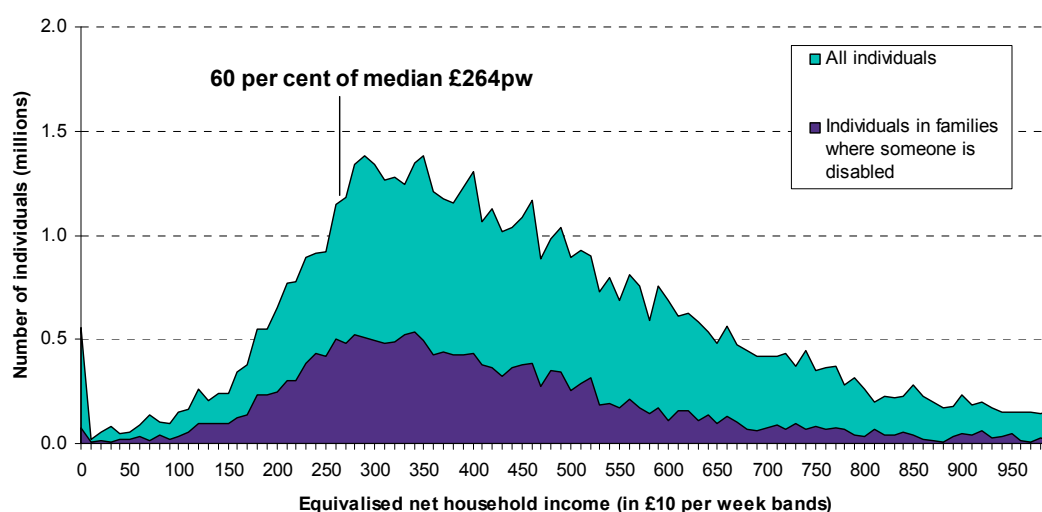
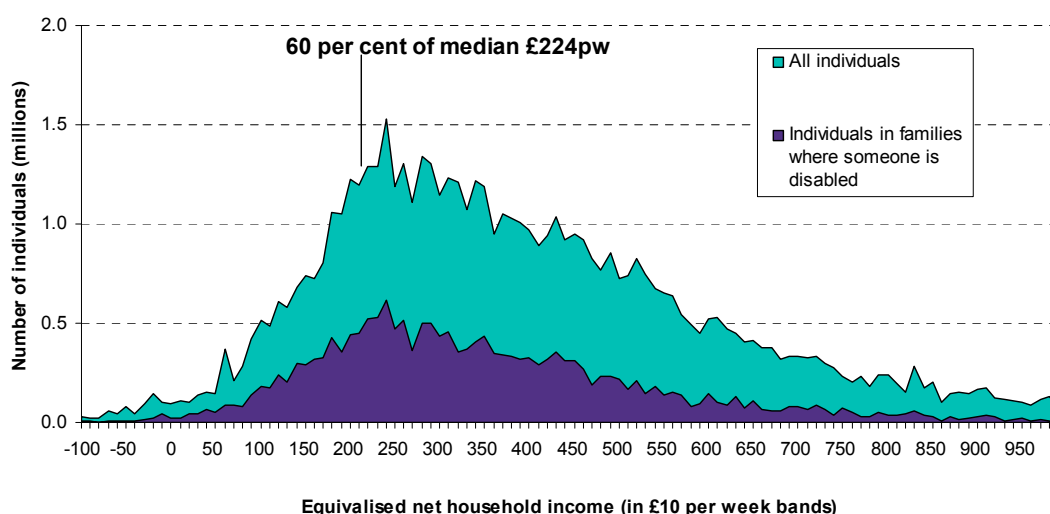


Chart 7.6 (AHC): Income distribution; all individuals and all in families with at least one disabled member by income band, 2012/13



7.6 Summary tables

Table 7a: Estimated percentage of individuals in relative/absolute low income by disability³, United Kingdom^{1,2}

Percentage of individuals		Source: FRS							
Individuals in families where:		Before Housing Costs				After Housing Costs			
		Relative low income		Absolute low income		Relative low income		Absolute low income	
		no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled
FRS (GB)	1994/95	..	..	..	..	..	..	..	..
	1995/96	16	22	27	40	22	30	32	46
	1996/97	18	24	26	38	23	31	31	43
	1997/98	17	25	24	37	22	31	28	42
	1998/99	17	26	23	36	21	31	27	40
	1999/00	17	25	22	33	21	31	26	38
	2000/01	16	24	19	30	20	30	23	35
FRS (UK) ²	2001/02	16	25	17	27	20	30	21	32
	2002/03	16	23	16	24	20	28	20	28
	2003/04	16	22	16	23	20	26	19	25
	2004/05	15	22	15	22	19	25	18	24
	2005/06	16	22	15	21	20	25	19	23
	2006/07	16	24	15	23	21	27	19	24
	2007/08	16	25	15	23	20	28	19	25
	2008/09	16	22	15	21	21	25	20	23
	2009/10	16	20	14	18	21	25	20	23
	2010/11	14	20	14	20	20	24	20	24
	2011/12	15	18	16	20	20	23	21	25
	2012/13	14	19	15	22	19	25	21	27
Percentage point change and significance									
	2011/12-2012/13 ^{4,5}	-1	1	-1 *	2 *	0	1	0	2 *

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

3. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.

4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

5. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 7b: Estimated number of individuals in relative/absolute low income by disability³, United Kingdom^{1,2}

Number of individuals		Source: FRS								
		Before Housing Costs				After Housing Costs				
		Relative low income		Absolute low income		Relative low income		Absolute low income		All individuals
Individuals in families where:		no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	
FRS (GB)	1994/95	..	..	..	..	..	..	..	..	55.3
	1995/96	6.5	3.5	10.7	6.3	8.8	4.7	12.8	7.1	55.5
	1996/97	7.3	3.5	10.5	5.5	9.5	4.5	12.5	6.4	55.6
	1997/98	6.8	4.1	9.5	6.0	8.5	5.1	11.1	6.8	55.7
	1998/99	6.5	4.3	8.9	6.0	8.4	5.2	10.7	6.7	57.5
	1999/00	6.8	3.9	8.7	5.3	8.6	4.8	10.5	6.0	57.7
	2000/01	6.3	4.1	7.6	5.0	8.1	4.9	9.3	5.8	57.9
	2001/02	6.3	4.0	6.8	4.3	8.1	4.8	8.5	5.1	58.1
FRS (UK)	2002/03	6.5	4.0	6.6	4.1	8.2	4.7	8.3	4.8	58.3
	2003/04	6.6	3.7	6.7	3.8	8.1	4.4	8.1	4.3	58.6
	2004/05	6.3	3.7	6.3	3.7	7.8	4.2	7.5	4.0	58.9
	2005/06	6.5	3.9	6.4	3.8	8.3	4.4	7.8	4.1	59.3
	2006/07	6.7	4.1	6.3	3.9	8.8	4.5	8.1	4.1	59.7
	2007/08	6.8	4.2	6.5	4.0	8.8	4.8	8.3	4.3	60.2
	2008/09	6.9	3.9	6.6	3.6	9.1	4.4	8.4	4.1	60.7
	2009/10	6.7	3.7	6.1	3.3	9.1	4.5	8.4	4.1	61.2
	2010/11	6.3	3.6	6.3	3.6	8.7	4.4	8.7	4.4	61.6
	2011/12	6.4	3.5	7.0	3.8	8.7	4.4	9.2	4.8	62.5
	2012/13	6.0	3.7	6.4	4.2	8.5	4.7	9.3	5.3	62.9
Numerical change and significance	2011/12-2012/13 ^{4,5}	-0.4	0.2	-0.6 *	0.4 *	-0.2	0.3	0.1	0.5 *	0.4

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.
3. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.
4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
5. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 7c: Estimated percentage of children in relative/absolute low income by disability³, United Kingdom^{1,2}

Percentage of children		Source: FRS							
		Before Housing Costs				After Housing Costs			
	Children in families where:	Relative low income		Absolute low income		Relative low income		Absolute low income	
		no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled
FRS (GB)	1994/95	..	..	..	..	..	..	..	..
	1995/96	21	31	35	51	30	44	42	59
	1996/97	25	34	34	48	32	43	40	57
	1997/98	23	37	32	48	30	44	38	55
	1998/99	23	34	31	46	31	43	38	53
	1999/00	23	33	29	43	30	42	36	52
	2000/01	21	31	25	38	28	40	32	46
	2001/02	20	32	22	34	28	40	29	43
FRS (UK)	2002/03	20	29	21	30	27	37	27	37
	2003/04	20	27	21	28	26	36	26	35
	2004/05	19	28	19	28	25	38	25	36
	2005/06	20	28	19	27	27	36	26	34
	2006/07	20	30	19	28	29	38	26	34
	2007/08	20	32	19	30	28	42	26	38
	2008/09	20	29	18	27	28	38	26	36
	2009/10	18	25	16	23	27	36	25	34
	2010/11	16	22	16	22	25	33	25	33
	2011/12	16	21	19	23	25	32	27	36
	2012/13	16	21	18	25	25	33	28	37
Percentage point change and significance									
	2011/12-2012/13 ^{4,5}	0	0	-1	1	0	1	1	2

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

3. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.

4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

5. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 7d: Estimated number of children in relative/absolute low income by disability³, United Kingdom^{1,2}

Number of children		Source: FRS								
		Before Housing Costs				After Housing Costs				All Children
		Relative low income		Absolute low income		Relative low income		Absolute low income		
Children in families where:		no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	
FRS (GB)	1994/95	..	..	..	..	..	..	..	..	12.6
	1995/96	2.1	0.9	3.4	1.5	2.9	1.3	4.1	1.8	12.7
	1996/97	2.4	1.0	3.3	1.4	3.1	1.2	4.0	1.6	12.7
	1997/98	2.2	1.2	3.0	1.6	2.8	1.4	3.6	1.8	12.7
	1998/99	2.2	1.1	2.9	1.5	2.9	1.4	3.5	1.8	13.1
	1999/00	2.2	1.0	2.8	1.3	2.9	1.3	3.4	1.6	13.2
	2000/01	1.9	1.0	2.4	1.2	2.6	1.3	3.0	1.5	13.1
	2001/02	2.0	0.9	2.2	1.0	2.7	1.2	2.8	1.3	13.1
FRS (UK)	2002/03	2.0	0.9	2.0	0.9	2.6	1.2	2.7	1.2	12.9
	2003/04	2.0	0.8	2.0	0.9	2.6	1.1	2.5	1.1	12.9
	2004/05	1.9	0.9	1.9	0.9	2.5	1.1	2.4	1.1	12.9
	2005/06	1.9	0.9	1.9	0.9	2.6	1.2	2.5	1.1	12.9
	2006/07	2.0	0.9	1.9	0.9	2.8	1.1	2.6	1.0	13.0
	2007/08	2.0	1.0	1.9	0.9	2.8	1.3	2.6	1.2	13.0
	2008/09	2.0	0.9	1.8	0.8	2.8	1.2	2.6	1.1	13.0
	2009/10	1.8	0.8	1.6	0.8	2.7	1.2	2.5	1.1	13.2
	2010/11	1.6	0.7	1.6	0.7	2.5	1.1	2.5	1.1	13.2
	2011/12	1.6	0.7	1.8	0.8	2.5	1.1	2.7	1.2	13.3
	2012/13	1.5	0.8	1.7	0.9	2.4	1.2	2.7	1.4	13.4
	Numerical change and significance									
2011/12-2012/13 ^{4,5}		-0.1	0.1	-0.1	0.1	-0.1	0.1	0.0	0.2 *	0.1

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

3. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.

4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

5. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 7e: Estimated percentage of working-age adults in relative/absolute low income by disability³, United Kingdom^{1,2}

Percentage of working-age adults		Source: FRS							
		Before Housing Costs				After Housing Costs			
		Relative low income		Absolute low income		Relative low income		Absolute low income	
Working-age adults in families where:		no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled
FRS (GB)	1994/95	..	..	..	..	..	..	..	..
	1995/96	13	18	20	33	18	27	26	40
	1996/97	14	20	19	32	19	28	24	39
	1997/98	13	21	18	31	17	28	22	36
	1998/99	12	22	16	31	17	29	21	36
	1999/00	13	22	16	29	17	29	20	35
	2000/01	12	23	14	27	16	29	19	33
FRS (UK)	2001/02	12	24	13	25	16	29	17	30
	2002/03	12	22	13	22	16	28	17	28
	2003/04	12	21	13	22	17	27	17	27
	2004/05	12	22	12	22	16	28	16	27
	2005/06	13	21	13	21	18	27	17	26
	2006/07	12	24	12	23	18	30	17	28
	2007/08	13	25	12	24	18	31	17	29
	2008/09	14	23	13	21	19	29	18	27
	2009/10	14	21	13	20	20	29	19	27
	2010/11	13	22	13	22	19	28	19	28
	2011/12	13	20	15	22	19	28	20	29
	2012/13	12	22	13	24	19	29	20	32
Percentage point change and significance									
	2011/12-2012/13 ^{4,5}	-1	1	-1 *	2	0	2	0	3 *

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

3. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.

4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

5. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 7f: Estimated number of working-age adults in relative/absolute low income by disability³, United Kingdom^{1,2}

Number of working-age adults										Source: FRS
		Before Housing Costs				After Housing Costs				All Working-age adults
Working-age adults in families where:		Relative low income		Absolute low income		Relative low income		Absolute low income		
		no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	
FRS (GB)	1994/95	..	..	..	..	..	..	..	..	32.8
	1995/96	3.2	1.3	5.2	2.4	4.6	2.0	6.6	2.9	32.8
	1996/97	3.6	1.4	5.1	2.2	4.9	1.9	6.4	2.7	32.9
	1997/98	3.3	1.7	4.6	2.4	4.3	2.2	5.6	2.8	33.1
	1998/99	3.0	1.8	4.1	2.4	4.2	2.3	5.4	2.9	34.1
	1999/00	3.3	1.7	4.2	2.2	4.3	2.2	5.3	2.7	34.3
	2000/01	3.1	1.8	3.7	2.1	4.2	2.3	4.8	2.6	34.4
	2001/02	3.1	1.8	3.3	1.9	4.1	2.2	4.3	2.3	34.7
FRS (UK)	2002/03	3.3	1.8	3.4	1.8	4.4	2.2	4.4	2.3	34.9
	2003/04	3.4	1.7	3.5	1.7	4.6	2.1	4.5	2.1	35.1
	2004/05	3.3	1.7	3.3	1.7	4.4	2.2	4.3	2.1	35.3
	2005/06	3.5	1.8	3.5	1.7	4.9	2.3	4.6	2.2	35.6
	2006/07	3.5	1.8	3.4	1.8	5.0	2.3	4.7	2.1	35.9
	2007/08	3.7	1.9	3.5	1.8	5.1	2.4	4.8	2.2	36.1
	2008/09	3.9	1.8	3.7	1.7	5.5	2.3	5.2	2.2	36.4
	2009/10	3.9	1.8	3.6	1.6	5.6	2.4	5.2	2.2	36.4
	2010/11	3.7	1.8	3.7	1.8	5.4	2.3	5.4	2.3	36.7
	2011/12	3.8	1.8	4.2	2.0	5.4	2.5	5.7	2.7	37.5
	2012/13	3.6	2.0	3.8	2.2	5.3	2.7	5.8	2.9	37.7
Numerical change and significance	2011/12-2012/13 ^{4,5}	-0.3	0.1	-0.4 *	0.2	-0.1	0.2	0.1	0.3 *	0.2

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.
3. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.
4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
5. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 7g: Estimated percentage of pensioners in relative/absolute low income by disability³, United Kingdom^{1,2}

Percentage of pensioners		Source: FRS							
Pensioners in families where:		Before Housing Costs				After Housing Costs			
		Relative low income		Absolute low income		Relative low income		Absolute low income	
		no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled
FRS (GB)	1994/95	..	..	..	..	..	..	..	..
	1995/96	25	23	46	45	29	27	46	47
	1996/97	27	23	42	40	31	28	43	42
	1997/98	27	24	40	39	29	29	40	41
	1998/99	29	25	40	38	30	28	39	39
	1999/00	27	24	36	34	29	26	37	35
	2000/01	27	23	32	30	28	24	33	30
	2001/02	26	24	28	27	26	26	29	28
FRS (UK)	2002/03	27	22	28	23	26	22	26	22
	2003/04	25	20	26	21	22	19	22	18
	2004/05	23	19	23	19	19	16	18	15
	2005/06	22	19	21	19	17	15	16	14
	2006/07	25	21	23	20	20	18	17	15
	2007/08	24	21	23	20	19	17	17	14
	2008/09	22	18	20	17	17	15	15	13
	2009/10	19	17	17	15	16	14	14	13
	2010/11	18	16	18	16	14	14	14	14
	2011/12	18	14	20	16	14	12	16	14
	2012/13	16	15	18	17	14	13	16	15
Percentage point change and significance									
	2011/12-2012/13 ^{4,5}	-2	1	-2	1	-1	1	-1	1

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.
3. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.
4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
5. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table 7h: Estimated number of pensioners in relative/absolute low income by disability³, United Kingdom^{1,2}

Number of pensioners		Source: FRS								
		Before Housing Costs				After Housing Costs				
		Relative low income		Absolute low income		Relative low income		Absolute low income		All Pensioners
Pensioners in families where:		no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	no-one is disabled	someone is disabled	
FRS (GB)	1994/95	..	..	..	..	..	..	..	..	9.9
	1995/96	1.2	1.2	2.1	2.4	1.3	1.4	2.1	2.5	9.9
	1996/97	1.3	1.1	2.1	2.0	1.5	1.4	2.1	2.0	9.9
	1997/98	1.2	1.3	1.9	2.1	1.4	1.5	1.9	2.2	10.0
	1998/99	1.3	1.4	1.8	2.1	1.4	1.5	1.8	2.1	10.3
	1999/00	1.3	1.2	1.7	1.8	1.4	1.4	1.8	1.8	10.3
	2000/01	1.2	1.3	1.5	1.7	1.3	1.4	1.5	1.7	10.3
FRS (UK)	2001/02	1.2	1.3	1.3	1.4	1.2	1.4	1.4	1.5	10.4
	2002/03	1.2	1.3	1.2	1.4	1.2	1.3	1.2	1.3	10.5
	2003/04	1.2	1.2	1.2	1.3	1.0	1.1	1.0	1.1	10.6
	2004/05	1.1	1.1	1.1	1.1	0.9	0.9	0.8	0.9	10.7
	2005/06	1.0	1.2	1.0	1.1	0.8	1.0	0.7	0.8	10.8
	2006/07	1.2	1.3	1.1	1.3	0.9	1.1	0.8	0.9	10.9
	2007/08	1.2	1.3	1.1	1.2	0.9	1.1	0.8	0.9	11.1
	2008/09	1.1	1.2	1.0	1.1	0.8	1.0	0.7	0.8	11.3
	2009/10	1.0	1.1	0.9	1.0	0.8	0.9	0.7	0.8	11.6
	2010/11	0.9	1.1	0.9	1.1	0.7	0.9	0.7	0.9	11.7
	2011/12	0.9	0.9	1.0	1.0	0.7	0.8	0.8	0.9	11.7
	2012/13	0.9	1.0	1.0	1.1	0.8	0.8	0.9	0.9	11.8
Numerical change and significance	2011/12-2012/13 ^{4,5}	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.
3. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.
4. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
5. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

7.7 List of additional Chapter 7 [tables available at GOV.UK](#)

Illustrative measures of living standards, excluding Disability Living Allowance and Attendance Allowance from income.

- | | |
|--------------|--|
| 7.1ts | Percentage of children living in households with less than 60 per cent of contemporary median household income, by disability, United Kingdom, excluding DLA and AA. |
| 7.2ts | Percentage of children living in households with less than 70 per cent of contemporary median household income and material deprivation, by disability, United Kingdom, excluding DLA and AA. |
| 7.3ts | Percentage of individuals living in households with less than 60 per cent of contemporary median household income, by disability, United Kingdom, excluding DLA and AA. |

Chapter 8

8. Communicating uncertainty

8.1 Introduction

The figures in this publication come from the Family Resources Survey. This is a survey of around 20,000 households across the UK. Like all surveys, it gathers information from a sample rather than from the whole population. The size of the sample and the way in which the sample is selected is carefully designed to ensure that it is representative of the UK as whole, whilst bearing in mind practical considerations like time and cost constraints (see [HBAI Quality and Methodology Information Report](#) for more information). Survey results are always estimates, not precise figures. This means that they are subject to a level of uncertainty which can affect how changes, especially over the short term, should be interpreted.

8.2 Estimating and reporting uncertainty

Two different random samples from one population, for example the UK, are unlikely to give exactly the same survey results, which are likely to differ again from the results that would be obtained if the whole population was surveyed. The level of uncertainty around a survey estimate can be calculated and is commonly referred to as sampling error. In addition to sampling error the HBAI estimates can also be affected by non-sampling error such as non-response and a tendency to under-report benefit receipt. For more information on the sources of non-sampling error, see the [HBAI Quality and Methodology Information Report](#).

We can calculate the level of uncertainty around a survey estimate by exploring how that estimate would change if we were to draw many survey samples for the same time period instead of just one. This allows us to define a range around the estimate (known as a “confidence interval”) and to state how likely it is that the real value that the survey is trying to measure lies within that range. Confidence intervals are typically set up so that we can be 95% sure that the true value lies within the range – in which case this range is referred to as a “95% confidence interval”.

8.3 Measuring the size of sampling error

Accuracy of the statistics: Confidence intervals can be used as a guide to the size of sampling error. A confidence interval is a range around an estimate which states how likely it is that the real value that the survey is trying to measure lies within that range. A wider confidence interval indicates a greater uncertainty around the estimate. Generally, a smaller sample size will lead to estimates that have a wider confidence interval than estimates from larger sample sizes. This is because a smaller sample is less likely than a larger sample to reflect the characteristics of the total population and therefore there will be more uncertainty around the estimate derived from the sample.

Statistical significance: Some changes in estimates from one year to the next will be the result of different samples being chosen, whilst other changes will reflect underlying changes in income across the population. Confidence

intervals can be used to identify changes in the data that are statistically significant; that is they are unlikely to have occurred by chance due to a particular sample being chosen.

Confidence intervals can give a range around the difference in a result from one year to the next. If the range does not include zero it indicates this change is unlikely to be the result of chance. Box 8a gives more detail on how confidence intervals can be interpreted. In the summary tables presented in this report, estimates of the **percentage** in low income that are statistically significant from (i) the previous year and (ii) 1998/99 are shown with an asterisk. Estimates of the **number** in low income that are statistically significant from the previous year are shown with an asterisk. However, it is not possible to calculate statistical significance for numerical changes compared to 1998/99 figures as these include imputed estimates for Northern Ireland. Changes marked by an asterisk are unlikely to have occurred as a result of chance. The HBAI estimates that are presented are the best estimate of the real value that the survey is trying to measure.

Non-sampling error: In addition to sampling error, non-sampling error is another area of uncertainty that is present in all surveys as well as in censuses. Non-sampling error encompasses all error excluding sampling error. Types of non-sampling error include: coverage error, non-response error, measurement error and processing error. For more information see the [HBAI Quality and Methodology Information Report](#). This error is minimised; however, it is not possible to eliminate it completely and it can not be quantified. It is important to bear in mind that confidence intervals are only a guide for the size of sampling error and cannot tell us anything about non-sampling error.

Working with uncertain estimates: Some changes between years will be small in relation to sampling variation and other sources of error and may not be statistically significant. This is relevant for particular sub-groups, as these will have smaller sample sizes than the overall survey sample size. For these sub-groups it is important to look at long-term trends.

8.4 Calculating uncertainty in the 2012/13 HBAI report

For this publication the methodology used to calculate confidence intervals has changed. Previously an estimating function approach was used to produce confidence intervals while this year a bootstrapping approach using the statistical package SAS has been used. This has streamlined processes to allow confidence intervals to be calculated for a wider range of estimates.

Bootstrapping takes into account the design of the sample. It replicates the sampling design of the survey and takes re-samples with replacement from the dataset. Multiple new samples of the dataset are created, with some samples containing multiple copies of one case with none of another. Exploring how an estimate would change if we were to draw many survey samples for the same time period instead of just one sample allows us to generate confidence intervals around the estimate.

For next year's publication we will be seeking to refine the methodology further to fully take account of the complex design of the sample. The current methodology may underestimate the confidence intervals due to using a

simpler design for the sampling methodology. For a more technical guide to the approach used to generate confidence intervals in this report, please see the report [Uncertainty in Family Resources Survey-based analysis](#).

Box 8a: 95 per cent confidence intervals

Confidence intervals are typically set up so that we can be 95 per cent sure that the true value lies within a certain range – in which case this range is referred to as a “95 per cent confidence interval”.

Example 1

Interpreting confidence intervals

15.4 per cent of individuals are estimated to be living in relative low income. This figure has a stated confidence interval of 14.8 to 16.1 per cent (Table 8b). This means that we can be 95 per cent sure that between 14.8 and 16.1 per cent of individuals are in relative low income. Our best estimate is 15.4 per cent of individuals.

As well as calculating confidence intervals around the results obtained from one year of the survey, confidence intervals can also be calculated for the changes in results across survey years.

Example 2

Change that is not statistically significant

The estimated change in the percentage of individuals living in relative low income from 2011/12 to 2012/13 is a decrease of 0.3 percentage points (Table 8b). The confidence interval around this figure is -1.2 to 0.6 percentage points. This means that we can be 95 per cent sure that the actual change in the percentage of people living in relative low income is between a decrease of 1.2 percentage points and an increase of 0.6 percentage points, with the best estimate being a decrease of 0.3 percentage points. As the confidence interval includes zero this change is not statistically significant, which indicates that there is a greater than 5 per cent probability that the decrease in the percentage of individuals in relative low income is the result of chance.

Example 3

Change that is statistically significant

The estimated change in the percentage of children living in relative low income from 1998/99 to 2012/13 is a decrease of 8.6 percentage points (Table 4a). The confidence interval around this figure is -10.1 to -6.9 percentage points. This means that we can be 95 per cent sure that the actual change in the percentage of children living in relative low income is between a decrease of 10.1 percentage points and a decrease of 6.9 percentage points, with the best estimate being a decrease of 8.6 percentage points. As the confidence interval does not include zero this change is statistically significant, which indicates that the decrease in the percentage of children in relative low income is unlikely to be the result of chance.

8.5 Summary tables

Table 8a: Confidence intervals for the Gini coefficient, quintile medians and overall population mean in average 2012/13 prices, United Kingdom

	Estimate	95% confidence limits
Income Before Housing Costs		
Quintile 1	227	(223 , 232)
Quintile 2	336	(331 , 340)
Quintile 3	440	(434 , 445)
Quintile 4	578	(571 , 587)
Quintile 5	884	(866 , 903)
Mean	535	(526 , 546)
Gini coefficient (per cent)	33.6	(32.5 , 34.6)
Income After Housing Costs		
Quintile 1	156	(151 , 161)
Quintile 2	267	(263 , 271)
Quintile 3	374	(369 , 380)
Quintile 4	512	(504 , 519)
Quintile 5	803	(789 , 819)
Mean	462	(453 , 472)
Gini coefficient (per cent)	38.2	(37.2 , 39.2)

Table 8b: Confidence intervals for the percentage of individuals in relative/absolute low income, United Kingdom

Percentage of individuals		All individuals		Children		Working-age adults		Pensioners	
		Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits
Before Housing Costs									
Relative low income	percentage below 60% of contemporary median income	15.4	(14.8 , 16.1)	17.4	(16.2 , 18.7)	14.7	(14.0 , 15.4)	15.7	(14.7 , 16.7)
Percentage point change and significance¹	2011/12-2012/13	-0.3	(-1.2 , 0.6)	-0.2	(-2.0 , 1.5)	-0.4	(-1.4 , 0.6)	-0.2	(-1.7 , 1.3)
Absolute low income	percentage below 60% of 2010/11 median income held constant in real terms	16.8	(16.2 , 17.5)	19.5	(18.3 , 20.7)	15.8	(15.0 , 16.5)	17.3	(16.4 , 18.3)
Percentage point change and significance¹	2011/12-2012/13	-0.5	(-1.5 , 0.5)	-0.3	(-2.1 , 1.4)	-0.6	(-1.8 , 0.5)	-0.2	(-1.5 , 1.2)
After Housing Costs									
Relative low income	percentage below 60% of contemporary median income	21.0	(20.4 , 21.7)	27.4	(26.1 , 28.7)	21.3	(20.5 , 22.0)	13.2	(12.2 , 14.3)
Percentage point change and significance¹	2011/12-2012/13	0.1	(-0.8 , 1.1)	0.3	(-1.5 , 2.2)	0.1	(-0.9 , 1.2)	-0.1	(-1.5 , 1.4)
Absolute low income	percentage below 60% of 2010/11 median income held constant in real terms	23.2	(22.5 , 24.0)	30.6	(29.3 , 31.9)	23.2	(22.3 , 24.0)	15.3	(14.3 , 16.2)
Percentage point change and significance¹	2011/12-2012/13	0.8	(-0.3 , 2.0)	1.1	(-0.9 , 3.1)	1.0	(-0.3 , 2.3)	0.0	(-1.3 , 1.3)

Notes:

1.Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk.

Table 8c: Confidence intervals for the number of individuals in relative/absolute low income, United Kingdom

Number of individuals (millions)									
		All individuals		Children		Working-age adults		Pensioners	
		Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits
Before Housing Costs									
Relative low income	number below 60% of contemporary median income	9.71	(9.26 , 10.18)	2.33	(2.15 , 2.52)	5.52	(5.24 , 5.81)	1.86	(1.74 , 1.98)
Numerical change and significance¹	2011/12-2012/13	-0.13	(-0.75 , 0.48)	-0.01	(-0.26 , 0.23)	-0.11	(-0.53 , 0.30)	-0.01	(-0.19 , 0.18)
Absolute low income	number below 60% of 2010/11 median income held constant in real terms	10.59	(10.14 , 11.04)	2.61	(2.44 , 2.78)	5.94	(5.64 , 6.24)	2.05	(1.93 , 2.19)
Numerical change and significance¹	2011/12-2012/13	-0.22	(-0.87 , 0.40)	-0.02	(-0.28 , 0.24)	-0.20	(-0.67 , 0.23)	0.00	(-0.17 , 0.18)
After Housing Costs									
Relative low income	number below 60% of contemporary median income	13.23	(12.78 , 13.73)	3.66	(3.48 , 3.86)	8.01	(7.69 , 8.34)	1.57	(1.44 , 1.69)
Numerical change and significance¹	2011/12-2012/13	0.15	(-0.48 , 0.81)	0.06	(-0.21 , 0.33)	0.08	(-0.35 , 0.53)	0.01	(-0.17 , 0.18)
Absolute low income	number below 60% of 2010/11 median income held constant in real terms	14.62	(14.08 , 15.17)	4.09	(3.88 , 4.30)	8.72	(8.35 , 9.09)	1.81	(1.69 , 1.93)
Numerical change and significance¹	2011/12-2012/13	0.60	(-0.14 , 1.36)	0.17	(-0.13 , 0.47)	0.41	(-0.11 , 0.92)	0.02	(-0.15 , 0.18)

Notes:

1.Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk.

Table 8d: Confidence intervals for the percentage of individuals in families where someone is disabled² in relative/absolute low income, United Kingdom

Percentage of individuals		All individuals		Children		Working-age adults		Pensioners	
		Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits
Before Housing Costs									
Relative low income	percentage below 60% of contemporary median income	19.3	(18.2 , 20.7)	20.9	(18.8 , 23.8)	21.5	(20.1 , 23.3)	15.1	(13.8 , 16.6)
Percentage point change and significance¹	2011/12-2012/13	1.0	(-0.6 , 2.9)	-0.3	(-3.5 , 3.7)	1.2	(-0.8 , 3.7)	1.0	(-0.8 , 3.0)
Absolute low income	percentage below 60% of 2010/11 median income held constant in real terms	21.7	(20.5 , 22.9)	24.6	(22.2 , 26.9)	23.7	(22.2 , 25.3)	17.0	(15.7 , 18.4)
Percentage point change and significance¹	2011/12-2012/13	1.6	(0.0 , 3.2) *	1.3	(-2.4 , 4.6)	1.8	(-0.3 , 4.0)	1.2	(-0.7 , 3.2)
After Housing Costs									
Relative low income	percentage below 60% of contemporary median income	24.7	(23.4 , 26.2)	33.1	(30.5 , 36.0)	29.4	(27.8 , 31.3)	12.9	(11.5 , 14.3)
Percentage point change and significance¹	2011/12-2012/13	1.4	(-0.4 , 3.3)	0.9	(-3.1 , 4.7)	1.6	(-0.8 , 4.0)	0.5	(-1.4 , 2.4)
Absolute low income	percentage below 60% of 2010/11 median income held constant in real terms	27.5	(26.2 , 28.9)	37.3	(34.6 , 40.2)	32.1	(30.4 , 33.9)	14.9	(13.7 , 16.3)
Percentage point change and significance¹	2011/12-2012/13	2.1	(0.3 , 3.9) *	1.7	(-2.3 , 5.6)	2.7	(0.3 , 5.0) *	0.5	(-1.2 , 2.5)

Notes:

1.Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk.

2. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot. Caution should be exercised when making comparisons with previous reports.

Table 8e: Confidence intervals for the number of individuals in families where someone is disabled² in relative/absolute low income, United Kingdom

Number of individuals (millions)		All individuals		Children		Working-age adults		Pensioners	
		Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits
Before Housing Costs									
Relative low income	number below 60% of contemporary median income	3.71	(3.48 , 4.01)	0.78	(0.69 , 0.90)	1.97	(1.83 , 2.14)	0.95	(0.87 , 1.06)
Numerical change and significance¹	2011/12-2012/13	0.22	(-0.10 , 0.61)	0.06	(-0.07 , 0.21)	0.14	(-0.07 , 0.36)	0.03	(-0.10 , 0.17)
Absolute low income	number below 60% of 2010/11 median income held constant in real terms	4.16	(3.92 , 4.42)	0.92	(0.82 , 1.02)	2.17	(2.03 , 2.33)	1.07	(0.98 , 1.18)
Numerical change and significance¹	2011/12-2012/13	0.35	(0.02 , 0.70) *	0.12	(-0.02 , 0.27)	0.19	(-0.02 , 0.41)	0.04	(-0.09 , 0.16)
After Housing Costs									
Relative low income	number below 60% of contemporary median income	4.75	(4.47 , 5.07)	1.24	(1.12 , 1.37)	2.69	(2.54 , 2.89)	0.82	(0.72 , 0.91)
Numerical change and significance¹	2011/12-2012/13	0.32	(-0.06 , 0.71)	0.14	(-0.02 , 0.30)	0.18	(-0.04 , 0.44)	0.00	(-0.13 , 0.13)
Absolute low income	number below 60% of 2010/11 median income held constant in real terms	5.28	(4.99 , 5.59)	1.40	(1.26 , 1.54)	2.94	(2.76 , 3.13)	0.94	(0.85 , 1.04)
Numerical change and significance¹	2011/12-2012/13	0.46	(0.08 , 0.88) *	0.18	(0.00 , 0.36) *	0.29	(0.04 , 0.55) *	0.00	(-0.13 , 0.13)

Notes:

1. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk.

2. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot. Caution should be exercised when making comparisons with previous reports.

A1. Benefit and tax reform in 2012/13

Up-rating

- In April 2012 many benefits, including the Basic State Pension, Income Support, most elements of Housing Benefit and Council Tax Benefit, and some tax credits were up-rated by CPI inflation at 5.2 per cent. Child Benefit, along with several components of tax credits, were frozen in cash terms.

Council Tax

- In 2012-13, 85 per cent of all authorities benefited from the Council Tax freeze grant. This was the offer from central government of a grant to those authorities that set their average Band D council tax either at or below the level for 2011-12. Local authorities were also now required to hold a referendum if they proposed an increase in its "relevant basic amount of council tax" which exceeds the principles endorsed each year by the House of Commons.

Housing Benefit (HB)

- From April 2012 Local Housing Allowance (LHA) rates were frozen. This was in preparation for LHAs being fixed in April 2013 by adjusting them to rise with CPI or with the bottom 30 per cent of private sector rents, whichever is the lowest. Prior to this change, LHA rates were subject to monthly reviews by Rent Officers based on movements in private sector rent levels.

Income Support (IS)

- From May 2012 to qualify for IS as a lone parent, the youngest child must be under five years old, instead of under 7 years as previously. Parents of children aged five or over will need to move from income support to JSA if they are able to work.

Employment and Support Allowance (ESA)

- From May 2012 contributory ESA was limited to 365 days if the claimant is in the Work Related Activity Group or assessment phase. The 365 day time-limit does not include any time spent in the Support Group or the time spent in the assessment phase if they moved from the assessment phase into the Support Group at the start of their claim. ESA in youth was abolished; which means that young people can no longer qualify for contribution-based ESA without paying National Insurance contributions. The 104-week work or training linking rule was abolished; this means that someone who takes up work or training within 1 month of leaving ESA, and then returns to ESA within 104 weeks, will no longer automatically receive their original amount of ESA. The changes also mean that individuals who were previously unable to reclaim contribution based ESA,

as a result of working and paying National Insurance Contributions, may now be eligible to re-claim for contribution based ESA.

Child Benefit

- From January 2013 individuals earning above £60,000 per year will lose entitlement to child benefit, as will their partner if they are entitled to child benefit. Individuals earning between £50,000 and £60,000 per year will lose a proportion of the child benefit they receive, as will their partner if they are entitled to child benefit. For couples who are both earning over £50,000 per year, only the highest earner will lose part of their entitlement to child benefit.

Tax Credits

- From April 2012, the additional amount paid to claimants aged 50 and over who are returning to the job market after a period on certain benefits - the "50-plus element" of Working Tax Credits (WTC) – was abolished, including for those who are already receiving it.
- Couples with children now have to work 24 hours a week between them (previously 16 hours a week) in order to qualify for WTC. One member of the couple will have to work at least 16 hours a week. This change reduces the disparity between couples and lone parents by ensuring that at least one member of a couple is required to work the same minimum number of hours per week as a lone parent must.
- Couples with children will be able to continue working 16 hours a week between them and still qualify for WTC if:
 - the partner who is working at least 16 hours per week is eligible for the disabled worker element of WTC, or is aged 60 or over; or
 - one partner works at least 16 hours a week and the other partner is "incapacitated", an in-patient in hospital, or in prison.
- The income threshold at which CTC begins to be withdrawn (the "first income threshold") remained at the same level as the previous year. The family element of CTC was withdrawn at the same rate as other child tax credits (the "first income threshold"); whereas in previous years the family element of CTC only began to be withdrawn at a higher income threshold (the "second income threshold").

Personal Allowance

- In 2012/13 the income tax personal allowance increased by £630 for those aged under 65, with an increase of £560 for those aged 65-74 and an increase of £570 for those aged 75 or older. The threshold for the 40 per cent higher rate of income tax fell by £630.

National Insurance Contributions

- The primary threshold for national insurance contributions increased by £7 per week (roughly 5 per cent) between 2011/12 and 2012/13; with an £8 (roughly 6 per cent) increase for the secondary threshold.

A2. Other relevant statistics

The HBAI report and statistics are released alongside a number of other statistics focused on income and low-income statistics:

Poverty and income inequality in Scotland

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/incomepoverty>

An analysis of the income distribution in Northern Ireland

http://www.dsdni.gov.uk/index/stats_and_research/stats-publications/stats-familyresource/households.htm

EU comparisons

A description of how levels of low income in the UK compare with other EU countries is available at:

http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-05122013-AP/EN/3-05122013-AP-EN.PDF

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/main_tables

Details of the differences between the EU and HBAI methodology are given in the [**HBAI Quality and Methodology Information Report**](#).

OECD international comparisons

The OECD income distribution database provides international comparisons on trends and levels in Gini coefficients before and after taxes and transfers, average household disposable incomes, relative poverty rates and poverty gaps, before and after taxes and transfers.

<http://www.oecd.org/social/inequality.htm>

The effects of taxes and benefits on household income.

The article provides estimates of income, taxes and benefits (in cash and in kind) in decile groups ranked by equivalised disposable income.

<http://ons.gov.uk/ons/taxonomy/index.html?nscl=Effects+of+Taxes+and+Bene+fits+on+Households>

Pensioners' Incomes series. This gives more a more detailed analysis of pensioners' incomes.

<https://www.gov.uk/government/collections/pensioners-incomes-series-statistics--3>

Family Resources Survey

<https://www.gov.uk/government/collections/family-resources-survey--2>

Low-Income Dynamics

<https://www.gov.uk/government/publications/low-income-dynamics-1991-to-1998>

Personal Incomes statistics

<https://www.gov.uk/government/collections/personal-incomes-statistics>

Wealth in Great Britain

The Wealth & Assets Survey (WAS) is a key source of information on how households in Great Britain are managing economically. The survey focuses on household assets and debts, borrowing and saving, and plans for retirement. This publication presents headline results from WAS incorporating results from the survey's third wave (2010/12).

<http://www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-3/2010-2012/index.html>

Measuring National Well-being

Drawing social and economic data (including household income and expenditure) from government and other organisations; painting a picture of UK society and how it changes.

<http://www.ons.gov.uk/ons/rel/wellbeing/measuring-national-well-being/index.html>

Estimates of income and low-income levels for small areas

HBAI data cannot be broken down below the level of region, due to sample size and coverage issues. However there are some data sources that present information at smaller geographies:

Children in Low-Income Families Local Measure

Administrative data sources on benefits and tax credits from the Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC) are used in the calculation of the Children in Low-Income Families Local Measure. These statistics are published on an annual basis by HMRC and are available at regional, county, local authority, ward, parliamentary constituency, or Lower Layer Super Output Area (LSOA) level.

Previously known as the Revised Local Child Poverty Measure or National Indicator 116, this publication has been renamed Children in Low-Income Families Local Measure to help distinguish these statistics from the Households Below Average Income (HBAI) publication, which provides the definitive national measure of relative child poverty as set out in the Child Poverty Act 2010.

The Children in Low-Income Families Local Measure is based on administrative tax credits and benefit data sources and includes children who are living in families either in receipt of out-of-work benefits or in receipt of tax credits with reported income less than 60 per cent of median income.

The Children in Low-Income Families Local Measure provides local-level analysis which can help explore the considerable variation in low-income rates that exists between and within regions and local authorities.

In anticipation of the rollout of Universal Credit, which will replace tax credits for families with children, government statisticians will shortly be engaging with local areas and users to review the Children in Low-Income Families Local Measure.

Data are available here:

<https://www.gov.uk/government/publications/personal-tax-credits-children-in-low-income-families-local-measure>

The local child poverty proxy measure

The local child poverty proxy measure estimates the proportion of children living in families in receipt of out-of-work benefits. The out-of-work benefits are Income Support, Jobseekers Allowance, Incapacity Benefit/Severe Disablement Allowance, Pension Credit and Employment Support Allowance. The proportion of children in poverty is calculated using the out-of-work benefits data and ONS mid-year population estimates. Data are published to Local Authority level. Data are available from 2010 and can be accessed via the following link:

<https://www.gov.uk/government/collections/children-in-out-of-work-benefit-households--2>

Neighbourhood Statistics model-based poverty levels for England and Wales

The Neighbourhood Statistics website has model-based estimates of average income and proportions of households in low income at Middle Layer Super Output Area (MSOA) level for 2007/08. This is available at:

<http://neighbourhood.statistics.gov.uk/dissemination/Download1.do?&nsjs=true&nsck=false&nssvg=false&nswid=1900>

English Indices of Deprivation

The English Indices of Deprivation, produced by the Department for Communities and Local Government is a measure of relative levels of deprivation in small areas of England called Lower Layer Super Output Areas and is available at:

<https://www.gov.uk/government/collections/english-indices-of-deprivation>

The Department for Communities and Local Government is updating the indices of deprivation. Before producing updated indices, they intend to review existing deprivation indicators and statistical methods, and consider potential new data sources. The review will focus on refining, rather than making major changes to, the existing indices. It is anticipated that new updated indices will be published in summer 2015.

Welsh Index of Multiple Deprivation

This is the official 2011 measure of deprivation in small areas in Wales. It is a relative measure of concentrations of deprivation at the small area level.

<http://wales.gov.uk/statistics-and-research/welsh-index-multiple-deprivation/?lang=en>

Scottish Index of Multiple Deprivation

The Scottish Index of Multiple Deprivation (SIMD) is the Scottish Government's official tool for identifying those places in Scotland suffering from deprivation.

<http://simd.scotland.gov.uk/publication-2012/>

Northern Ireland Multiple Deprivation Measure

The Northern Ireland Multiple Deprivation Measure (NIMDM) is the official measure of spatial deprivation in Northern Ireland.

http://www.nisra.gov.uk/deprivation/nimdm_2010.htm

A3. Uses and users of HBAI statistics

HBAI is a key source for data and information about household income. Users include: policy and analytical teams within the DWP, the Devolved Administrations and other government departments, local authorities, parliament, academics, journalists, and the voluntary sector.

Researchers and analysts outside government use the statistics and data³⁸ to examine topics such as income inequality, poverty, the distributional impacts of fiscal policies and understanding the income profile of vulnerable groups. Examples of published reports using HBAI data include:

- “[Living standards, poverty and inequality in the UK](#)”: Cribb, Joyce and Phillips, Institute for Fiscal Studies, 2013;
- “[The State of Living Standards](#)”: Plunkett, Hurrell and Whittaker, Resolution Foundation, 2014;
- “[Monitoring poverty and social exclusion 2013](#)”: MacInnes, Aldridge, Bushe, Kenway and Tinson, Joseph Rowntree Foundation and New Policy Institute, 2013;
- “[The Case for Taking a Life-Cycle Perspective: Inequality, Redistribution, and Tax and Benefit Reforms](#)”: Roantree and Shaw, Institute for Fiscal Studies, 2013;

Within government the statistics and data are used:

- to inform policy development and monitoring, and for international comparisons;
- to inform the [Child Poverty Strategy](#); and the four income-related targets set in the [Child Poverty Act 2010](#)³⁹;
- to inform the [Social Justice Strategy](#) and the [Social Mobility Strategy](#);
- to measure progress towards the vision of the [Fulfilling Potential](#) strategy and provide measures relating to the [UN Convention on the Rights of Persons with Disabilities](#);
- to inform the DWP indicator to measure progress on the Government’s aim of [providing decent State Pensions, encouraging employers to provide high quality pensions and making automatic enrolment and higher pension saving a reality](#);

³⁸ The UK Data Service web-site provides information on access to HBAI data <http://discover.ukdataservice.ac.uk/catalogue/?sn=5828&type=Data%20catalogue>

³⁹ The HBAI report presents data for the four income-related targets set in the Child Poverty Act 2010. The Child Poverty Act sets out targets for relative low income, combined low income and material deprivation, absolute low income and persistent poverty (this target is subject to consultation). The other indicators covered in the HBAI report are: severe poverty, in-work poverty and poverty by family structure.

- to inform the DWP indicator to measure progress on the Government's aim of [helping disabled people to fulfil their potential](#);
- in the DWP's Policy Simulation Model (PSM)⁴⁰ and HM Treasury's Inter-Governmental Tax Benefit Model (IGOTM)⁴¹; and
- to provide further equality information in compliance with the specific duties under the Equality Act 2010.

The Scottish Government uses the HBAI data:

- to support users to understand the issues and inequalities of concern in Scotland;
- to help to inform policy action, and to measure and evaluate the impact of changes or interventions;
- as evidence for the Scottish Government's National Performance Framework, specifically for the [Scottish Government's Solidarity Purpose Target](#);
- to inform two of the [Scottish Government's Scotland Performs National Indicators](#);
- to monitor progress of the [Scottish Government Child Poverty Strategy](#). The Scottish Government Child Poverty Strategy focuses on policy matters that are devolved to the Scottish Parliament and Scottish Ministers, the most recent annual report on progress can be found at [Annual Report for the Child Poverty Strategy for Scotland 2013](#); and
- to inform the [Scottish Government's Equality Evidence Strategy](#);

The Welsh Government uses the HBAI data:

- to support users to understand issues relating to poverty in Wales, and to help inform policy in this area;
- to measure progress on the [Welsh Government's Programme for Government Poverty indicators](#);
- to monitor progress of the [Welsh Government's Tackling Poverty Action Plan 2012-2016](#).

The Department of Social Development in Northern Ireland uses the HBAI data:

- to monitor progress of the [Northern Ireland Child Poverty Strategy](#); and
- to measure progress on the [Northern Ireland Executive Programme for Government 2011-2015 targets](#).

⁴⁰ PSM is used extensively by analysts in DWP and the Department for Social Development, Northern Ireland, for policy evaluation and costing of policy options.

⁴¹ IGOTM is used to model possible tax and benefit changes before policy changes are decided and announced.

A4. Alternative inflation measures

Consumer price inflation is the speed at which the prices of goods and services bought by households rise or fall, and is estimated by using price indices. One way to understand a price index is to think of a very large shopping basket containing all the goods and services bought by households. The price index estimates changes to the total cost of this basket⁴².

There are a range of indices which seek to measure inflation, but there are differences in their coverage, calculation and population base. HBAI has historically used variants of the Retail Prices Index (RPI) to adjust for inflation, primarily to present income in the latest year's prices, and to adjust the absolute low income threshold to the year in question.

This Annex presents analysis on the changes in income and absolute low income Before Housing Costs (BHC) over time under four different inflation measures – RPI, RPIJ, the Consumer Price Index (CPI) and CPIH. The differences between these indices are detailed in Box A4a.

The analysis shows that historically there are differences in average (median) household income in 2012/13 prices under the four inflation measures, with average past household incomes higher under RPI. In the past, average household income is higher under RPI inflation because RPI tends to give a higher rate of inflation. This means that an income level for a past year is inflated by a higher amount and therefore the growth between that year and 2012/13 is lower.

As a result, historically (i.e. before the base year of 2010/11), the number and percentage of individuals in absolute low income is lower under RPI inflation than the other inflation measures – this is because average income is higher under RPI and therefore fewer people are counted as being in absolute low income. In 2012/13, the number and percentage of individuals in absolute low income using variants of RPI was slightly higher than under the other inflation measures examined.

The changes in the percentage and number of individuals in the different groups in absolute low income between 2011/12 and 2012/13, under each of the four different inflation measures were not statistically significant, apart from for the disability estimates. In this case, the increase in absolute low income, for individuals living in families with at least one disabled member was statistically significant under RPI, but not under RPIJ, CPI or CPIH.

Looking at the individuals living in families with no disabled members, there was a statistically significant decrease in the percentage and number in absolute low income, under all four inflation measures.

⁴² http://www.ons.gov.uk/ons/dcp171778_364359.pdf

The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures in 2012/13 and previous years should be made with caution.

Background

The HBAI uses variants of RPI to adjust for inflation. In January 2013, the National Statistician announced that the formula used to produce the RPI did not meet international standards and recommended that a new index be published (RPIJ) using formulae that meet international standards. In accordance with the Statistics and Registration Service Act 2007, RPI and its derivatives have been assessed against the Code of Practice for Official Statistics and found not to meet the required standard for designation as National Statistics. A full report can be found on the [UK Statistics Authority website](#).

Over the last 10 years (May 2004 to May 2014), the RPIJ 12-month rate has been, on average, 0.5 percentage points lower than the RPI but the difference has increased to an average of 0.7 percentage points over the last 3 years. Cumulatively, inflation as measured by the RPI is 37.2 per cent over the 10 year period, compared with 30.5 per cent as measured by the RPIJ. The use of the Carli formula (see Box A4a) has therefore added 6.7 percentage points to the change in prices over the last 10 years⁴³.

Following consultation with users of the HBAI data, variants of the RPI have continued to be used as the inflation measure in this publication. The use of RPI for another year was recommended because there are currently no suitable alternatives with appropriate before and after housing cost indices available. Furthermore, it was thought appropriate to keep monitoring the progress of the [Paul Johnson inflation review](#), which is looking at the range of price indices - considering what changes are needed to the range of consumer price statistics produced for the UK to best meet current and future user needs.

A [statistical notice](#) was published on the HBAI web-page detailing this decision. Headline figures for income and absolute low income trends, Before Housing Costs (BHC) are presented in this Annex using RPIJ, CPI and CPIH. AHC figures are not shown as not all indices have an appropriate AHC variant available for use. Relative low income figures under different inflation measures are also not presented in this Annex as the use of different inflation measures as an in-year deflator (to adjust household incomes from the date of interview to an average of survey-year prices) are likely to have only a minimal effect on the figures.

Coverage and population base of different indices

Differences in inflation measures arise due to coverage, the population base of the indices and the way in which individual price quotes are combined at the first stage of aggregation (Box A4b). The main difference in construction between the four inflation indices is their inclusion of 'housing costs'. All four indices include bills associated with housing, i.e. gas and electricity, and the

⁴³ http://www.ons.gov.uk/ons/dcp171778_364359.pdf

price of renting a property. However, their treatment of owner occupier costs and mortgage interest payments are different.

RPIJ is an improved version of RPI, with the same population base, coverage and weights as the RPI – the only difference is the use of the Jevons formula (see Box A4a) instead of the Carli used in the RPI. RPIJ was constructed with the same base period as RPI, in order to allow comparisons between the two inflation measures. RPIJ is only available at the aggregate level and therefore has no variant excluding housing costs currently available.

CPIH has the same population base, coverage and weights as the CPI; however, it includes Owner Occupiers' Housing costs (OOH). OOH costs are the costs associated with owning, maintaining and living in one's own home. It does not include costs such as utility bills, minor repairs and maintenance which are already included in the index. CPIH uses a rental equivalence approach to measure OOH costs. This uses the rent paid for an equivalent house in the private sector as a proxy for the costs faced by an owner occupier, so does not reflect changes to mortgage interest rates,

Households with different levels of income have different spending patterns and these spending patterns affect each household's experience of inflation. For example, households with the lowest level of income spend a greater proportion on food whereas households with higher income spend more on petrol⁴⁴.

Box A4a: Difference in RPI and RPIJ Formulae

Carli Formula

The Carli is an arithmetic mean of price changes. It is used at the first stage of calculation where no weighting data are available.

Jevons Formula

The Jevons is a geometric mean of price changes. It is used at the first stage of calculation where no weighting data are available.

⁴⁴ <http://www.statistics.gov.uk/hub/external-links/government-departments/office-for-national-statistics/measuring-uk-inflation.html>

Box A4b: Summary of the Indices

	RPI	RPIJ	CPI	CPIH
<i>Population Base</i>	The RPI covers the majority of private UK households, but excludes the highest earners and pensioner households dependent mainly on state benefits. Excludes foreign visitors to the UK, but includes UK residents' spending abroad.	Same as the RPI.	The CPI is representative of all private UK households and includes the expenditure of institutional households and foreign visitors to the UK, but does not include UK residents' spending abroad.	Same as CPI.
<i>Coverage</i>	The RPI covers a range of costs, including: <ul style="list-style-type: none"> • Mortgage interest payments • Council tax • House depreciation • Buildings insurance • House purchase costs • TV licence • Road fund licence • Trades union subscriptions 	Same as the RPI.	Certain charges and fees excluded from RPI are covered by CPI, including: <ul style="list-style-type: none"> • Stockbroker fees; • University accommodation fees; • Foreign student tuition fees; • Unit trust fees. CPI coverage excludes owner occupier housing (OOH) costs that are included in the RPI.	Same as CPI with the inclusion of OOH.
<i>Housing Costs</i>	Includes both Owner Occupiers' Housing costs and mortgage interest payments.	Includes both Owner Occupiers' Housing costs and mortgage interest payments.	Does not include either OOH or mortgage interest payments.	Only includes OOH as if the house was being rented. Changes in housing costs for owners reflect changes in the rental market not the mortgage market.
<i>Weights</i>	Expenditure data used to represent this population are derived from a number of sources but mainly from ONS's Living Costs and Food Survey.	Same as the RPI.	Expenditure data used to represent this population are derived from National Accounts data.	Same as the CPI.
<i>Index Construction Formulae – at elementary aggregate level</i>	The RPI is constructed using an arithmetic mean (AM) and uses the Carli formulae.	Improved version of RPI that uses Jevons formulae.	The CPI uses a geometric mean (GM).	CPIH uses a geometric mean (GM).

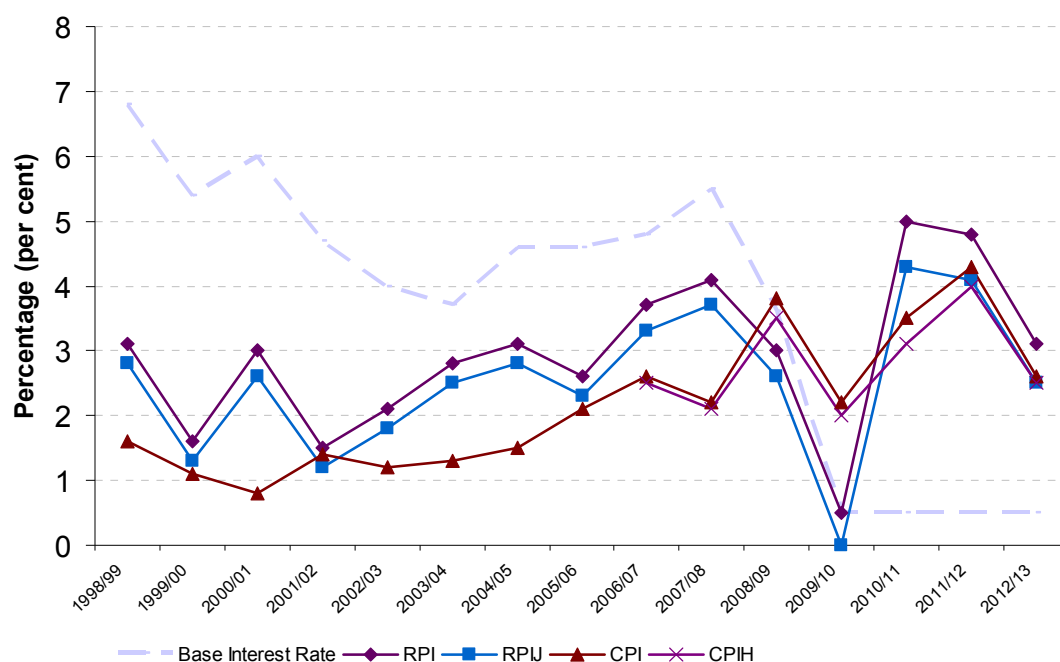
What the figures show

Changes in inflation (Chart A4.1)

Until 2006/07, RPI and RPIJ followed similar trends in growth; however CPI followed a slightly different trend. Following the financial crisis, base interest rates fell to 0.5 per cent causing growth to slow for RPI and RPIJ compared to CPI and CPIH. This reflects the fact that these inflation measures include mortgage interest payments, whilst CPI and CPIH do not.

Between 2010/11 and 2012/13, growth declined to around 2.5-3 per cent growth in all four indices.

Chart A4.1: RPI, RPIJ, CPI and CPIH inflation rate, and Bank of England base rate, 1998/99 to 2012/13

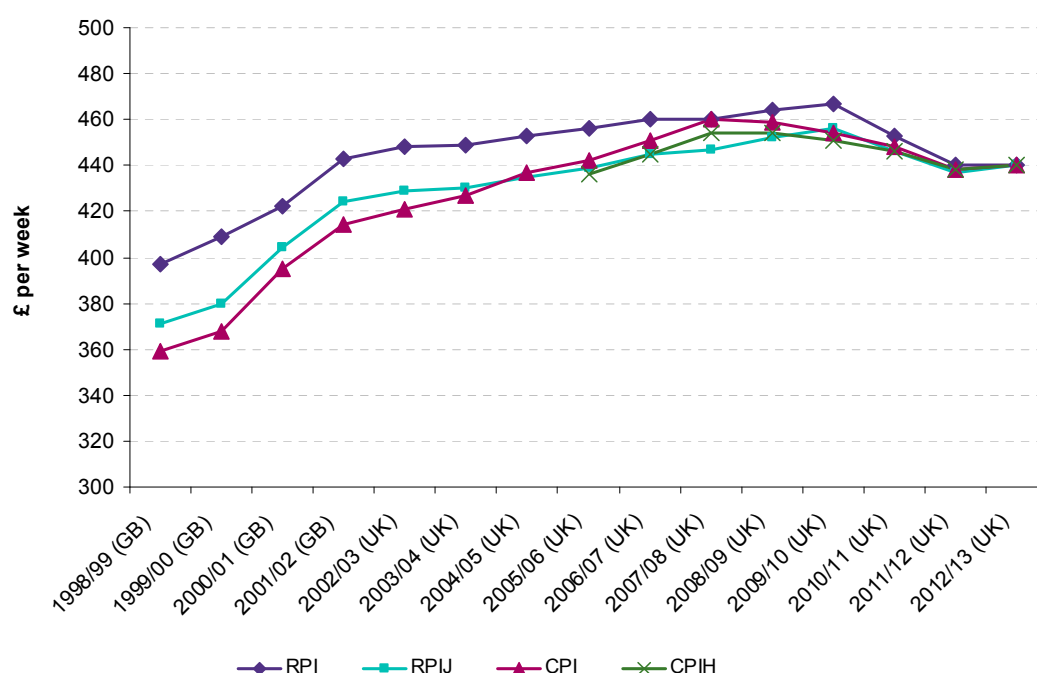


Income Trends

As expected, differences between household income BHC in 2012/13 prices reduce over time, with the largest differences seen in the earliest year (Table 2a).

Average (median) household income for past years 2012/13 prices based on RPI is higher than average household income under the three other inflation measures in most years. This is because inflation as measured by RPI is higher than the other measures and so historical incomes are inflated more to produce incomes in 2012/13 prices. Household income based on CPI and CPIH show a different trend between 2007/08 and 2009/10 because mortgage interest rates, which are included in RPI and RPIJ but not CPI or CPIH, fell sharply.

Chart A4.2: Average (median) household income in average 2012/13 prices, deflated by different inflation measures, BHC, 1998/99 to 2012/13, GB/UK



The average household income values deflated by RPI, RPIJ, CPI and CPIH all stayed flat or increased minimally in value between 2011/12 and 2012/13 – none of the changes under each inflation measure were statistically significant. The average income deflated by RPI peaked in 2009/10, similar to RPIJ. For CPI and CPIH the average income peaked in 2007/08 and 2008/09.

Trends in absolute low income

For years before the base year, 2010/11, the number and percentage of individuals in absolute low income BHC is lower under RPI inflation than the other inflation measures, and highest under CPI inflation. This is because average income is higher under RPI and therefore fewer people are counted as being in absolute low income.

In 2012/13, the number and percentage of individuals in absolute low income under RPI inflation is slightly higher than under the other inflation measures. This is because RPI inflation is higher than other inflation measures and therefore the absolute low income threshold (60 per cent of 2010/11 median in 2012/13 prices) is higher under RPI inflation and so more people are identified as being in absolute low income.

The changes in the percentage and number of individuals in the different groups in absolute low income, between 2011/12 and 2012/13 under each of the four different inflation measures were not statistically significant, apart from for the disability estimates. In this case, the increase in absolute low income, for individuals living in families with at least one disabled member was statistically significant under RPI, but not under RPIJ, CPI or CPIH. Looking at the individuals living in families with no disabled members, there

was a statistically significant decrease in the percentage and number in absolute low income, under all four inflation measures.

The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures in 2012/13 and previous years should be made with caution.

Chart A4.3: The percentage of individuals in absolute low income, BHC, 1998/99 to 2012/13, GB/UK

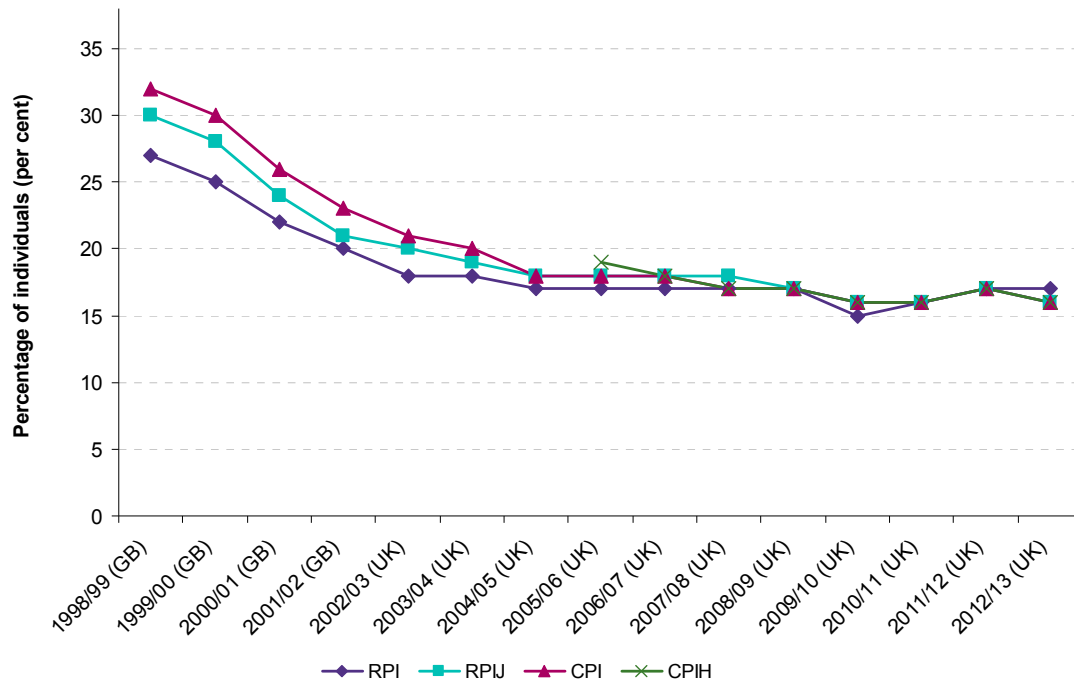
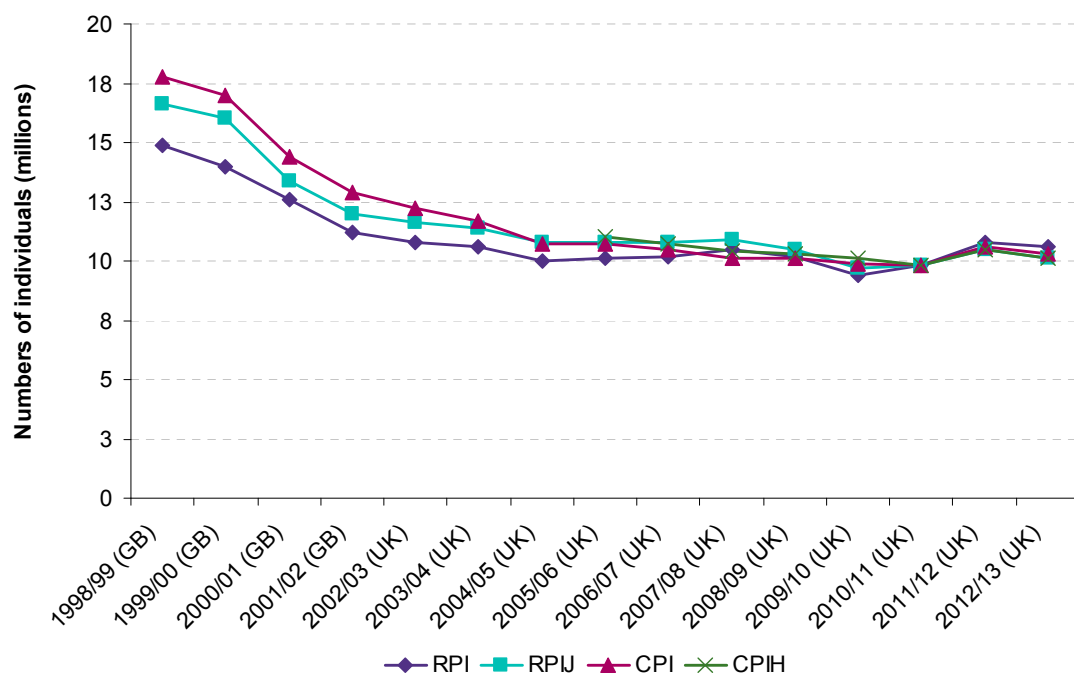


Chart A4.4: The number of individuals in absolute low income, BHC, 1998/99 to 2012/13, GB/UK



A4 Summary Tables

Table A4.2a: Money values of quintile medians and overall population mean in average 2012/13 prices, RPI inflation, United Kingdom¹

						RPI
£pw equivalised 2012/13 prices						Source: FRS
	Quintile group medians					
	Quintile 1	Quintile 2	Quintile 3 (median)	Quintile 4	Quintile 5	Population mean
Income Before Housing Costs						
1997/98	192	283	391	527	797	473
1998/99	195	288	397	542	826	490
1999/00	202	297	409	554	839	500
2000/01	209	309	422	570	870	522
2001/02	221	327	443	590	911	545
2002/03	224	331	448	592	903	545
2003/04	225	334	449	596	898	544
2004/05	230	339	453	601	912	551
2005/06	229	340	456	608	923	559
2006/07	226	341	460	610	934	565
2007/08	225	342	460	613	943	571
2008/09	230	347	464	621	959	577
2009/10	237	351	467	622	962	585
2010/11	235	345	453	597	912	553
2011/12	230	335	440	585	890	544
2012/13	227	336	440	578	884	535
Percentage change						
and significance	2011/12-2012/13 ²	-1	0	0	-1	-2

Notes:

1. Figures are for the United Kingdom from 2002/03 onwards. Earlier years are for Great Britain only.

2. Estimates that are statistically significant from the previous year are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

Table A4.2b: Money values of quintile medians and overall population mean in average 2012/13 prices, RPIJ inflation, United Kingdom¹

						RPIJ
£pw equivalised 2012/13 prices						Source: FRS
	Quintile group medians					
	Quintile 1	Quintile 2	Quintile 3 (median)	Quintile 4	Quintile 5	Population mean
Income Before Housing Costs						
1997/98	177	261	361	487	735	437
1998/99	182	269	371	506	772	457
1999/00	187	275	380	513	777	463
2000/01	200	296	404	545	832	500
2001/02	212	314	424	565	873	522
2002/03	215	318	429	568	866	523
2003/04	216	321	430	571	861	521
2004/05	221	325	435	577	876	530
2005/06	221	328	439	586	889	538
2006/07	218	329	445	590	903	546
2007/08	218	332	447	595	916	554
2008/09	224	338	452	605	935	562
2009/10	231	343	456	608	941	572
2010/11	231	340	446	588	898	544
2011/12	228	332	437	581	883	540
2012/13	227	336	440	578	884	535
Percentage change and significance						
2011/12-2012/13 ²	-1	1	1	-1	0	-1

Notes:

1. Figures are for the United Kingdom from 2002/03 onwards. Earlier years are for Great Britain only.

2. Estimates that are statistically significant from the previous year are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

Table A4.2c: Money values of quintile medians and overall population mean in average 2012/13 prices, CPI inflation, United Kingdom¹

						CPI
£pw equivalised 2012/13 prices						Source: FRS
	Quintile group medians					
	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Population
			(median)			mean
Income Before Housing Costs						
1997/98	168	248	343	463	699	415
1998/99	176	261	359	490	747	443
1999/00	182	267	368	499	755	450
2000/01	195	289	395	533	813	488
2001/02	207	306	414	551	851	509
2002/03	211	312	421	557	850	513
2003/04	214	318	427	567	854	517
2004/05	222	327	437	580	880	533
2005/06	223	330	442	590	895	542
2006/07	222	335	451	598	918	554
2007/08	225	342	460	612	944	571
2008/09	228	344	459	614	948	571
2009/10	231	342	454	606	938	570
2010/11	232	341	448	590	901	546
2011/12	228	333	438	582	885	541
2012/13	227	335	440	578	883	535
Percentage change						
and significance	2011/12-2012/13 ²	-1	1	0	-1	0
		-1				-1

Notes:

1. Figures are for the United Kingdom from 2002/03 onwards. Earlier years are for Great Britain only.

2. Estimates that are statistically significant from the previous year are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

Table A4.2d: Money values of quintile medians and overall population mean in average 2012/13 prices, CPIH inflation, United Kingdom¹

£pw equivalised 2012/13 prices						CPIH Source: FRS
	Quintile 1	Quintile group medians				Population mean
		Quintile 2	Quintile 3	Quintile 4	Quintile 5	
			(median)			
Income Before Housing Costs						
2005/06	219	325	436	581	882	534
2006/07	219	330	445	590	905	547
2007/08	222	337	454	605	932	563
2008/09	226	340	454	607	938	565
2009/10	229	339	451	601	930	565
2010/11	231	339	446	588	897	544
2011/12	228	332	438	581	884	540
2012/13	227	336	440	578	884	535
Percentage change and significance						
2011/12-2012/13 ²	-1	1	1	-1	0	-1

Notes:

1. Figures are for the United Kingdom from 2002/03 onwards. Earlier years are for Great Britain only.

2. Estimates that are statistically significant from the previous year are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

Table A4.3: Percentage and number of individuals falling below 60% of 2010/11 median held constant in real terms, Before Housing Costs, United Kingdom^{1, 2}

Percentage and Number of individuals										Source: FRS
		Percentage				Number (millions)				
		RPI	RPIJ	CPI	CPIH	RPI	RPIJ	CPI	CPIH	All individuals (millions)
FRS (GB)	1997/98	28	31	35	..	15.5	17.5	19.2	..	55.7
	1998/99	27	30	32	..	14.9	16.6	17.8	..	55.9
	1999/00	25	28	30	..	14.0	16.0	17.0	..	56.1
	2000/01	22	24	26	..	12.6	13.4	14.4	..	56.2
	2001/02	20	21	23	..	11.2	12.0	12.9	..	56.4
FRS (UK)	2002/03	18	20	21	..	10.8	11.6	12.2	..	58.3
	2003/04	18	19	20	..	10.6	11.4	11.7	..	58.6
	2004/05	17	18	18	..	10.0	10.8	10.7	..	58.9
	2005/06	17	18	18	19	10.1	10.8	10.7	11.0	59.3
	2006/07	17	18	18	18	10.2	10.8	10.5	10.7	59.7
	2007/08	17	18	17	17	10.5	10.9	10.1	10.4	60.2
	2008/09	17	17	17	17	10.2	10.5	10.1	10.3	60.7
	2009/10	15	16	16	16	9.4	9.7	9.9	10.1	61.2
	2010/11	16	16	16	16	9.8	9.8	9.8	9.8	61.6
	2011/12	17	17	17	17	10.8	10.5	10.6	10.5	62.5
	2012/13	17	16	16	16	10.6	10.1	10.3	10.1	62.9
	Percentage point/numerical change and significance	2011/12-2012/13 ^{3,4}	0	-1	-1	-1	-0.2	-0.4	-0.3	-0.4	0.4

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.
3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table A4.4: Percentage and number of children falling below 60% of 2010/11 median held constant in real terms, Before Housing Costs, United Kingdom^{1, 2}

Percentage and Number of children		Source: FRS								
		Percentage				Number (millions)				
		RPI	RPIJ	CPI	CPIH	RPI	RPIJ	CPI	CPIH	All children (millions)
FRS (GB)	1997/98	36	40	44	..	4.6	5.1	5.6	..	12.7
	1998/99	35	38	41	..	4.4	4.9	5.2	..	12.7
	1999/00	33	37	39	..	4.1	4.7	4.9	..	12.7
	2000/01	28	30	32	..	3.6	3.8	4.1	..	12.7
	2001/02	25	27	29	..	3.2	3.4	3.7	..	12.6
FRS (UK)	2002/03	23	25	26	..	3.0	3.3	3.4	..	12.9
	2003/04	22	24	25	..	2.9	3.1	3.2	..	12.9
	2004/05	21	23	23	..	2.8	3.0	3.0	..	12.9
	2005/06	21	23	23	24	2.7	3.0	2.9	3.1	12.9
	2006/07	21	23	22	22	2.7	2.9	2.8	2.9	13.0
	2007/08	22	23	21	21	2.8	2.9	2.7	2.8	13.0
	2008/09	20	21	20	21	2.7	2.7	2.6	2.7	13.0
	2009/10	18	19	19	19	2.4	2.4	2.5	2.5	13.2
	2010/11	18	18	18	18	2.3	2.3	2.3	2.3	13.2
	2011/12	20	19	19	19	2.6	2.6	2.6	2.5	13.3
	2012/13	19	18	19	18	2.6	2.5	2.5	2.5	13.4
Percentage point/numerical change and significance	2011/12-2012/13 ^{3,4}	0	-1	-1	-1	0.0	-0.1	-0.1	-0.1	0.1

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties.

Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table A4.5: Percentage and number of working-age adults falling below 60% of 2010/11 median held constant in real terms, Before Housing Costs, United Kingdom^{1, 2}

Percentage and Number of working-age adults										Source: FRS
		Percentage				Number (millions)				All working-age adults (millions)
		RPI	RPIJ	CPI	CPIH	RPI	RPIJ	CPI	CPIH	
FRS (GB)	1997/98	21	24	26	..	6.9	7.9	8.7	..	33.1
	1998/99	20	22	24	..	6.6	7.4	7.9	..	33.2
	1999/00	19	22	23	..	6.4	7.2	7.7	..	33.3
	2000/01	17	19	20	..	5.8	6.2	6.6	..	33.5
	2001/02	16	16	18	..	5.2	5.5	5.9	..	33.7
FRS (UK)	2002/03	15	16	17	..	5.2	5.5	5.8	..	34.9
	2003/04	15	16	16	..	5.2	5.6	5.7	..	35.1
	2004/05	14	15	15	..	5.0	5.4	5.4	..	35.3
	2005/06	15	16	15	16	5.2	5.6	5.5	5.7	35.6
	2006/07	14	15	15	15	5.1	5.4	5.2	5.3	35.9
	2007/08	15	15	14	15	5.3	5.6	5.2	5.3	36.1
	2008/09	15	15	15	15	5.5	5.6	5.4	5.5	36.4
	2009/10	14	15	15	15	5.2	5.4	5.5	5.6	36.4
	2010/11	15	15	15	15	5.5	5.5	5.5	5.5	36.7
	2011/12	16	16	16	16	6.1	6.0	6.0	6.0	37.5
	2012/13	16	15	15	15	5.9	5.7	5.8	5.7	37.7
	Percentage point/numerical change and significance									
	2011/12-2012/13 ^{3,4}	-1	-1	-1	-1	-0.2	-0.2	-0.2	-0.2	0.2

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table A4.6: Percentage and number of pensioners falling below 60% of 2010/11 median held constant in real terms, Before Housing Costs, United Kingdom^{1, 2}

Percentage and Number of pensioners		Source: FRS							
		Percentage				Number (millions)			
		RPI	RPIJ	CPI	CPIH	RPI	RPIJ	CPI	CPIH
		All pensioners (millions)							
FRS (GB)	1997/98	39	45	50	..	3.9	4.5	5.0	..
	1998/99	39	43	46	..	3.9	4.3	4.6	..
	1999/00	35	40	43	..	3.5	4.0	4.4	..
	2000/01	31	34	36	..	3.1	3.4	3.6	..
	2001/02	27	30	32	..	2.8	3.0	3.3	..
FRS (UK)	2002/03	25	27	29	..	2.6	2.8	3.0	..
	2003/04	23	25	26	..	2.5	2.7	2.8	..
	2004/05	21	23	23	..	2.2	2.4	2.4	..
	2005/06	20	21	21	22	2.1	2.3	2.3	2.3
	2006/07	22	23	22	23	2.3	2.5	2.4	2.5
	2007/08	21	22	20	21	2.3	2.4	2.3	2.3
	2008/09	18	19	18	18	2.1	2.1	2.0	2.1
	2009/10	16	16	17	17	1.8	1.9	1.9	2.0
	2010/11	17	17	17	17	2.0	2.0	2.0	2.0
	2011/12	17	17	17	17	2.0	2.0	2.0	2.0
	2012/13	17	16	17	16	2.0	1.9	2.0	1.9
	Percentage point/numerical change and significance								
	2011/12-2012/13 ^{3,4}	0	-1	-1	-1	0.0	-0.1	0.0	-0.1

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.

2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.

4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.

Table A4.7: Percentage and number of individuals, living in a family with a disabled member, falling below 60% of 2010/11 median held constant in real terms, Before Housing Costs, United Kingdom^{1,2,5}

Percentage and Number of individuals living in a family with a disabled member										Source: FRS
		Percentage				Number (millions)				All individuals (millions)
		RPI	RPIJ	CPI	CPIH	RPI	RPIJ	CPI	CPIH	
FRS (GB)	1997/98	37	42	46	..	6.0	6.8	7.5	..	16.3
	1998/99	36	40	43	..	6.0	6.7	7.1	..	16.6
	1999/00	33	39	41	..	5.3	6.1	6.5	..	15.8
	2000/01	30	32	35	..	5.0	5.4	5.8	..	16.6
	2001/02	27	29	32	..	4.3	4.6	5.0	..	15.8
FRS (UK)	2002/03	24	26	27	..	4.1	4.5	4.7	..	17.2
	2003/04	23	25	26	..	3.8	4.2	4.4	..	16.9
	2004/05	22	24	24	..	3.7	4.1	4.1	..	16.7
	2005/06	21	23	23	23	3.8	4.1	4.0	4.2	17.8
	2006/07	23	24	23	24	3.9	4.1	4.0	4.1	16.9
	2007/08	23	24	23	23	4.0	4.2	3.9	4.0	17.1
	2008/09	21	21	20	21	3.6	3.7	3.5	3.7	17.5
	2009/10	18	19	19	20	3.3	3.4	3.5	3.6	18.1
	2010/11	20	20	20	20	3.6	3.6	3.6	3.6	18.2
	2011/12	20	19	20	19	3.8	3.7	3.7	3.7	19.0
	2012/13	22	20	21	20	4.2	3.9	4.0	3.9	19.2
Percentage point/numerical change and significance										
2011/12-2012/13 ^{3,4}		2 *	1	1	1	0.4 *	0.2	0.3	0.2	0.2

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.
3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.
5. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.

Table A4.8: Percentage and number of individuals, living in a family where no-one is disabled, falling below 60% of 2010/11 median held constant in real terms, Before Housing Costs, United Kingdom^{1,2,5}

Percentage and Number of individuals living in a family where no-one is disabled										Source: FRS
		Percentage				Number (millions)				All individuals (millions)
		RPI	RPIJ	CPI	CPIH	RPI	RPIJ	CPI	CPIH	
FRS (GB)	1997/98	24	27	30	..	9.5	10.6	11.7	..	39.4
	1998/99	23	25	27	..	8.9	9.9	10.6	..	39.3
	1999/00	22	24	26	..	8.7	9.8	10.4	..	40.2
	2000/01	19	20	22	..	7.6	8.1	8.6	..	39.6
	2001/02	17	18	19	..	6.8	7.3	7.9	..	40.6
FRS (UK)	2002/03	16	17	18	..	6.6	7.2	7.5	..	41.1
	2003/04	16	17	18	..	6.7	7.1	7.3	..	41.7
	2004/05	15	16	16	..	6.3	6.7	6.7	..	42.1
	2005/06	15	16	16	17	6.4	6.7	6.7	6.9	41.6
	2006/07	15	16	15	16	6.3	6.7	6.5	6.7	42.8
	2007/08	15	16	15	15	6.5	6.8	6.3	6.4	43.1
	2008/09	15	16	15	15	6.6	6.7	6.5	6.7	43.2
	2009/10	14	15	15	15	6.1	6.3	6.4	6.5	43.1
	2010/11	14	14	14	14	6.3	6.2	6.2	6.3	43.5
	2011/12	16	16	16	16	7.0	6.8	6.9	6.8	43.5
	2012/13	15	14	14	14	6.4	6.2	6.3	6.2	43.7
Percentage point/numerical change and significance										
	2011/12-2012/13 ^{3,4}	-1 *	-1 *	-1 *	-1 *	-0.6 *	-0.6 *	-0.6 *	-0.6 *	0.2

Notes:

1. FRS figures are for Great Britain up to 2001/02, and for the United Kingdom from 2002/03. The reference period for FRS figures is single financial years.
2. This report and tables are the first to use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.
3. Small changes in estimates from year to year, particularly at the bottom of the income distribution, may not be significant in view of data uncertainties. Estimates that are statistically significant are shown with an asterisk. This means that the changes are unlikely to have occurred as a result of chance. See Chapter 8 for further details.
4. Due to rounding, the estimates of change in percentages of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below thresholds for any pair of years shown.
5. The means of identifying people with a disability has changed over time meaning comparisons across years should be made with caution. We recommend you refer to the HBAI Quality and Methodology Information Report 2012/13 for detail on how the definition has changed. From 2012/13, disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot.

A5. Glossary

Adult

All those individuals who are aged 16 and over, unless defined as a dependent child (see Child); all adults in the household are interviewed as part of the Family Resources Survey (FRS).

Benefit units and households

A family, or benefit unit, is a single adult or a couple living as married, together with any dependent children. An adult living in the same household as his or her parents, for example, is a separate benefit unit from the parents.

A household is defined as one person living alone or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area. A household will consist of one or more benefit units.

Bills in arrears

The number of bills in arrears is presented at a benefit unit level. Bills considered are: electricity, gas, other fuel, Council Tax, insurance, telephone, television / video rental, hire purchase, water rates, rent, mortgage payments and other loans. From 2012/13 the analysis of income by whether people are behind with household bills has been extended to include rent, mortgage payments and other loans, so the figures are not comparable with those presented in previous reports.

Child

A dependent child is defined as an individual aged under 16. A person will also be defined as a child if they are 16 to 19-years old and they are:

- not married nor in a Civil Partnership nor living with a partner; and
- living with parents; and
- in full-time non-advanced education or in unwaged government training.

Confidence interval

A measure of *sampling error*. A confidence interval is a range around an estimate which states how likely it is that the real value that the survey is trying to measure lies within that range. A wider confidence interval indicates a greater uncertainty around the estimate. Generally, a smaller sample size will lead to estimates that have a wider confidence interval than estimates from larger sample sizes. This is because a smaller sample is less likely than a larger sample to reflect the characteristics of the total population and therefore there will be more uncertainty around the estimate derived from the sample. Note that a confidence interval ignores any systematic errors which may be present in the survey and analysis processes.

Contemporary median income

The average income for the period covered by the survey. Household incomes are adjusted from the date of interview to an average of survey-year prices.

Couple

Two adults, of same or different sex, who are married (spouse), or from January 2006 in a civil partnership (partner), or are assumed to be living together as such (cohabitee).

Deciles and Quintiles

These are income values which divide the whole population, when ranked by household income, into equal-sized groups. This helps to compare different groups of the population.

Decile and quintile are often used as a standard shorthand term for **decile/quintile group**.

Deciles groups are ten equal-sized groups - the lowest decile describes individuals with incomes in the bottom 10 per cent of the income distribution.

Quintiles groups are five equal-sized groups - the lowest quintile describes individuals with incomes in the bottom 20 per cent of the income distribution.

Disability

In 2012/13, in order to fully comply with the Equality Act definition, the Family Resources Survey (FRS) adopted the new suite of harmonised questions on disability. The means of identifying people with a disability has changed over time. Disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot. See the [HBAI Quality and Methodology Information Report](#) for more details.

Direct payment accounts

For the purposes of this analysis, direct payment accounts are accounts that accept Automatic Credit Transfers (ACT) such as Basic Bank accounts, current accounts, Post Office accounts, or savings accounts with any other bank or building society.

Economic status of the family

The economic status of the family classification is in line with the International Labour Organisation economic status classification. This means that no economic status data is available for 1994/95 and 1995/96 as the relevant information was not collected in the Family Resources Survey for these years. This also means the economic status of the family and economic status of the household classifications are aligned.

The 'Workless, other inactive' group consists of families in which all adults are economically inactive (i.e. where no adult is in work or unemployed). This includes working-age adults in receipt of sickness and disability benefits, who may have living standards lower than those implied by the results presented because of additional costs associated with their disability (for which no adjustment has been made here).

- **One or more full-time self-employed** - Benefit units where at least one adult usually works as self-employed in their main job where the respondent regards themselves as working full-time. Those respondents not working in the last seven days but doing unpaid work in their own business are considered as full-time self-employed.
- **Single or couple, all in full-time work** - Benefit units where all adults regard themselves as working full-time. Those respondents not working in the last seven days doing unpaid work in a business that a relative owns are considered as in full-time work, as are those in training.
- **Couple, one in full-time work, one in part-time work** - Benefit units headed by a couple where one partner considers themselves to be working full-time and the other partner considers themselves to be working part-time. Those respondents not working in the last seven days but doing an odd job are considered as working part-time.
- **Couple, one in full-time work, one not working** - Benefit units headed by a couple, where one partner considers themselves to be working full-time and the other partner does not work.
- **No-one in full-time work, one or more in part-time work** - Benefit units where at least one adult works, but considers themselves to be working part-time.
- **Workless, one or more aged 60 or over** - Benefit units where at least one adult is aged 60 or over.
- **Workless, one or more unemployed** - Benefit units where at least one adult is unemployed.
- **Workless, other inactive** - Benefit units not classified above (this group includes the long-term sick, disabled people and non-working single parents).

Economic status groups for children

The tables that show estimates for dependent children use an amended economic status classification closely related to the definitions used above. Children are grouped according to family type and the economic status of their parent(s) as defined in the previous section. As with the main economic status groups, individuals are allocated to the first category that applies in the following order:

Lone parent

- In full-time work (includes full-time self-employed);
- In part-time work; and
- Not working (unemployed or inactive);

Couple with children

- One or more full-time self-employed;
- Both in full-time work;
- One in full-time work, one in part-time work;

- One in full-time work, one not working;
- Neither in full-time work, one or more in part-time work; and
- Both workless (unemployed or inactive).

Economic status of household

For the analysis of working and workless households, households are classified according to whether they contain a working-age adult or pensioner who works, but the status of non-working pensioners is not considered, except in the case of those households where children live only with pensioners, in which case the status of all adults is included.

Individuals are assigned to one of three categories:

- **All adults in work** - A household where all working-age adults are in employment or are self-employed, or if there are no working-age adults in the household, at least one working pensioner.
- **At least one, but not all adults in work** - A household where at least one working-age adult is in employment or is self-employed, or where a pensioner is in work if none of the working-age adults in the household are in work.
- **Workless household** - A household where no adult members are in employment or are self-employed. Within households, pensioners are excluded from the classifications if they are not working, and are included if they are working. So for example, a household with a pensioner in work, but a working-age person not in work, would be in the 'At least one adult in work, but not all' category. A household with all working-age adults in work and a pensioner not in work would be categorised as 'All adults in work'.

Educational Attainment

This looks at the highest level of educational attainment for each working-age adult. Information for students should be treated with some caution because they are often dependent on irregular flows of income. They also receive a large proportion of their income from loans, which, with the exception of student loans, are not counted as income in HBAI. The figures are also not necessarily representative of all students because HBAI only covers private households and this excludes halls of residence.

Comparisons between the numbers with no qualifications in the FRS, LFS and the Census indicate that the FRS figures overstate the numbers of working-age adults with no qualifications.

Equivalisation

Income measures used in HBAI take into account variations in the size and composition of the households in which people live. This process is called equivalisation.

Equivalisation reflects the fact that a family of several people needs a higher income than a single individual in order for them to enjoy a comparable standard of living.

Equivalence scales conventionally take a couple with no children as the reference point. Consider a single person, a couple with no children, and a couple with two children aged fourteen and ten, all having unadjusted weekly household incomes of £200 (BHC). The process of equivalisation, as conducted in HBAI, gives an equivalised income of £299 to the single person, £200 to the couple with no children, but only £131 to the couple with children. The [HBAI Quality and Methodology Information Report](#) gives more detail.

Ethnicity

The ethnicity figures in this publication reflect the new [harmonised standards](#) included in the 2011/12 publication. The harmonised standards for Scotland were adopted in the 2012/13 FRS questionnaire; however, there has been no change to the HBAI outputs as the harmonised output standards were previously adopted.

Individuals have been classified according to the ethnic group of the household reference person (see Household reference person) which means that information about households of multiple ethnicities is lost.

Smaller ethnic minority groups exhibit year-on-year variation which limits comparisons over time. For this reason, analysis by ethnicity is presented as three-year averages.

Families/ family unit

The terms 'families' and 'family units' are used interchangeably with benefit units. See Benefit unit definition.

Family type

For some analyses, individuals are classified into family type or economic status groups. Individuals are classified according to the status of the benefit unit in which they live. All individuals in a benefit unit (adults and children) will therefore be given the same classification. The classifications are defined below.

- **Pensioner couple** - a couple where one or more of the adults are State Pension age or over. However, in **Chapter 6** (Pensioners), results for pensioner couples do not count anyone who is not a pensioner.
- **Single male pensioner** - single male adult of State Pension age or over.
- **Single female pensioner** - single female adult of State Pension age or over.
- **Couple with children** - a non-pensioner couple with dependent children.
- **Single with children** - a non-pensioner single adult with dependent children.
- **Couple without children** - a non-pensioner couple with no dependent children.
- **Single male without children** - a non-pensioner single adult male with no dependent children.

- **Single female without children** - a non-pensioner single adult female with no dependent children.

Full-time work

The respondent regards themselves as working full-time, either as an employee or self-employed.

Gender

In any analysis of gender, it must be remembered that HBAI attempts to measure the living standards of an individual as determined by household income. This assumes that both partners in a couple benefit equally from the household's income, and will therefore appear at the same position in the income distribution. Any difference in figures can only be driven by gender differences for single adults, which will themselves be diluted by the figures for couples. The lower level gender disaggregation in the family type classification is therefore likely to be more informative.

Research⁴⁵ has suggested that, particularly in low-income households, the above assumption with regard to income sharing is not always valid as men sometimes benefit at the expense of women from shared household income. This means that it is possible that HBAI results broken down by gender could understate differences between the two groups.

Gini coefficient

A widely-used, international standard summary measure of inequality. It can take values from zero to 100, where a value of zero would indicate total equality, with each household having an equal share of income, while higher values indicate greater inequality.

Head of benefit unit

The head of the first benefit unit will be the same as the household reference person. For second and subsequent benefit units the head will be the first adult to be interviewed.

High Income

Results for the top 10 per cent are particularly susceptible to sampling errors and income measurement problems.

Household reference person (used from 2001/02 onwards)

This is classified as the Highest Income Householder (HIH); without regard to gender.

In a single adult household

- The HIH is the sole householder (i.e. the person in whose name the accommodation is owned or rented).

⁴⁵ See, for instance, Goode, J., Callender, C. and Lister, R. (1998) *Purse or Wallet? Gender Inequalities and the Distribution of Income in Families on Benefits*. JRF/Policy Studies Institute.

If there are two or more householders

- The HIH is the householder with the highest personal income from all sources.

If there are two or more householders who have the same income

- The HIH is the eldest householder

Housing costs

Housing costs are made up of: rent (gross of housing benefit); water rates, community water charges and council water charges; mortgage interest payments (net of tax relief); structural insurance premiums (for owner occupiers); and ground rent and service charges.

Income

The income measure used in HBAI is weekly net (disposable) equivalised household income. This comprises total income from all sources of all household members including dependants. For *BHC*, housing costs are not deducted from income, while for *AHC* they are.

Households receive income from a variety of sources. The main ones are earnings, self-employment, state support (i.e. benefits and tax credits), interest on investments and occupational pensions.

In detail, income includes:

- usual net earnings from employment;
- profit or loss from self-employment (losses are treated as a negative income);
- state support - all benefits and tax credits;
- income from occupational and private pensions;
- investment income;
- maintenance payments, if a person receives them directly;
- income from educational grants and scholarships (including, for students, top-up loans and parental contributions);
- the cash value of certain forms of income in kind (free school meals, free school breakfast, free school milk, free school fruit and vegetables, Healthy Start vouchers and free TV licence for those aged 75 and over).

Income is net of the following items:

- income tax payments;
- National Insurance contributions;
- domestic rates / council tax;
- contributions to occupational pension schemes (including all additional voluntary contributions (AVCs) to occupational pension schemes, and any contributions to stakeholder and personal pensions);
- all maintenance and child support payments, which are deducted from the income of the person making the payment;
- parental contributions to students living away from home;
- student loan repayments.

Income distribution

The spread of incomes across the population.

Income growth in real terms

For some years, income growth in the HBAI-based series appears slightly lower than the National Accounts estimates. The implication of this is that absolute real income growth could be understated in the HBAI series. Comparisons over a longer time period are believed to be more robust.

Income inequality

The extent of disparity between high income and low-income households, commonly measured using either the *Gini coefficient* or *90/10 ratio*. The *Gini coefficient* is a widely-used, international standard summary measure of inequality. It can take values from zero to 100, where a value of zero would indicate total equality, with each household having an equal share of income, while higher values indicate greater inequality. The *90/10 ratio* is the average (median) income of the top 20 per cent (quintile 5) divided by the average income of the bottom 20 per cent (quintile 1). The higher the number, the greater the gap between those with the highest incomes and those with the lowest incomes.

Low income

'Low income' is defined using thresholds derived from percentages of median income for the whole population. Households reporting the lowest incomes may not have the lowest living standards. The bottom 10 per cent of the income distribution should not, therefore, be interpreted as having the bottom 10 per cent of living standards. Results for the bottom 10 per cent are also particularly vulnerable to sampling errors and income measurement problems.

- Individuals are said to be in *relative low income* if they live in a household with an equivalised income below a percentage of contemporary median income BHC or AHC. Relative low-income statistics fall if income growth at the lower end of the income distribution is greater than overall income growth.
- Individuals are said to be in *absolute low income* if they live in a household with an equivalised income below a threshold of median income (for example 60 per cent of median income) in a specific year adjusted for inflation BHC or AHC. The 2010/11 median is used in this report, in order to measure absolute low income in line with the Child Poverty Act 2010, and to keep the absolute measure more in line with contemporary living standards. Absolute low-income statistics fall if low-income households are seeing their incomes rise faster than inflation.

Material deprivation for children

A suite of questions designed to capture the material deprivation experienced by families with children has been included in the FRS since 2004/05. Respondents are asked whether they have 21 goods and services, including child, adult and household items. If they do not have them, they are asked whether this is because they do not want them or because they cannot afford

them. These questions are used as an additional way of measuring living standards for children and their families. A prevalence weighted approach has been used in combination with a relative low-income or severe relative low-income threshold. See [HBAI Quality and Methodology Information Report](#) for further details on how material deprivation is calculated.

Combined low income and material deprivation

A child is considered to be in low income and material deprivation if they live in a family that has a final material deprivation score of 25 or more and an equivalised household income below 70 per cent of median income BHC.

Severe low income and material deprivation

A child is considered to be in severe low income and material deprivation if they live in a family that has a final material deprivation score of 25 or more and an equivalised household income below 50 per cent of median income BHC.

Material deprivation for pensioners

A suite of questions designed to capture the material deprivation experienced by pensioners aged 65 or over has been included in the Family Resources Survey since May 2008. These questions are used as an additional way of measuring living standards for pensioners. Respondents are asked whether they have access to 15 goods, services and experiences. Where a pensioner lacks one of the material deprivation items for one of the following reasons they are counted as being deprived for that item:

- they do not have the money for this;
- it is not a priority on their current income;
- their health / disability prevents them;
- it is too much trouble or tiring;
- they have no one to do this with or help them;
- other,

The exception to this is for the unexpected expense question, where pensioners are counted as materially deprived for this item if and only if they responded 'no' to the initial question.

A prevalence weighted approach has been used. See [HBAI Quality and Methodology Information Report](#) for further details on how material deprivation is calculated.

Mean

Mean equivalised household income of individuals is found by adding up *equivalised household incomes* for each individual in a population and dividing the result by the number of people.

Median

Median household income divides the population, when ranked by equivalised household income, into two equal-sized groups. *Contemporary median income* refers to the median income in the survey year being considered.

Part-time work

The respondent regards themselves as working part-time, either as an employee or self-employed.

Pensioner

Pensioners are defined as all those adults above State Pension age (SPa).

For women born on or before 5th April 1950, SPa is 60. From 6th April 2010, the SPa for women born on or after 6th April 1950 will increase gradually between April 2010 and November 2018.

Therefore the age groups included in this chapter have changed over time. The changes do not affect the State Pension age for men, currently 65, for the 2012/13 HBAI statistics.

Other changes are planned or have been announced from December 2018 when the SPa for both men and women will start to increase to reach 66 in October 2020. Further increases to bring the SPa to 67 are proposed to be phased in between 2026 and 2028. These changes are published at: <https://www.gov.uk/changes-state-pension>

Pensioner classifications

For Chapter 3, the classification *pensioner couple* includes individuals in a family unit where one member is above State Pension age, and one is below. This differs from Chapter 6, where only individuals above State Pension age are included. Thus, if a pensioner above State Pension age has a working-age partner, they will both be included under results for *pensioner couple* in Chapter 3, but in Chapter 6 the (working-age) partner will be excluded as they will appear in Chapter 5.

Prior to 6th April 2010, women reached the State Pension age at 60. From 6th April 2010, the qualifying age for women has been gradually increasing. The changes do not affect the State Pension age for men, currently 65.

Prevalence weighted

Prevalence weighting is a technique of scoring deprivation, in which more weight in the deprivation measure is given to families lacking those items that most families already have. This means a greater importance, when an item is lacked, is assigned to those items that are more commonly owned in the population.

Region and country

Regional⁴⁶ classifications are based on the standard statistical geography of the former Government Office Regions: nine in England, and a single region for each of Scotland, Wales and Northern Ireland. These regions are built up of complete counties or unitary authorities. Tables also include statistics for England as a whole, and detailed breakdown tables split London into Inner and Outer London to aid comparison with other Family Resources Survey-based publications. For more information on National Statistics geography see <http://www.ons.gov.uk/guide-method/geography/ons-geography/index.html>.

⁴⁶ Regional information is at [NUTS1](#) level.

Disaggregation by geographical regions is presented as three-year averages. This presentation has been used as single-year regional estimates are considered too volatile. Estimates for the UK, however, are shown as single-year estimates for the latest available year.

Although the FRS sample is large enough to allow some analysis to be performed at a regional level, it should be noted that no adjustment has been made for regional cost of living differences, as the necessary data are not available. In the analysis here it is therefore assumed that there is no difference in the cost of living between regions, although the AHC measure will partly take into account differences in housing costs.

Sampling error

The uncertainty in the estimates which arises from taking a random sample of the household population. The likely size of this error for a particular statistic can be identified and expressed as a confidence interval. For more information see Chapter 8.

Savings and investments

The data relating to investments and savings should be treated with caution. Questions relating to investments are a sensitive section of the questionnaire and have a low response rate. A high proportion of respondents do not know the interest received on their investments. It is likely that there is some under-reporting of capital by respondents, in terms of both the actual values of the savings and the investment income.

Skewness

Skewness measures the degree to which a statistical distribution is asymmetrical or lopsided. A perfectly symmetrical distribution is not skewed. A distribution with a long tail to the right such as the income distribution shown in Chart 2.4 are positively skewed.

Sources of income

Households receive income from a variety of sources. The main ones are earnings, self-employment, state support (i.e. benefits and tax credits), interest on investments and occupational pensions.

It should be noted that comparisons with National Accounts data would suggest that surveys such as the FRS understate investment income. It is also the case that the FRS underestimates receipt of most types of State Support.

State support

The Government pays money to individuals in order to support them financially under various circumstances. Most of these benefits are administered by DWP. The exceptions are Housing Benefit and Council Tax Benefit, which are administered by local authorities. Tax Credits are not treated as benefits, but both Tax Credits and benefits are included in the term State Support.

Income-related benefits	Non-income-related benefits
Jobseeker's Allowance (income-based element)	Disability Living Allowance (both mobility and care components)
Income Support	Attendance Allowance
Employment and Support Allowance (income-related element)	Employment and Support Allowance (contributory based element)
Pension Credit	Widow's/Bereavement Payment
Housing Benefit	Child Benefit
Council Tax Benefit	Retirement Pension
Rates Rebate	Widowed Mother's/Parent's Allowance
In Work Credit	Armed Forces Compensation Scheme
Social Fund – Funeral Grant	Incapacity Benefit
Social Fund – Sure Start Maternity Grant	Severe Disablement Allowance
Social Fund – Community Care Grant	Jobseeker's Allowance (contributory based element)
Return to Work Credit	Widow's Pension/Bereavement Allowance
Northern Ireland Rate Relief for full-time students, trainees, under 18s and those leaving care	Carer's Allowance
Northern Ireland Rate Rebate through energy efficient homes	Industrial Injuries Disablement Benefit
Northern Ireland Other Rate Rebate	Statutory Maternity/Paternity/Adoption Pay
Job Grant	Statutory Sick Pay
Extended Payments (Council Tax Benefit and Housing Benefit)	Maternity Allowance
	Guardian's Allowance
	Winter Fuel Payments
	Other state benefits
	Health in Pregnancy Grant
	Northern Ireland Disability Rate Rebate
	Northern Ireland Lone Pensioner Rate Rebate

Threshold

An **equivalised income** value used for comparing sections of an income distribution over time or for comparing proportions of groups over time, for example: fractions of 2010/11 **median income** or fractions of **contemporary medians**. A relative threshold is relative to the contemporary median for each year's survey. A fixed threshold uses the median from an 'anchor' year which is then uprated for inflation as appropriate. For example, the absolute threshold '60 per cent of the 2010/11 median income' in 2010/11 is the same as the relative threshold, but the corresponding value in the latest survey year has been uprated by inflation from the 2010/11 level over the intervening period.

Working-age

Working-age adults are defined as all adults below State Pension age.

For an overview of how the HBAI data are obtained and some of its key definitions, please see the [infographic on the HBAI web-page](#).