



Households Below Average Income

An analysis of the income distribution 1994/95 – 2013/14 June 2015 (United Kingdom)

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Editorial team

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Contents

Exec	utive summary	1
Sum	nmary of 2013/14 estimates	1
201	3/14 Key findings	2
Con	text and Interpretation	8
Livir	ng standards	10
Eco	nomic background	10
Cha	inges to the 2013/14 publication	10
1. Us	sing and interpreting HBAI statistics	11
1.1	What does HBAI measure	11
1.2	Interpreting and working with HBAI statistics	11
1.3	Family Resources Survey	14
1.4	Using HBAI statistics	14
1.5	Key terminology	16
1.6	Comparing official statistics across the UK	18
1.7	National Statistics	18
1.8	Acknowledgements	19
1.9	Users and uses	19
1.10) What do you think?	20
1.11	Guide to the tables	20
2. Th	e income distribution	21
2.1	Economic background	22
2.2	Key messages	23
2.3	The overall income distribution	25
2.4	Summary tables	30
3. WI	hole population	
3.1	Key messages	35
3.2	Summary tables	39
3.3	List of additional Chapter 3 tables available at GOV.UK	41
4. Ch	nildren	
4.1	Key messages	45
4.2	The income distribution	51
4.3	Summary tables	52

4.4	List of additional Chapter 4 tables available at GOV.UK	55
5. W	orking-age adults	57
5.1	Key messages	59
5.2	The income distribution	62
5.3	Summary Tables	64
5.4	List of additional Chapter 5 tables available at GOV.UK	66
6. Pe	nsioners	68
6.1	Key messages	69
6.2	The income distribution	73
6.3	Summary tables	75
6.4	List of additional Chapter 6 tables available at GOV.UK	78
7. Di	sability analysis	80
7.1	Whole population	83
7.2	Children	84
7.3	Working-age adults	86
7.4	Pensioners	87
7.5	The income distribution	90
7.6	Summary tables	91
7.7	List of additional Chapter 7 tables available at GOV.UK	99
8. Co	ommunicating uncertainty	100
8.1	Introduction	100
8.2	Estimating and reporting uncertainty	100
8.3	Measuring the size of sampling error	100
8.4	Calculating uncertainty in the 2013/14 HBAI report	101
8.5	Summary tables	103
A1. E	Senefit and tax reform in 2013/14	108
A2. (Other relevant statistics	111
A3. l	Jses and users of HBAI statistics	116
A4. A	Alternative inflation measures	118
A5. (Blossary	

Executive summary

Summary of 2013/14 estimates

The tables below present the 2013/14 estimates, and changes compared to 2012/13. The latest estimates and changes should be considered alongside medium and long-term patterns.

Relative low income: Levels, percentage (%) and millions (m), in relative low income, below 60% of median threshold, Before and After Housing Costs (BHC and AHC)

		Total	Children	Working-age	Pensioners	Disability*
Relative low	BHC	15%	17%	14%	16%	20%
income, below		9.6m	2.3m	5.4m	1.9m	3.7m
median	AHC	21%	28%	21%	14%	27%
		13.2m	3.7m	7.9m	1.6m	5.1m
Children: Low income and Material		13%				
Deprivation			1.7m			

Absolute low income: Levels, percentage (%) and millions (m), in absolute low income, below 60% of 2010/11 median threshold up-rated by RPI inflation. BHC and AHC

		Total	Children	Working-age	Pensioners	Disability*
Absolute low income, below	BHC	17% 10.4m	19% 2.6m	15% 5.8m	18% 2.1m	22% 4.1m
median	AHC	23% 14.5m	31% 4.1m	23% 8.5m	16% 1.9m	30% 5.6m

Change from 2012/13 to 2013/14

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

		Total	Children	Working-age	Pensioners	Disability*
Relative low	BHC	⇔ 0 ppt	⇔ 0 ppt	⇔ 0 ppt	企 1 ppt	⇔ 0 ppt
income, below		∜ 100k	∜ 100k	↓ 200k	企 100k	⇔ 0k
contemporary	AHC	⇔ 0 ppt	⇔ 0 ppt	⇔ 0 ppt	압 1 ppt	↑ 2 ppt
median		⇒ 0k	⇒ 0k	↓ 100k	압 100k	û 300k
Children: Low income and Material Deprivation			⇔ 0ppt ∜ 100k			

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

		Total	Children	Working-age	Pensioners	Disability*	
Absolute low	BHC	⇔ 0 ppt	⇔ 0 ppt	⇔ 0 ppt	⇒ 0 ppt	⇔ 0 ppt	
income, below		ֆ 100k	100k	₽ 200k	압 100k	100k	
60% of 2010/11							
median	AHC	⇔ 0 ppt	l⇔ 0 ppt	l ⊕ 1 ppt	企 1 ppt	🛧 2 ppt	
		ֆ 100k	⇔ 0k	₽ 200k	企 100k	企 300k	
Key							

↑ / ♦ Statistically significant increase/decrease from 2012/13

⇒ Unchanged from 2012/13

* Individuals in low income living in families where at least one member is disabled.

2013/14 Key findings

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

- The average (median) real terms household income Before Housing Costs (BHC), at £453 per week, has not changed from 2012/13 and has been very stable over the past few years. The average household income After Housing Costs (AHC) is similarly unchanged from 2012/13 at £386 per week.
- Income inequality increased between 2012/13 and 2013/14 but this increase was not statistically significant. 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 bottom of the income distribution have seen small real terms increases in income in the latest year. These increases were not statistically significant. This led to small increases in 2013/14 of 1 percentage point in the Gini coefficient, both BHC and AHC to 34 per cent and 39 per cent respectively¹.

Chart 1: Average real terms incomes in 2013/14 prices, 1998/99 to 2013/14, GB/UK



¹ 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 1980s², at 15 per cent in 2013/14 BHC, stable compared to 2012/13.
- Looking at the percentage in absolute low income BHC, it remained at 17 per cent, again stable compared to 2012/13.
- The percentage of individuals in absolute low income AHC remained stable at 23 per cent, following increases over the previous two years.
- These latest figures BHC show 9.6 million individuals in relative low income, whilst there were 10.4 million under the absolute low income measure.

Chart 2: Percentage of individuals in relative and absolute low income, BHC and AHC, 1998/99 to 2013/14, UK



² See Table 3.1tr

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

- The percentage of children in relative and absolute low-income households remained flat in 2013/14, as did the combined low income and material deprivation and severe low income and material deprivation figures for children.
- The percentage of children in relative low income BHC remained flat at 17 per cent, its lowest level since the 1980s. This series saw a general decrease between 2007/08 and 2010/11, and has remained broadly stable to 2013/14.
- Similarly, the percentage of children in absolute low income BHC in 2013/14 was stable at 19 per cent. After an increase in 2011/12, this percentage remains slightly higher than the 2010/11 level.
- The 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 low income and material deprivation (household income of less than 50 per cent of median income and in material deprivation) have both remained flat at 13 per cent and 4 per cent respectively, and are consistent with levels from 2010/11. It is not possible to look at longer term trends due to a break in the series in 2010/11.



Chart 3: Children, main measures, 1998/99 to 2013/14, UK

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

- Generally, there has been little change in the percentage of workingage adults in low-income households in 2013/14.
- 14 per cent of working-age adults were in relative low income BHC, flat from 2012/13³. 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.
- 15 per cent of working-age adults were in absolute low income BHC in 2013/14, similarly unchanged from 2012/13³.
- The proportion of working-age adults in absolute low income AHC saw a small fall³ to 23 per cent, but this change was not statistically significant. This follows small steady increases from 2004/05 onwards.
- These latest figures BHC show 5.4 million working-age adults in relative low income, whilst there were 5.8 million under the absolute low income measure.

Chart 4: Percentage of working-age adults in relative and absolute low income, BHC and AHC, 1998/99 to 2013/14, UK



³ 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.
- In 2013/14, the proportion of pensioners in relative and absolute low income AHC both increased by 1 percentage point to 14 per cent and 16 per cent respectively. These changes were not statistically significant.
- The proportion of pensioners in material deprivation also increased by 1 percentage point to 9 per cent. Again, this change was not statistically significant.
- 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 continued to fall up to last year, whilst there has been 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 1.9 million under the absolute low income measure.
- Pensioners continue to be the group with the lowest percentage in lowincome households AHC.



Chart 5: Pensioners, main measures, 1998/99 to 2013/14, UK

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

- The FRS definition of disability changed in 2012/13 and, as such, comparisons between figures from 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 remained unchanged in 2013/14 at 20 per cent⁴.
- In comparison, the percentage of individuals living in relative low income in families where no member is disabled also remained unchanged at 13 per cent in 2013/14 BHC⁴. Individuals in families with at least one disabled member were more likely to be in relative low income than individuals in families with no disabled member (20 compared to 13 per cent).
- The percentage of individuals in absolute low income in families where at least one member is disabled remained unchanged at 22 per cent BHC but increased by 2 percentage points⁴ to 30 per cent AHC. This change was statistically significant.
- 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 4.1 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 2013/14, UK



⁴ The apparent inconsistency with Table 7a and Chart 6 is due to rounding.

Context and Interpretation

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.

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.

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 2013/14 prices using the Retail Prices Index (RPI) to convert monetary values from previous years into 2013/14 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, 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 <u>National Statistics</u>. Even so, RPI is still in widespread use, in wage negotiations and long-term contracts, private sector pensions, rail fares, and index-linked gilts.

In May 2013 Paul Johnson, Director of the Institute for Fiscal Studies, was invited by the UK Statistics Authority (UKSA) to lead a review into UK price indices, to consider what changes are needed to the range of consumer price statistics produced for the UK to best meet current and future user needs.

The Johnson Review was published in January 2015, delivering a final report with a series of recommendations to the Board of the UKSA. Chief amongst these was the recommendation that CPIH be adopted as the UK's main price index.

The UKSA published a consultation document on consumer price statistics, following the Johnson Review, on 15th June 2015. This consultation will close on 15th September 2015, after which, the Authority will summarise the responses and publish a report in autumn 2015. The Board of the Authority will consider that report carefully, alongside any advice from the Authority's regulatory function, before it issues its final response in early 2016.

Whilst the weaknesses and limitations of the RPI measure are understood by the HBAI team, at present there are no suitable alternatives with appropriate before and after housing costs indices available. Further, any change to indices used in the HBAI report for 2013/14, in advance of any clear UKSA guidance, would risk reporting estimates inconsistent with any final decision and lead to repeated revisions to back-series in HBAI.

As such, following engagement with the HBAI Technical Advisory Group, RPI has continued to be used as the inflation measure in this publication. This replicates the decision around use of inflation indices in HBAI made for the 2012/13 publication, discussed in a <u>statistical notice</u> published on the HBAI web-page detailing this decision. <u>Following a final response</u> from the UKSA, expected in early 2016 we hope to be in a position to consult users on potential changes to the use of inflation indices in HBAI in advance of the 2014/15 publication.

In the interim, headline figures for income and absolute low income trends, Before Housing Costs (BHC) are presented in <u>Annex 4</u> using alternative inflation measures as RPIJ, CPI and CPIH. After Housing Costs (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 very minimal effect on the figures.

At a headline level, using alternative inflation indices in place of RPI would decrease real terms income prior to 2013/14 (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 decrease the percentage and number in absolute low income in 2013/14.

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 <u>income</u>, 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 <u>well-being</u>.

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 increasing growth in Gross Domestic Product (GDP), and increases in employment levels. RPI inflation growth, however, continued to outpace both average earnings growth and the up-rating of most benefits (with the majority of working age benefits increased by 1 per cent). A number of benefit changes (see <u>Annex 1</u>), also had different effects on different benefit recipients, generally resulting in lower real terms benefit receipt levels.

Changes to the 2013/14 publication

After several years of significant revisions, changes to the 2013/14 publication have been minimised as far as possible so as to introduce some stability into the series. A summary of changes to this year's publication are listed:

• **Personal Independence Payment (PIP):** 2013/14 is the first year of data that includes the receipt of PIP. PIP is a benefit to help with the extra costs caused by living with long-term ill-health or a disability, for those aged between 16 and 64. The amount of benefit received depends how the condition affects the recipient rather than the condition itself.

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, 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 <u>well-being</u>.

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.

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 equivalisation⁵

What do we mean by average?

In HBAI, the term 'average' is used to describe the <u>median</u>. 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 the lowest income households compare to changes in the cost of living. In this report we concentrate on those with household incomes below

⁵ 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.

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 is an attempt to indicate whether a reported change within the population of interest is due to chance. 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.

<u>Chapter 8</u> 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 2013/14 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 <u>FRS report</u>.

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 2013/14 report uses 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. Use of 2011 Census data was first introduced for the 2012/13 report, alongside a number of minor methodological changes recommended by the ONS Methodological Advisory Service a full report of the changes made to the grossing regime is also available. Figures have been revised back to 2002/03 using these 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 base⁶. 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 <u>assessment</u> <u>report</u> can be found on the UK Statistics Authority (UKSA) website. Even so, RPI is still in widespread use, in wage negotiations and longterm contracts, private sector pensions, rail fares, and index-linked gilts.
- In May 2013 Paul Johnson, Director of the Institute for Fiscal Studies, was invited by the UKSA to lead a review into UK price indices, to consider what changes are needed to the range of consumer price statistics produced for the UK, to best meet current and future needs.
- The <u>Johnson Review</u> was published in January 2015, delivering a final report with a series of recommendations to the Board of the UKSA, Chief amongst these was the recommendation that CPIH be adopted as the UK's main price index.

⁶ The ONS web-site provides further information on consumer price indices. <u>http://www.ons.gov.uk/ons/guide-method/user-guidance/prices/cpi-and-rpi/index.html</u>

- The UKSA published a consultation document on consumer price statistics, following the Johnson Review, on 15th June 2015. This consultation will close on 15th September 2015 after which, the Authority will summarise the responses and publish a report in autumn 2015. The Board of the Authority will consider that report carefully, alongside any advice from the Authority's regulatory function, before it issues its final response in early 2016.
- As advised in the <u>Statistical Notice</u> 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 recommended because there are currently no suitable alternatives with appropriate BHC and AHC indices available.
- Given the continued absence of clear official guidance on this issue and the lack of a suitable alternative with appropriate BHC and AHC indices, following further engagement with the HBAI Technical Advisory Group, RPI has continued to be used as the measure of inflation for the 2013/14 report. We hope to be in position to consult users on potential changes to use of inflation indices in HBAI in advance of the 2014/15 publication.
- Using other inflation indices instead of RPI would decrease real terms income prior to 2013/14 (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 decrease the percentage and number in absolute low income in 2013/14. <u>Annex 4</u> 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.

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

Quintile 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 <u>Annex 5</u>.

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 <u>Annex 5</u>, and the **infographics** 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 Scale⁷.

1.7 National Statistics

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service

⁷ https://gss.civilservice.gov.uk/wp-content/uploads/2014/02/Comparability-Report-Final.pdf

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
- o 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, 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.

The key reasons for the use of the published statistics and datasets⁸ 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, 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 first three of the four income-related targets set out in the Child Poverty Act 2010 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).

⁸ The UK Data Service website provides information on access to HBAI datasets <u>http://discover.ukdataservice.ac.uk/catalogue/?sn=5828&type=Data%20catalogue</u>

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 (the target is less than 7 per cent by 2020/21).

Further details of the uses of HBAI statistics are given in Annex 3.

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: <u>team.hbai@dwp.gsi.gov.uk</u>

1.11 Guide to the tables

Following consultation with users, from 2012/13 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.

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 2013/14. All data are reported in 2013/14 prices ('real terms'), using RPI inflation to convert monetary values from previous years into 2013/14 prices to make them comparable. Box 2a provides more information on inflation measures.

In 2013/14 the UK saw growth in Gross Domestic Product (GDP), and increases in employment levels, but with average earnings growth lower than RPI inflation. A number of benefit changes (see <u>Annex 1</u>), although having different effects on different recipients, generally resulted in benefit amounts increasing by less than RPI inflation.

Average (median) real terms household income Before Housing Costs (BHC) remained stable (at £453 per week) in 2013/14. Average household income After Housing Costs (AHC) remained similarly unchanged in 2013/14 at £386 per week. (Chart 2.1, Table 2b)



Chart 2.1: Average real terms incomes in 2013/14 prices, 1998/99 to 2013/14, GB/UK

Before 2009/10, average real terms household income had steadily increased since the series began in 1994/95. Real terms incomes in 2013/14 were around levels seen in 2001/02.

In 2013/14 incomes at both the very bottom and at the top of the income distribution saw real terms increases, with changes in the income distribution driven in part by growth in employment rates⁹.

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 2013/14 (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 decrease the percentage and number in absolute low income in 2013/14. For more information and to see the income figures deflated by RPIJ, CPI and CPIH see <u>Annex 4</u>.

2.1 Economic background

The latest figures cover a period where the UK economy was showing growth in GDP¹⁰ but average earnings increased by less than both RPI and CPI inflation. GDP grew by 2.1 per cent in 2013/14, following a period of either weak or negative growth since 2008.

Employment rates have continued to increase for both males and females in 2013/14, following reductions between 2007/08 and 2009/10, and relative stability between 2009/10 and 2011/12.

In 2013/14 the CPI inflation rate was 2.3 per cent, the RPI inflation rate was 2.9 per cent and average earnings rose by 1.5 per cent. In most cases, working age benefits such as Jobseeker's Allowance, Income Support, and Employment Support Allowance were up-rated by 1 per cent in 2013/14. This is below CPI and RPI inflation, as well as average earnings growth.

Child benefit, along with elements of tax credits, was frozen in cash terms in 2013/14. Tax credit elements for disabled adults and children, however, were up-rated at between 2.2 and 2.5 per cent. Disability benefits (Disability Living Allowance and Attendance Allowance) were up-rated at 2.2 per cent.

The Basic State Pension was up-rated by 2.5 per cent in line with the triple lock. This was above the CPI inflation rate, but below the RPI inflation rate for 2013/14.

⁹ Other survey data sources, such as the Labour Force Survey, also show growth in employment over this period, although rates grew more rapidly in HBAI.

¹⁰ 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.

2.2 Key messages

Average income

In 2013/14 the average (median) real terms household income BHC was unchanged from 2012/13 at £453 per week. Average household income AHC was similarly unchanged from 2012/13 at £386 per week. (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. Real terms incomes in 2013/14 were around levels seen in 2001/02.
- Over 2013/14 the UK saw growth in GDP and increases in employment rates, but with average earnings growth lower than RPI inflation. A number of benefit changes (see <u>Annex 1</u>), generally resulted in benefit amounts increasing by less than RPI inflation.
- Mean incomes increased in real terms both BHC and AHC, driven in part by increases in employment rates. These changes in incomes were not statistically significant.
- There was a fall in the overall amount of deductions taken into account when calculating net incomes which meant that net incomes grew faster than gross incomes. The largest contributor to these falls was reductions in job-related taxes paid, due in part to changes in the Personal Allowance.

Income inequality

Individuals at both the very bottom and at the top of the income distribution have seen real terms increases in income, BHC, in the latest year, driven in part by growth in employment rates. These changes 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.

• Both the first and fourth quintiles had higher average incomes BHC and AHC in 2013/14 than they did in 2012/13 (Chart 2.2) although these changes were not statistically significant. Incomes for other quintiles were largely unchanged, with the exception of quintile 2 which saw a decrease of 1 percentage point. This change was not statistically significant.

- Despite these changes across the distribution, the median average income BHC and AHC has remained unchanged at £453 and £386 respectively¹¹.
- The difference between the changes in average income BHC and average income AHC is greater for quintiles 1 and 2 (the 40 per cent of the population with the lowest incomes) than quintiles 3, 4 and 5 (the 60 per cent of the population with the highest incomes).

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).

 Following changes in income in 2013/14 which saw increases at the very bottom and top of the distribution, the Gini coefficient increased by 1 percentage point BHC and AHC to 34 per cent¹² and 39 per cent respectively. These changes were not statistically significant

Chart 2.2: Percentage change in incomes in real terms, and confidence intervals, by quintile, 2012/13 to 2013/14, UK



¹¹ The average (median) income of the whole population is equal to the average of the middle quintile. Whilst Chart 2.2 shows a small increase of around 0.1% for this quintile, this is not large enough to be seen when incomes are reported to the nearest pound and changes to the whole percentage.

¹² The apparent inconsistency with Table 2b is due to rounding.

Chart 2.3: Measures of income inequality¹³, 1998/99 to 2013/14, UK



- Following a peak between 2007/08 and 2009/10, income inequality in 2013/14 was around levels seen in 2005/06, BHC and AHC.
- Despite this, as in previous years, in 2013/14, 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 2013/14 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 2013/14 are given in Box 2b and Table 2.4ts.

¹³ Note that the axes for Chart 2.3 do not start at zero.

Box 2b: Low-income thresholds, 2013/14

Relative low-income threshold for a couple with no children						
(60 per cent of 2013/14 median)						
BHC - £272 per week						
AHC - £232 per week						
Absolute low-income threshold for a couple with no children						
(60 per cent of 2010/11 median in 2013/14 prices)						
BHC - £280 per week						
AHC - £242 per week						
Table 2.4ts shows medians and low-income thresholds for other family types.						

The income distribution for 2013/14 (Chart 2.4), shows that on a BHC basis, around two-thirds of individuals had an income that was less than the national mean (£561 per week). There was a large concentration of individuals around the 60 per cent of median income mark (£272 per week). The distribution showed similar characteristics on an AHC basis.

The presence of high numbers of individuals with relatively high incomes (4.7 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, 2013/14

Chart 2.4 (AHC): Income distribution for the total population, 2013/14



Median income £386pw

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 around 85 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 56 per cent. In the top quintile, 82 per cent of income was derived from earnings.
- AHC, earnings made up around 38 per cent of the gross income of the bottom quintile while state support made up 52 per cent. In the top quintile, 79 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 around 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, 2013/14



Households containing pensioners and no children







2.4 **Summary tables**

Percentages Source: ONS, Bank of Englan										
	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	4.0	5.6	2.7	-	2.0	-	75.9	62.3	3.6	1.8
1995/96	2.5	6.5	3.3	-	2.7	-	76.5	63.1	3.0	3.0
1996/97	2.2	5.8	2.4	-	2.3	-	77.0	63.7	3.8	3.1
1997/98	3.2	6.9	3.3	-	1.7	-	78.0	64.3	4.5	3.3
1998/99	3.3	6.8	3.1	2.8	1.6	-	78.5	64.9	5.0	2.0
1999/00	3.5	5.4	1.6	1.3	1.1	-	79.0	65.4	5.1	5.6
2000/01	3.3	6.0	3.0	2.6	0.8	-	79.3	66.0	4.4	6.1
2001/02	2.5	4.7	1.5	1.2	1.4	-	79.1	66.1	4.4	3.8
2002/03	2.8	4.0	2.1	1.8	1.2	-	79.1	66.4	3.2	2.7
2003/04	4.4	3.7	2.8	2.5	1.3	-	79.3	66.6	3.1	2.5
2004/05	1.8	4.6	3.1	2.8	1.5	-	79.3	66.7	4.9	1.6
2005/06	3.4	4.6	2.6	2.3	2.1	-	79.0	66.9	4.7	2.0
2006/07	2.6	4.8	3.7	3.3	2.6	2.6	78.9	66.7	4.9	1.9
2007/08	2.6	5.5	4.1	3.7	2.2	2.3	79.0	66.7	4.4	1.8
2008/09	-2.3	3.6	3.0	2.6	3.8	3.6	78.1	66.6	1.8	-0.6
2009/10	-2.7	0.5	0.5	0.0	2.2	1.8	75.5	65.7	1.7	3.3
2010/11	2.3	0.5	5.0	4.3	3.5	2.8	75.7	65.4	2.0	-0.7
2011/12	1.3	0.5	4.8	4.1	4.3	3.8	75.3	65.4	1.9	-1.3
2012/13	0.6	0.5	3.1	2.5	2.6	2.5	76.2	66.2	1.3	1.8
2013/14	2.1	0.5	2.9	2.2	2.3	2.1	76.8	67.0	1.5	-0.2

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

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. Results presented may not match those cited in previous HBAI publications as a result of revisions to the 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 cover the age range 16 to 64.

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.
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 2013/14 prices, United Kingdom^{1,2}

£pw equival	ised 2013/14 prices							Source: FRS
			Quint	tile group med	lians			Gini
		Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Population	coefficient
	la como Defen		4 -	(median)			mean	(per cent)
	Income Befor	e Housing C	osts	070	540	770	457	
FRS (GB)	1994/95	191	275	379	516	778	457	33
	1995/96	193	277	379	512	784	459	33
	1996/97	195	286	396	532	807	475	33
	1997/98	197	291	403	543	821	487	34
	1998/99	201	297	409	558	851	504	35
	1999/00	208	306	422	570	864	515	35
	2000/01	215	318	435	587	896	538	35
	2001/02	228	337	456	607	938	561	35
FRS (UK)	2002/03	231	341	461	610	930	561	34
	2003/04	232	344	462	614	924	560	34
	2004/05	237	349	466	619	939	568	34
	2005/06	236	350	470	626	950	575	34
	2006/07	233	351	474	628	962	582	35
	2007/08	232	352	474	631	971	588	36
	2008/09	237	357	478	639	988	594	36
	2009/10	244	361	480	641	991	602	36
	2010/11	242	355	467	615	939	569	34
	2011/12	236	345	453	603	916	560	34
	2012/13	234	346	453	595	910	551	34
	2013/14	239	343	453	604	910	561	34
Percentage	(point) change and	significance						
	2012/13-2013/14 ^{3,4}	2%	-1%	0%	1%	0%	2%	1
	Income After	Housing Cos	sts					
FRS (GB)	1994/95	134	212	312	435	665	378	37
	1995/96	138	214	313	432	672	380	37
	1996/97	138	221	329	453	699	397	37
	1997/98	141	230	335	462	714	410	38
	1998/99	147	236	343	476	743	426	39
	1999/00	151	246	357	491	758	439	38
	2000/01	159	259	371	508	795	463	39
	2001/02	172	277	392	530	829	485	38
FRS (UK)	2002/03	176	284	402	542	834	491	38
. ,	2003/04	174	290	406	547	843	494	37
	2004/05	181	297	411	554	862	506	38
	2005/06	178	297	416	564	877	513	38
	2006/07	173	296	420	566	890	520	39
	2007/08	172	297	422	575	900	529	40
	2008/09	169	297	417	577	908	527	40
	2009/10	171	295	418	576	913	531	40
	2003/10	170	200	404	5/8	850	102	38
	2010/11	164	230	-10-1	533	833	190	30
	2011/12	104	213	203	500	002 000	407	38
	2012/13	101	210	396	526	020 807	470	30 30
	2013/14	103	215	300	000	021	407	29
Percentage	(point) change and	significance						
	2012/13-2013/14 ^{3,4}	1%	0%	0%	2%	0%	2%	1

Notes:

 Figures are for the United Kingdom from 2002/03 onwards. Earlier years are for Great Britain only.
This report and tables use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these grossing factors.

3. The figures for changes in quintile medians and the mean are percentage changes, whilst the figures for the changes in the Gini coeffecient are percentage point changes.

4. 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 (90th percentile) to the bottom quintile median (10th 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.

Overall, the percentages of individuals in relative and absolute low income have not seen statistically significant changes in the latest year. Both relative and absolute low-income levels have been fairly stable over recent years. (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 2013/14 Before Housing Costs (BHC).
- Absolute low income BHC, reached a historic low of 15 per cent in 2009/10. Following more recent increases levels have remained level at 17 per cent in 2013/14.

Chart 3.1 (BHC): Percentage of individuals in relative and absolute low income, 1998/99 to 2013/14, UK



• Relative and absolute BHC measures remained broadly stable in 2013/14.

Chart 3.1 (AHC): Percentage of individuals in relative and absolute low income, 1998/99 to 2013/14, UK



- After Housing Costs (AHC), the percentage in relative low income has been broadly stable in recent years, staying at 21 per cent in 2013/14.
- AHC absolute low income remained stable at 23 per cent in 2013/14, following increases in recent years.

Box 3a: The whole population

Whole population

In 2013/14 the whole UK population in private households, estimated to be 63 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. Both relative and absolute low-income levels have been fairly stable over recent years.

- Benefit and earnings changes, in combination with growth in employment rates have meant that average household income has remained unchanged in real terms both BHC and AHC based on RPI inflation.
- In addition, there was a fall in the overall amount of deductions taken into account when calculating net incomes which meant that net incomes grew faster than gross incomes. The largest contributor to these falls was reductions in job-related taxes paid, due in part to changes in the Personal Allowance.
- In 2013/14 levels of relative low income remained unchanged 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 2011/12, with no change in absolute low income BHC in the most recent year.
- The absolute low-income threshold (2010/11 baseline in 2013/14 prices) is slightly higher up the income distribution compared to the relative low-income threshold and therefore affects a larger number of individuals. This is because median income growth in HBAI was less than RPI inflation between 2010/11 and 2013/14.
- Between 2012/13 and 2013/14 the number of individuals in absolute low income fell by 100,000 both BHC and AHC. Neither of these numerical changes was statistically significant.

These latest figures BHC show 9.6 million individuals in relative low income, whilst there were 10.4 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 over 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, 2013/14, 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 higher risks of living in low income and employment rates vary by ethnicity, with high rates of worklessness among individuals of Pakistani and Bangladeshi origin¹⁴.

¹⁴ See Table A09 of Labour Market Statistics, available at

http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-357108 which shows economic activity by ethnic group.

Chart 3.3: Percentage of individuals in relative low income by ethnic group, 2013/14, 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 London at 33 per cent, reflecting the higher housing costs in this region.
- 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, the South West and the East of England.

Chart 3.4: Percentage of individuals in relative low income by Region/ Country, 2013/14, UK (3-year average)



Disability

The FRS definition of disability changed in 2012/13 and, as such, comparisons to years prior to this should be made with caution.

The percentage of individuals in relative low income BHC in families where at least one member is disabled remained level at 20 per cent in 2013/14¹⁵.

The percentage of individuals in absolute low income in families where at least one member is disabled also remained level at 22 per cent BHC.

Further disability analysis can be found in <u>Chapter 7</u>.

¹⁵ The apparent inconsistency with Table 7a and Chart 7.1 is due to rounding.

3.2 Summary tables

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

Percentage of indi	viduals				Source: FRS
		Before Ho	using Costs	After Ho	using 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)	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
	2013/14	15	17	21	23
Percentage point	1008/00 2012/14 3,4	4 *	10 *	2 *	0.*
change and significance	2012/13-2013/14 ^{3,4}	-4 0	-10	-3 0	-8

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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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	s (millions)					Source: FRS
		Before Ho	ousing Costs	After Housir	ig 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	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
	1997/98	10.9	15.5	13.6	17.9	55.7
FRS (UK)	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
	2013/14	9.6	10.4	13.2	14.5	63.0
Numerical change,	1008/00 2012/14 3.4	16	5.0	0.8	24	5.4
and significance for 2012/13-2013/14	2012/13-2013/14 ^{3,4}	-0.1	-5.0 -0.1	-0.8	-3.4 -0.1	5.4 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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.

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.
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.

The percentage of children in relative and absolute low-income households Before Housing Costs (BHC) remained unchanged in 2013/14, as did the percentages in combined low income and material deprivation, and in severe low income and material deprivation. (Chart 4.1, Tables 4a and 4c)

- The percentage of children experiencing relative low income BHC, remained flat at 17 per cent. 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 2009/10 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 cent. 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 2013/14, UK¹⁶

¹⁶ Due to a break in the series in 2010/11 it is not possible to make direct comparisons with results from earlier years for both the combined low income and material deprivation and severe low income and material deprivation series.

• Low income and material deprivation, and severe low income and material deprivation both remained flat at 13 per cent and 4 per cent respectively. 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 2013/14 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 up-rated 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 low income and material deprivation: The proportion of children who 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.

Child Poverty Act 2010

The first three of the four income-related targets set out in the <u>Child Poverty</u> <u>Act 2010</u> 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 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.

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 <u>Low-Income</u> <u>Dynamics publication</u>.

4.1 Key messages

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

The percentage of children in relative and absolute low-income households Before Housing Costs (BHC) remained unchanged in 2013/14, as did the percentages in combined low income and material deprivation, and in severe low income and material deprivation.

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 cent in 2013/14 compared to the previous year. This follows a decrease between 2008/09 and 2010/11 and a period of stability from then onwards.

- A combination of changes in benefit incomes, net earnings and employment rate growth has meant that both incomes towards the bottom of the distribution and those in the middle remained broadly unchanged in real terms (based on RPI inflation). This has contributed to the stability of relative low income between 2012/13 and 2013/14 both BHC and AHC.
- In 2013/14 the percentage of children in relative low income both BHC and AHC remained unchanged. The number of children in relative low income BHC, however, fell by 100,000¹⁷. This change was not statistically significant.

The percentage of children in absolute low income BHC, remained flat at 19 per cent in 2013/14. Prior to this there was a decrease between 2007/08 and 2009/10, followed by an increase between 2010/11 and 2011/12.

- The absolute low-income threshold is higher up the income distribution compared to the relative low-income threshold and therefore affects a larger number of households with children. This is because median income growth in HBAI between 2010/11 (the baseline for the absolute low income measure) and 2013/14 was less than RPI inflation over the same period.
- Between 2012/13 and 2013/14 the number of children in absolute low income fell by 100,000 BHC¹⁷. This change was not statistically significant.

¹⁷ The apparent inconsistency with Table 4a is due to rounding.

The percentage of children in relative low income After Housing Costs (AHC) was unchanged from the previous year at 28 per cent¹⁸. The percentage of children in absolute low income AHC, was also unchanged at 31 per cent in 2013/14.

- 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).
- Between 2012/13 and 2013/14 the number of children in relative and absolute low income AHC remained unchanged at 3.7 million and 4.1 million respectively.
- 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 36 per cent living in private rented tenancies. (Table 4.4db)

The proportion of children in combined low income and material deprivation, and in severe low income and material deprivation, remained unchanged in 2013/14 at 13 per cent and 4 per cent respectively.

- Both measures have reported relatively stable trends from 2010/11 through to 2013/14. As a result of changes to the material deprivation questions at 2010/11, comparisons cannot be made to earlier years.
- Between 2012/13 and 2013/14 the number of children in combined low income and material deprivation fell by 100,000 to 1.7 million. This change was not statistically significant. The number of children in severe low income and material deprivation remained unchanged at 500,000.

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 2013/14, 37 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.
- Despite their lower risk of relative low income, children in families where at least one adult was in work made up around 64 per cent of all children in low income BHC in 2013/14. This is because children in families where at least one adult was in work made up such a large proportion (84 per cent) of the total number of children.

¹⁸ The apparent inconsistency with Table 4a is due to rounding.





Chart 4.3: Composition of children in low-income groups by economic status of the family, 2013/14, UK



Family type

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

- The percentage of children in lone-parent families in relative low income BHC, has fallen by 3 percentage points to 19 per cent in 2013/14. This change is not statistically significant.
- There has been a reduction in the percentage of children in lone-parent families in relative low income BHC, from 1998/99. 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 (9 per cent compared to 16 and 27 per cent respectively).

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 15 per cent for one- and two-child families. (Table 4.18ts)

- The percentage of children in relative low income BHC, from families with three or more children was unchanged at 22 per cent compared to the previous year.
- The percentage of children from one-child families in relative low income BHC, decreased by 1 percentage point from 2013/14 to 15 per cent. This change is not statistically significant.

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 origin¹⁹.

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 lowincome 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 Inner London were most likely, particularly AHC.
- 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, South West, and East of England²⁰.
- 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, 2013/14, UK (3-year average)



¹⁹ See Table A09 of Labour Market Statistics, available at <u>http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-357108</u> which shows economic activity by ethnic group..

²⁰ See Table A07 of Labour Market Statistics, available at <u>http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-357108</u> which shows economic activity by region.

Disability

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

In 2013/14 the percentage of children in families with a disabled member that were in relative low income BHC increased by 2 percentage points to 22 per cent. This change was not statistically significant. (Table 7c)

For absolute low income BHC levels remained unchanged at 25 per cent in 2013/14.

Further disability analysis can be found in Chapter 7.

4.2 The income distribution

Chart 4.5 shows the income distribution for all individuals and children for the United Kingdom in 2013/14 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, 2013/14







Equivalised net household income (in £10 per week bands)

4.3 Summary tables

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

Percentage of chil	dren				Source: FRS
		Before Housing Costs After			using 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
	2013/14	17	19	28	31
Percentage point	1998/99-2013/1/3,4	-9 *	-16 *	-6 *	-11 *
cnange and significance	2012/13-2013/14 ^{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 table use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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 childre	n (millions)					Source: FRS
	• •	Before Ho	using Costs	After Housin	ig 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 children
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
	2013/14	2.3	2.6	3.7	4.1	13.4
Numerical change						
for 2012/13.	1998/99-2013/14 ^{3,4}	-1.2	-2.0	-0.7	-1.4	0.2
2013/14	2012/13-2013/14 ^{3,4}	-0.1	-0.1	0.0	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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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
		Percentage	Number (millions)	Percentage	Number (millions)	children
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 questions ⁵					
	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
	2013/14	13	1.7	4	0.5	13.4
Percentage point/numerical change and significance	2012/13-2013/14 4.6	0	-0.1	0	0.0	0.0

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 the HBAI Quality and Methodology Information Report 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 the HBAI Quality and Methodology Information Report for further details.

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

There were no statistically significant changes to the percentage of working-age adults in relative or absolute low income from 2012/13 to 2013/14. 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, before stabilising in 2011/12. The AHC percentage in absolute low income fell by 1 percentage point in 2013/14²², following steady increases since 2004/05. This change was not statistically significant.

• In 2013/14 the percentage in relative low income remained unchanged both BHC and AHC, at 14 per cent and 21 per cent respectively²¹.

Chart 5.1(BHC): Percentage of working-age adults in relative and absolute low income, 1998/99 to 2013/14, UK



²¹ The apparent inconsistency with Table 5a and Chart 5.1 is due to rounding

Chart 5.1(AHC): Percentage of working-age adults in relative and absolute low income, 1998/99 to 2013/14, UK



- The percentage in absolute low income remained unchanged BHC at 15 per cent and fell AHC by 1 percentage point to 23 per cent²². This change was not statistically significant.
- 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 because median income growth in HBAI between 2010/11 (the baseline for the absolute low income measure) and 2013/14 was less than RPI inflation over the same period, leading to the divergence between the different low income thresholds.

Box 5a: Working-age adults

In 2013/14 the working-age adult population in private households was estimated to be 37.6 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 workingage adult population has two discrete groups who often react to economic changes in different ways; those families with children and those without.

²² 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 since 1998/99 with levels unchanged between 2012/13 and 2013/14 both BHC and AHC.

- Relative low income has remained unchanged in percentage terms BHC (14 per cent) and AHC (21 per cent). The numbers of working-age adults in low income, however, has fallen from 2012/13 by 200,000 BHC and by 100,000 AHC. These changes are not statistically significant.
- The 2013/14 estimate for the percentage of working-age adults in relative low income BHC, is unchanged from 1998/99 levels²³.

The percentage of working-age adults in absolute low income fell steadily both BHC and AHC until around 2002/03, remaining broadly flat until 2009/10. Following a period of small increases to 2012/13 the percentage BHC remained unchanged in 2013/14 at 15 per cent and fell by 1 percentage point AHC to 23 per cent. This change was not statistically significant.

- The absolute low income baseline is 2010/11 and is up-rated by RPI inflation. Median income growth in HBAI has been lower than RPI inflation between 2010/11 and 2013/14 and, as a result, the absolute low-income threshold has moved higher up the income distribution when compared to the relative low-income threshold.
- Between 1998/99 and 2013/14, the percentage of working-age adults in absolute low income fell by 5 percentage points BHC. This change was statistically significant.

These latest figures BHC show 5.4 million working-age adults in relative low income, whilst there were 5.8 million under the absolute low income measure.

²³ 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 14 per cent for those with a qualification below degree level, and increased further 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 origin²⁴.

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 2011/12 to 2013/14, the South East had the lowest rate of relative low income among working-age adults, at 10 per cent BHC.
- The highest rates of low income BHC at 19 per cent were found in Northern Ireland and the North East.
- Inner London had the highest rate of relative low income for workingage adults AHC (31 per cent). This is likely to be due to higher housing costs in this region.

²⁴ See Table A09 of Labour Market Statistics, available at

http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-357108 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 20 per cent if at least one adult was in work but not all, and increased further to 44 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 63 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 (88 per cent) of the total number of working-age adults.
- Whilst there was relatively muted average earnings growth at the individual level, growth in employment rates, and so in the number of people living in households with at least one person working, drove movements of adults from groups with relatively high risks of low income to lower risk groups.

Chart 5.2: Percentage of working-age adults in relative and absolute low income by economic status of the household, 2013/14, UK



Disability

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

From 2012/13 to 2013/14, the percentage of working-age adults living in families containing one or more disabled member in relative low income BHC remained unchanged at 22 per cent, but increased by 2 percentage points AHC to 32 per cent²⁵. This change was not statistically significant. (Table 7e)

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 2013/14 (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**.

²⁵ The apparent inconsistency with Table 7e is due to rounding.

Chart 5.3 (BHC): Income distribution; all individuals and workingage by income band, 2013/14



Chart 5.3 (AHC): Income distribution; all individuals and children by income band, 2013/14



5.3 Summary Tables

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

Percentage of wor	king-age adults				Source: FRS
		Before Ho	using Costs	After House	sing 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
	2013/14	14	15	21	23
Percentage point	4000/00 2042/44 3.4	0	F *	2.*	2.*
change and significance	2012/13-2013/14 ^{3,4}	0	0	0	-2 * -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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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 worki	ng-age adults (millions)					Source: FRS
		Before Ho	ousing Costs	After Housing	g 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
	1997/98	5.0	6.9	6.5	8.4	33.1
FRS (UK) ²	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
	2013/14	5.4	5.8	7.9	8.5	37.6
Numerical chang	e					
for 2012/13-	1998/99-2013/14 ^{3,4}	0.4	-1.0	1.3	0.1	3.5
2013/14	2012/13-2013/14 ^{3,4}	-0.2	-0.2	-0.1	-0.2	0.0

Notes:

Knows:
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.
This report and tables use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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.

The percentage of pensioners in relative low income and absolute low income After Housing Costs (AHC) increased between 2012/13 and 2013/14. This change was not statistically significant. (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 and for 2013/14 as highlighted.
- Absolute low income saw falls up to 2009/10, followed by either flat or rising trends to 2013/14.

Just under three-quarters of pensioners own their own home outright, 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 2013/14, UK

Box 6a: Definition of a pensioner

In 2013/14 the pensioner population in private households was estimated to be 11.9 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 2013/14 HBAI statistics.

Other changes are planned and have been announced. From December 2018 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; and at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31 0231/spa-timetable.pdf

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 2013/14, 14 per cent of pensioners were in relative low income AHC, compared to 21 per cent of the whole population.
- Between 2012/13 and 2013/14 relative low income for pensioners AHC increased by 1 percentage point to 14 per cent. This change was not statistically significant.
- Relative low income in 2013/14 for pensioners has remained close to its lowest level since the series began. This long-term downward trend was driven primarily by incomes for pensioners at the lower end of the income distribution rising relative to incomes around the average.
- Over the period 1998/99 to 2013/14, 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 2012/13 and 2013/14, the percentage of pensioners in absolute low income AHC increased by 1 percentage point to 16 per cent. This change was not statistically significant.
- The Basic State Pension was up-rated by 2.5 per cent in April 2013 in accordance with the triple lock. This was above average earnings growth and CPI inflation, but below RPI inflation. In addition the Pension Credit Standard Minimum Guarantee was increased by 1.9 per cent.

• Further, as can be seen from Chart 2.5, households containing pensioners derive a smaller proportion of their income from earnings and so impacts highlighted elsewhere in this report on the income distribution for 2013/14 resulting from growth in employment rates have less effect for pensioner groups

These latest figures AHC show 1.6 million pensioners in relative low income, whilst there were 1.9 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 <u>specific</u> duties under the Equality Act 2010.

The percentage of pensioners aged 65 and over that were living in material deprivation increased by 1 percentage point between 2012/13 and 2013/14 to 9 per cent. This change was not statistically significant.

- 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'. Approximately half of pensioners in the first two income quintiles, compromising households in the bottom 40 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 four 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 3 per cent AHC.



Chart 6.2: Percentage of pensioners in low-income groups by pensions receipt, 2013/14, 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 200,000 between 2012/13 and 2013/14, 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 and over remained relatively stable between 2012/13 and 2013/14.
- In 2013/14, 21 per cent of pensioners aged 85 and over were in relative low income BHC, compared to 12 per cent for those aged 65 to 69.
- 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.
- Those pensioners who are materially deprived are more evenly spread across the age groups.
- The HBAI report 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)

 2013/14 estimates show that 27 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 18 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 23 per cent, considerably higher than that of the whole pensioner population at 14 per cent. This reflects the higher housing costs in the area.
- The North East, North West, South West, East Midlands and Scotland had the lowest percentage of pensioners in relative low income at 12 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 nearly three times as likely to be in material deprivation compared to the whole pensioner population, 26 per cent compared to 9 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, 2013/14, UK (3-year average)



Disability

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

In 2013/14 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

In 2013/14, 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 benefits 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, 2013/14, UK

Chart 6.5 compares the income distribution of pensioners in 2013/14 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**.

Chart 6.5 (BHC): Income distribution; all individuals and pensioners by income band, 2013/14



Chart 6.5 (AHC): Income distribution; all individuals and pensioners by income band, 2013/14



6.3 Summary tables

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

Percentage of pen	sioners				Source: FRS
		Before Ho	ousing Costs	After Ho	using 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
	2013/14	16	18	14	16
Percentage point	1998/99-2013/14 ^{3,4}	-11 *	-21 *	-15 *	-23 *
significance	2012/13-2013/14 ^{3,4}	1	0	1	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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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.

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

Number of pension	oners (millions)					Source: FRS
	, <i>, , ,</i>	Before Ho	ousing Costs	After Ho	using 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)	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
	2013/14	1.9	2.1	1.6	1.9	11.9
Numerical change	e					
and significance for 2012/13-	1998/99-2013/14 ^{3,4}	-0.8	-1.9	-1.3	-2.1	1.7
2013/14	2012/13-2013/14 3,4	0.1	0.1	0.1	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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these grossing factors. Imputed figures for Northern Ireland have also been revised using these grossing factors.

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.
 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 Kingdom²

				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
	2013/14	9	1.0	10.7
Percentage point/numerical change and				
significance	2012/13-2013/14 ^{3,4}	1	0.1	0.2

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 for further details.

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

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.
 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.

Disability information is presented in 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 from 2012/13 and earlier years should be made with caution (see Box 7a).

The latest estimates should be considered alongside medium and long-term patterns.

The percentage of individuals in relative low income Before Housing Costs (BHC) in families where at least one member is disabled was unchanged in 2013/14 at 20 per cent²⁶.

• For comparison, the percentage of individuals living in relative low income in families where no member is disabled also remained unchanged at 13 per cent in 2013/14 BHC²⁶.

Chart 7.1: Percentage of individuals in relative and absolute low income, BHC, by family disability status, 2002/03 to 2013/14, UK



²⁶ The apparent inconsistency with Table 7a and Chart 7.1 is due to rounding.

The percentage of individuals in absolute low income in families where at least one member is disabled also remained unchanged in 2013/14 at 22 per cent BHC. (Chart 7.1, Table 7a)

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 4.1 million under the absolute low income measure.

In 2013/14 the percentage of children in families with a disabled member that were in relative low income BHC increased by 2 percentage points to 22 per cent²⁷. This change was not statistically significant. Absolute low income BHC remained unchanged at 25 per cent for this group.

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 result is most pronounced for working-age adults, who are much more 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 32 and 18 per cent respectively.
- In contrast, pensioners living in families with a disabled member and those without have the same percentage in relative low income AHC, at 14 per cent (BHC figures are 15 and 17 per cent respectively).

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)

To highlight, the definition of disability used throughout HBAI (see Box 7a below) relies on self-reporting on physical or mental health conditions or illnesses lasting 12 months or more which are felt by the respondent to limit their day-to-day activities.

As such, many of those reported in HBAI as disabled will not necessarily be in receipt of any of the main disabilities benefits and, in some cases, may not be considered eligible against current assessment criteria. Indicatively, for 2013/14 whilst 30 per cent of individuals live in a family where someone is disabled using the HBAI definition, in over two-thirds of cases they are not in receipt of disability benefits (Table 3.3ts).

²⁷ 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 are 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.

2012/13 onwards

In 2012/13 the Family Resources Survey (FRS) disability questions were revised to reflect new <u>harmonised standards</u>. 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 2012/13 the number of individuals in families where someone is disabled fell by 0.3m in 2013/14, whilst the number of individuals in families where no-one is disabled increased by $0.4m^{28}$.

This time series 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 figures from 2012/13 and earlier years should be made with caution.

Percentage of individuals in families where someone is disabled, 2002/03 to 2013/14, UK



²⁸ The apparent inconsistency with Table 3.3ts is due to rounding.

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 remained unchanged at 20 per cent in 2013/14²⁹.

- For comparison, the percentage of individuals living in relative low income in families where no member is disabled has also remained unchanged at 13 per cent in 2013/14²⁹.
- The percentage of individuals in relative low income AHC, in families where at least one member is disabled increased by 2 percentage points to 27 per cent in 2013/14. This change was statistically significant.

The percentage of individuals in absolute low income in families where at least one member is disabled remained unchanged at 22 per cent BHC in 2013/14, following previous increases from 2009/10.

- Similarly, the percentage of individuals living in absolute low income in families where no member is disabled also remained unchanged at 14 per cent BHC²⁹.
- The percentage of individuals in absolute low income AHC, in families where at least one member is disabled increased by 2 percentage points to 30 per cent in 2013/14²⁹. This change was statistically significant.

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 4.1 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 (20 per cent compared to 13 per cent).

• This was particularly the case for individuals in families containing one or more disabled member and not in receipt of disability benefits³⁰, at 23 per cent BHC. This compares to 13 per cent BHC for both those individuals in families either with no disabled members, and those with 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.

²⁹ The apparent inconsistency with Chart 7.1 and Table 7a is due to rounding.

³⁰ Disability benefits are Disability Living Allowance; Personal Independence Payment, 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.

- This result is most pronounced for working-age adults, who are much more 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.
- Households containing a disabled member derive a smaller proportion of their income from earnings and so impacts highlighted elsewhere in this report on the income distribution for 2013/14 resulting from growth in employment rates will have less effect for these groups.
- 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 both working-age adults and 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, 2013/14, UK



7.2 Children

(Chart 7.3, Tables 7c and 7d)

In 2013/14 the percentage of children in families with a disabled member that were in relative low income BHC increased by 2 percentage points to 22 per cent³¹. This change was not statistically significant. Absolute low income BHC remained unchanged at 25 per cent for this group.

• For children living in families with no disabled members, the percentage in relative low income fell by 1 percentage point to 17 per

³¹ The apparent inconsistency with Chart 7.3 and Table 7c is due to rounding.

cent BHC and to 27 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; 14 per cent and 26 per cent respectively BHC. (Table 4.19ts)
- Children in families containing one or more disabled member were more than 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)

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.





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 2012/13 and 2013/14, the percentage of working-age adults living in families containing one or more disabled member in relative low income BHC remained unchanged at 22 per cent, but increased by 2 percentage points AHC to 32 per cent³². This change was not statistically significant.
- The percentage of working-age adults in families with at least one disabled member in absolute low income remained unchanged at 23 per cent BHC³³, but increased by 2 percentage points AHC to 34 per cent. This change was not statistically significant.
- In comparison, the percentage of working-age adults living in absolute low income in families where no member is disabled remained unchanged at 13 per cent BHC and decreased by 1 percentage point AHC to 19 per cent. This change was statistically significant.
- 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, at 38 and 37 per cent respectively in 2013/14. (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 9 per cent for those with no disabled member BHC.

³² The apparent inconsistency with Chart 7.4 and Table 7e is due to rounding.

Chart 7.4: Percentage of working-age adults in relative and absolute low income by family disability status, 2002/03 to 2013/14, BHC, UK



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 2013/14, 52 per cent of pensioners lived in a family containing one or more disabled member, compared to 27 per cent for children and 24 per cent for working-age adults.

In 2013/14 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 at 14 per cent, and show broadly similar trends over time.

- Between 2012/13 and 2013/14, the percentage of pensioners living in families containing one or more disabled member in relative low income increased by 1 percentage point to 14 per cent AHC. This change was not statistically significant. Despite recent increases, 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 more than twice as likely to be in low-income households AHC (18 per cent) compared to those in receipt of disability benefits (7 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 16 per cent. This change was not statistically significant.
- For pensioners in families with no disabled members both relative and absolute low income AHC were unchanged in 2013/14 at 14 per cent and 16 per cent respectively.

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 more than twice as likely to be in material deprivation compared to those living in families where no-one is disabled, 12 per cent compared to 5 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 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 2013/14, AHC, UK



Box 7d Disability indicators

The HBAI is used to inform the DWP indicator to measure progress on the Government's aim of <u>helping disabled people to fulfil their potential</u>. 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 <u>specific</u> 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 2013/14, 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 2 percentage points BHC, to 20 per cent. This change was statistically significant. AHC, there was an increase of 1 percentage point to 27 per cent³³; 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 2 percentage points BHC to 13 per cent, while AHC remained unchanged at 19 per cent. The decrease BHC was statistically significant.

Between 2004/05 and 2013/14, the percentage of children in families with a disabled member that were in relative low income fell by 6 percentage points to 22 per cent BHC and by 1 percentage point to 37 per cent AHC. The change BHC was statistically significant but the change AHC was not.

A progress report on the Framework was published in September 2014.

³³ 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 2013/14 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, 2013/14



Chart 7.6 (AHC): Income distribution; all individuals and all in families with at least one disabled member by income band, 2013/14



Equivalised net household income (in £10 per week bands)

7.6 Summary tables

Table 7a: Estimated percentage of individuals in relative/absolute low income by disability, United Kingdom ^{1,2,3}

Percentage of in	ndividuals							:	Source: FRS
		E	Before Hous	ing Costs			After Hou	sing Cost	S
		Relative I	ow income	Absolute I	ow income	Relative I	ow income	Absolute	low income
	Individuals in families where:	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
	2001/02	16	25	17	27	20	30	21	32
FRS (UK) ²	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
	2013/14	13	20	14	22	19	27	20	30
Percentage poir	nt								
change and significance	2012/13-2013/14 ^{4,5}	0	0	0	0	-1	2 *	-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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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 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.

Table 7b: Estimated number of individuals in relative/absolute low income by disability, United Kingdom ^{1,2,3}

Number of in	dividuals									Source: FRS
		В	efore Hous	ing Costs		Α	fter Housin	g Costs		
		Relative I	ow income	Absolute I	ow income	Relative le	ow income	Absolute le	ow 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
	2013/14	5.9	3.7	6.4	4.1	8.2	5.1	8.9	5.6	63.0
Numerical										
cnange and significance	2012/13-2013/14 ^{4,5}	-0.1	0.0	-0.1	-0.1	-0.3	0.3	-0.4	0.3	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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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 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.

Table 7c: Estimated percentage of children in relative/absolute low income by disability, United Kingdom^{1,2,3}

Percentage of c	hildren								Source: FRS
E		В	efore Hous	ing Costs			After Hou	sing Cos	ts
		Relative l	ow income	Absolute I	ow income	Relative I	ow 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								
	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
	2013/14	15	22	17	25	24	37	27	40
Percentage poir	nt								
change and significance	2012/13-2013/14 ^{4,5}	-1	2	-1	0	-1	4	-1	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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these grossing factors.

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Table 7d: Estimated number of children in relative/absolute low income by disability, United Kingdom^{1,2,3}

Number of ch	ildren								Sc	ource: FRS
Number of ch	lidren	В	efore Hous	ing Costs	;	A	After Housi	ng Costs		
		Relative I	ow income	Absolute	low income	Relative I	ow income	Absolute	low income	All Children
	Children in families where:	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
	2013/14	1.5	0.8	1.6	0.9	2.4	1.3	2.6	1.5	13.4
Numerical change and	45									
significance	2012/13-2013/14 ^{4,5}	-0.1	0.0	-0.1	0.0	-0.1	0.1	-0.1	0.1	0.0

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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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 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.

Table 7e: Estimated percentage of working-age adults in relative/absolute low income by disability, United Kingdom^{1,2,3}

Percentage of w	orking-age adults							S	ource: FRS
		Be	efore Hous	ing Costs			After Hou	sing Cost	5
		Relative le	ow income	Absolute I	ow income	Relative le	ow income	Absolute I	ow 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
	2001/02	12	24	13	25	16	29	17	30
FRS (UK)	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
	2013/14	12	22	13	23	18	32	19	34
Percentage poin	t								
significance	2012/13-2013/14 ^{4,5}	-1	0	0	0	-1	2	-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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these 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 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.

Table 7f: Estimated number of working-age adults in relative/absolute low income by disability, United Kingdom^{1,2,3}

Number of w	orking-age adults									Source: FRS
		B	efore Hous	ing Costs		Af	ter Housin	g Costs		
		Relative	ow income	Absolute I	ow income	Relative le	ow income	Absolute l	ow income	All Working-
	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	uge uduns
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
	2013/14	3.4	1.9	3.7	2.1	5.0	2.9	5.4	3.1	37.6
Numerical change and										
significance	2012/13-2013/14 ^{4,5}	-0.1	0.0	-0.1	-0.1	-0.3	0.2	-0.4	0.2	0.0

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.

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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.

Table 7g: Estimated percentage of pensioners in relative/absolute low income by disability, United Kingdom^{1,2,3}

Percentage of per	sioners								Source: FRS
		B	efore Housi	ing Costs			After Hou	using Cos	sts
		Relative lo	ow income	Absolute I	ow income	Relative le	ow income	Absolute	low income
	Pensioners in families where:	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
	2013/14	17	15	19	17	14	14	16	16
Percentage point									
change and significance	2012/13-2013/14 ^{4,5}	1	0	1	0	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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these grossing factors.

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

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Table 7h: Estimated number of pensioners in relative/absolute low income by disability, United Kingdom^{1,2,3}

Number of pe	ensioners									Source: FRS
		В	efore Hous	sing Costs		Α	fter Housin	g Costs		
		Relative I	ow income	Absolute I	ow income	Relative l	ow income	Absolute	low income	All Pensioners
	Pensioners in families where:	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
	2001/02	1.2	1.3	1.3	1.4	1.2	1.4	1.4	1.5	10.4
FRS (UK)	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
	2013/14	1.0	0.9	1.1	1.0	0.8	0.9	0.9	1.0	11.9
Numerical change and										
significance	2012/13-2013/14 ^{4,5}	0.1	0.0	0.1	0.0	0.0	0.1	0.0	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.

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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.

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 nonresponse 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 nonsampling 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 2013/14 HBAI report

Prior to the 2012/13 publication confidence intervals in HBAI were calculated using an estimating function approach. From 2012/13 onwards 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 <u>Uncertainty in Family Resources Survey-based analysis</u>.

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

15.2 per cent of individuals are estimated to be living in relative low income. This figure has a stated confidence interval of 14.5 to 15.9 per cent (Table 8b). This means that we can be 95 per cent sure that between 14.5 and 15.9 per cent of individuals are in relative low income. Our best estimate is 15.2 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 2012/13 to 2013/14 is a decrease of 0.2 percentage points (Table 8b). The confidence interval around this figure is -1.1 to 0.7 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 1.1 percentage points and an increase of 0.7 percentage points, with the best estimate being a decrease of 0.2 percentage points. As the confidence interval includes zero this change is not statistically significant, which indicates that there is at least a 5 per cent probability that the change 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 2013/14 is a decrease of 9.1 percentage points (Table 4a). The confidence interval around this figure is -10.5 to -7.4 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 10.5 percentage points and a decrease of 7.4 percentage points, with the best estimate being a decrease of 9.1 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 2013/14 prices, United Kingdom

	Estimate	95% confidence limits
Income Before Housing Costs		
Quintile 1	239	(235 , 243)
Quintile 2	343	(338, 346)
Quintile 3	453	(448 , 459)
Quintile 4	604	(595 , 612)
Quintile 5	910	(893 , 928)
Mean	561	(547 , 578)
Gini coefficient (per cent)	34.2	(32.9 , 35.8)
Income After Housing Costs		
Quintile 1	163	(158 , 167)
Quintile 2	275	(271 , 280)
Quintile 3	386	(382 , 391)
Quintile 4	536	(529 , 543)
Quintile 5	827	(811 , 844)
Mean	487	(473 , 502)
Gini coefficient (per cent)	39.0	(37.7 40.7)

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

Percentage of individuals	3								
		All in	dividuals	Ch	nildren	Workin	g-age adults	Pe	nsioners
		Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits
Before Housing Costs	8								
Relative low income	percentage below 60% of contemporary median income	15.2	(14.5 , 15.9)	17.0	(15.9 , 18.3)	14.3	(13.6,14.9)	16.2	(15.1 , 17.2)
Percentage point change and significance ¹	2012/13-2013/14	-0.2	(-1.1 , 0.7)	-0.4	(-2.0 , 1.4)	-0.4	(-1.3 , 0.6)	0.5	(-1.1 , 2.0)
Absolute low income	percentage below 60% of 2010/11 median income held constant in real terms	16.6	(15.9 , 17.3)	19.1	(17.9 , 20.3)	15.4	(14.6 , 16.1)	17.7	(16.7 , 18.7)
Percentage point change and significance ¹	2012/13-2013/14	-0.3	(-1.2 , 0.7)	-0.4	(-2.0 , 1.2)	-0.4	(-1.5 , 0.7)	0.4	(-1.0 , 1.7)
After Housing Costs Relative low income	percentage below 60% of contemporary median income	21.0	(20.3 , 21.7)	27.7	(26.2 , 28.9)	21.0	(20.2 , 21.7)	13.8	(12.8 , 14.8)
Percentage point change and significance ¹	2012/13-2013/14	0.0	(-1.0 , 0.9)	0.4	(-1.7 , 2.0)	-0.3	(-1.4 , 0.8)	0.5	(-0.9 , 2.0)
Absolute low income	percentage below 60% of 2010/11 median income held constant in real terms	23.0	(22.2 , 23.8)	30.6	(29.2 , 31.9)	22.6	(21.7 , 23.5)	16.0	(15.0 , 16.9)
Percentage point change and significance ¹	2012/13-2013/14	-0.2	(-1.4 , 0.9)	0.0	(-1.9 , 1.9)	-0.6	(-2.0 , 0.8)	0.7	(-0.5 , 2.1)

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. This means that the changes are unlikely to have occurred as a result of chance.

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

Number of individuals	s (millions)												
		All in	ndividuals	С	hildren		Workin	ig-age ac	lults	Pe	ensione	ers	
		Estimate	95% Confidence limits	Estimate	95 Confie lim	% dence its	95% Confidence Estimate limits			95% Confidence Estimate limits		ence	
Before Housing Co	osts												
Relative low income	number below 60% of contemporary median income	9.58	(9.13 , 10.04)	2.28	(2.12	, 2.45)	5.37	(5.10 ,	5.65)	1.94	(1.79	,	2.06)
Numerical change and significance ¹	2012/13-2013/14	-0.13	(-0.72 , 0.47)	-0.05	(-0.28	, 0.19)	-0.16	(-0.52 ,	0.24)	0.08	(-0.13	,	0.26)
Absolute low income	number below 60% of 2010/11 median income held constant in real terms	10.45	(10.01 , 10.89)	2.55	(2.39	, 2.74)	5.79	(5.49 ,	6.09)	2.11	(1.99	,	2.24)
Numerical change and significance ¹	2012/13-2013/14	-0.15	(-0.78 , 0.45)	-0.06	(-0.30	, 0.19)	-0.15	(-0.58 ,	0.27)	0.06	(-0.11	,	0.23)
After Housing Cos Relative low income	ts number below 60% of contemporary median income	13.24	(12.77 , 13.68)	3.71	(3.50	, 3.90)	7.89	(7.56 ,	8.21)	1.64	(1.52	,	1.77)
Numerical change and significance ¹	2012/13-2013/14	0.01	(-0.69 , 0.60)	0.05	(-0.26	, 0.29)	-0.11	(-0.61 ,	0.34)	0.07	(-0.11	,	0.26)
Absolute low income	number below 60% of 2010/11 median income held constant in real terms	14.51	(13.95 , 15.01)	4.09	(3.88	, 4.30)	8.51	(8.13 ,	8.88)	1.91	(1.79	,	2.03)
Numerical change and significance ¹	2012/13-2013/14	-0.11	(-0.97 , 0.61)	0.00	(-0.31	, 0.31)	-0.21	(-0.82 ,	0.32)	0.10	(-0.06	,	0.27)

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. This means that the changes are unlikely to have occurred as a result of chance.

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	3								
		All in	dividuals	C	hildren	Workin	g-age adults	Per	nsioners
		Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits	Estimate	95% Confidence limits
Before Housing Costs	5								
Relative low income	percentage below 60% of contemporary median income	19.6	(18.4 , 20.8)	22.5	(20.0 , 25.1)	21.5	(20.0 , 23.0)	15.2	(13.8 , 16.5)
Percentage point change and significance ¹	2012/13-2013/14	0.3	(-1.5 , 2.0)	1.5	(-2.2 , 4.6)	0.0	(-2.2 , 2.1)	0.1	(-1.9 , 2.0)
Absolute low income	percentage below 60% of 2010/11 median income held constant in real terms	21.5	(20.4 , 22.6)	25.0	(22.5 , 27.4)	23.4	(21.8 , 24.9)	16.8	(15.5 , 18.1)
Percentage point change and significance ¹	2012/13-2013/14	-0.1	(-1.8 , 1.5)	0.4	(-3.3 , 3.8)	-0.3	(-2.5 , 1.8)	-0.2	(-2.1 , 1.7)
After Housing Costs									
Relative low income	percentage below 60% of contemporary median income	26.8	(25.3 , 28.1)	36.7	(33.4 , 39.4)	31.6	(29.8 , 33.2)	14.0	(12.6 , 15.3)
Percentage point change and significance ¹	2012/13-2013/14	2.1	(0.0 , 3.9) *	3.6	(-0.8 , 7.0)	2.2	(-0.3 , 4.4)	1.0	(-0.9 , 3.1)
Absolute low income	percentage below 60% of 2010/11 median income held constant in real terms	29.6	(28.2 , 30.9)	40.3	(37.2 , 43.2)	34.3	(32.5 , 36.1)	16.4	(15.1 , 17.7)
Percentage point change and significance ¹	2012/13-2013/14	2.1	(0.2 , 4.1) *	3.0	(-1.0 , 7.0)	2.2	(-0.1 , 4.5)	1.5	(-0.4 , 3.3)

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.

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 earlier 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 (m	illions)								
		All ir	ndividuals	с	hildren	Worki	ng-age adults	Pe	nsioners
		95% Confidence Estimate limits		95% Confidence Estimate limits		95% Confidence		Estimate	95% Confidence limits
Before Housing Costs	3								
Relative low income	number below 60% of contemporary median income	3.71	(3.48 , 3.95)	0.82	(0.72 , 0.93)	1.94	(1.80 , 2.10)	0.95	(0.85 , 1.03)
Numerical change and significance ¹	2012/13-2013/14	0.01	(-0.38 , 0.33)	0.04	(-0.12 , 0.17)	-0.03	(-0.25 , 0.19)	-0.01	(-0.14 , 0.11)
Absolute low income	number below 60% of 2010/11 median income held constant in real terms	4.07	(3.82 , 4.33)	0.91	(0.81 , 1.02)	2.11	(1.96 , 2.27)	1.04	(0.96 , 1.13)
Numerical change and significance ¹	2012/13-2013/14	-0.09	(-0.44 , 0.23)	-0.01	(-0.15 , 0.15)	-0.06	(-0.27 , 0.17)	-0.03	(-0.16 , 0.09)
After Housing Costs									
Relative low income	number below 60% of contemporary median income	5.07	(4.77 , 5.32)	1.35	(1.20 , 1.47)	2.85	(2.68 , 3.03)	0.87	(0.78 , 0.95)
Numerical change and significance ¹	2012/13-2013/14	0.32	(-0.09 , 0.70)	0.10	(-0.08 , 0.27)	0.16	(-0.10 , 0.41)	0.05	(-0.07 , 0.18)
Absolute low income	number below 60% of 2010/11 median income held constant in real terms	5.59	(5.30 , 5.90)	1.48	(1.33 , 1.62)	3.10	(2.91 , 3.29)	1.02	(0.94 , 1.11)
Numerical change and significance ¹	2012/13-2013/14	0.32	(-0.10 , 0.74)	0.08	(-0.09 , 0.28)	0.16	(-0.10 , 0.42)	0.08	(-0.05 , 0.20)

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 earlier reports.

Annex 1

A1. Benefit and tax reform in 2013/14

This Annex summarises some of the major benefit and tax reforms which came into effect in 2013/14. It is not intended to represent an exhaustive list.

Up-rating

- In April 2013:
 - The Basic State Pension was up-rated by 2.5 per cent in line with the triple lock.
 - Working-age benefits such as Jobseeker's Allowance, Income Support, and Employment Support Allowance (work-related activity group) were up-rated by 1 per cent.
 - Child benefit, along with elements of tax credits, was frozen in cash terms. Tax Credit elements for disabled adults and children, however, were up-rated at between 2.2 and 2.5 per cent.
 - Disability benefits (Disability Living Allowance and Attendance Allowance) were up-rated by 2.2 per cent.

Benefit Cap

 The introduction of the benefit cap limited the total amount of benefit that most people aged 16 to 64 can receive to £500 a week for couples and lone parents, and £350 a week for single adults. Those living in households eligible for Working Tax Credit or in receipt of certain prescribed benefits³⁴ are not affected by the benefit cap.

Council Tax

 In 2013/14, local authorities in England continued to benefit 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 2012/13. Local authorities were 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.

³⁴ Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Benefits, Employment and Support Allowance (support component), War Widow(er)'s Pension, War pensions, Armed Force Compensation Scheme, and Armed Forces Independence Payment

• The Department for Communities and Local Government <u>estimate</u> that the average Band D council tax set by local authorities in England in 2013/14 represented an increase of 0.8 per cent on 2012/13 levels.

Housing Benefit (HB)

- The removal of the spare room subsidy from April 2013, affecting working age claimants only, reduced the eligible rent for many living in the social rented sector.
- From April 2013 Local Housing Allowance (LHA) rates were up-rated in line with CPI or with the bottom 30 per cent of private sector rents, whichever was lower. LHA rates were frozen in the previous year and, prior to this, were subject to monthly reviews by Rent Officers based on movements in private sector rent levels.

Council Tax Reduction

 In April 2013 Council Tax Benefit was replaced by Council Tax Reduction, a move from a national system to a localised one where each council runs its own scheme and so entitlement depends upon where you live in the country. Pensioners are guaranteed to receive the same amounts under Council Tax Reduction as they would have done via Council Tax Benefit.

Universal Credit

 In April 2013, DWP, along with delivery partners in HMRC and local authorities, introduced Universal Credit for claimants within certain areas of the north-west of England, progressively rolling it out nationally from October 2013. Given the relatively low caseload levels over 2013/14 and the constraints of survey data, analysis of Universal Credit was not considered for inclusion in HBAI this year.

Personal Independence Payment

• Personal Independence Payment (PIP) started to replace Disability Living Allowance (DLA) for people aged 16 to 64 from 8 April 2013. PIP is a benefit to help with the extra costs caused by living with long-term ill-health or a disability. The amount of benefit received depends on how the condition affects the recipient rather than the condition itself.

High Income Child Benefit Tax Charge

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

Income Tax

- In 2013/14 the income tax personal allowance increased by £1,335 to £9,440 for those aged under 65, and was frozen at £10,500 for those aged 65-74 and at £10,660 for those aged 75 or older.
- The threshold for the 40 per cent higher rate of income tax fell to £41,450 from £42,475 and the tax rate for additional rate payers, charged on earnings above £150,000 fell from 50 per cent to 45 per cent.

Annex 2

A2. Other relevant statistics

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

In February 2015 the United Kingdom Statistics Authority (UKSA) published a report on the outcome of a monitoring review into the <u>Coherence and</u> <u>Accessibility of Official Statistics on Income and Earnings</u>.

This review considers the way in which official statistics about income and earnings across Government are presented and includes summary details of the official statistics with the Review's scope; discussion of the conceptual issues faced by users and advice needed when attempting to analyse official statistics; and makes recommendations around potential solutions to concerns identified and for the longer term development of income and earnings statistics.

The statistics highlighted below represent a number of statistical releases which might be considered alongside results from HBAI in order to give a more complete picture. This is not intended to be an exhaustive list and should be considered alongside details from the UKSA review highlighted, as well as recent ONS guidance on sources of data on earnings and income.

Poverty and income inequality in Scotland

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

Households Below Average Income Report for Northern Ireland

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

EU comparisons

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

http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/maintables

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-seriesstatistics--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-wellbeing/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 national measure of relative low income 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 continued rollout of Universal Credit, which will replace tax credits for families with children, government statisticians will 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/statistics/personal-tax-credits-children-in-lowincome-families-local-measure-2012-snapshot-as-at-31-august-2012

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, Jobseeker's 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-benefithouseholds--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=tru e&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 September 2015.

Welsh Index of Multiple Deprivation

This is the official 2014 measure of deprivation in small areas in Wales. It is a relative measure of concentrations of deprivation at the small area level.

http://gov.wales/statistics-and-research/welsh-index-multipledeprivation/?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

Annex 3

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 data³⁵ to examine topics such as income inequality, 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": Belfield, Cribb, Hood and Joyce, Institute for Fiscal Studies, 2014;
- "<u>Monitoring poverty and social exclusion 2013</u>": MacInnes, Aldridge, Bushe, Tinson and Barry Born, Joseph Rowntree Foundation and New Policy Institute, 2014;
- <u>"Falling Behind, Getting Ahead: The Changing Structure of Inequality in</u> <u>the UK, 2007-2013"</u>: Hills, Cunliffe, Obolenskaya and Karagiannaki, Centre for Analysis of Social Exclusion, 2015.

Within government the statistics and data are used:

- to inform policy development and monitoring, and for international comparisons;
- to inform on progress against three of the four income-related targets set in the <u>Child Poverty Act 2010</u>³⁶;
- 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;
- to inform the DWP indicator to measure progress on the Government's aim of <u>helping disabled people to fulfil their potential;</u>

³⁵ The UK Data Service web-site provides information on access to HBAI data <u>http://discover.ukdataservice.ac.uk/catalogue/?sn=5828&type=Data%20catalogue</u>

³⁶ The HBAI report presents data for the income-related measures 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.

- in the DWP's Policy Simulation Model (PSM)³⁷ and HM Treasury's Inter-Governmental Tax Benefit Model (IGOTM)³⁸; 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 <u>Scottish Government's Solidarity</u> <u>Purpose Target;</u>
- to inform two of the <u>Scottish Government's Scotland Performs National</u> <u>Indicators;</u>
- to monitor progress of the <u>Scottish Government Child Poverty Strategy</u>. 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 <u>Annual Report for the Child Poverty Strategy for Scotland 2014</u>; 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 <u>Welsh Government's Programme for</u> <u>Government Poverty indicators;</u>
- to monitor progress of the <u>Welsh Government's Tackling Poverty</u> <u>Action Plan 2012-2016</u>.

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 <u>Northern Ireland Executive Programme for</u> <u>Government 2011-2015 targets</u>.

³⁷ PSM is used extensively by analysts in DWP and the Department for Social Development, Northern Ireland, for policy evaluation and costing of policy options.

³⁸ IGOTM is used to model possible tax and benefit changes before policy changes are decided and announced.

Annex 4

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 basket.

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 Prices Index (CPI) and CPIH. The differences between these indices are detailed in Box A4b.

AHC figures are not presented in this Annex as not all indices have an appropriate AHC variant available for use. Relative low income figures under different inflation measures are also not presented 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.

The analysis shows that <u>historically</u> there are differences in average (median) household income in 2013/14 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 2013/14 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. <u>Conversely, in 2013/14, the number and percentage of individuals in absolute low income using variants of RPI was higher than under the other inflation measures examined (Charts A4.3-A4.4, Tables A4.3-A4.8).</u>

The changes in the percentage and number of individuals in the different groups in absolute low income between 2012/13 and 2013/14, under each of the four different inflation measures were not statistically significant.

Background

The HBAI uses variants of RPI to adjust for inflation. In January 2013, the National Statistician announced that, 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 <u>UK Statistics Authority website</u>. Even so, RPI is still in widespread use, in wage negotiations and long-term contracts, private sector pensions, rail fares, and index-linked gilts.

In May 2013, Paul Johnson, Director of the Institute for Fiscal Studies, was invited by the UKSA to lead a review into UK price indices, to consider what changes are needed to the range of consumer price statistics produced for the UK, to best meet current and future needs.

The <u>Johnson Review</u> was published in January 2015, delivering a final report with a series of recommendations to the Board of the UKSA. Chief amongst these was the recommendation that CPIH be adopted as the UK's main price index.

The UKSA published a consultation document on consumer price statistics, following the Johnson Review, on 15th June 2015. This consultation will close on 15th September 2015 after which, the Authority will summarise the responses and publish a report in autumn 2015. The Board of the Authority will consider that report carefully, alongside any advice from the Authority's regulatory function, before it issues its final response in early 2016.

As advised in the <u>Statistical Notice</u> 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 recommended because there are currently no suitable alternatives with appropriate BHC and AHC indices available.

Given the continued absence of clear official guidance on this issue and the lack of a suitable alternative with appropriate BHC and AHC indices, following further engagement with the HBAI Technical Advisory Group, RPI has continued to be used as the measure of inflation for the 2013/14 report. We hope to be in a position to consult users on potential changes to the use of inflation indices in HBAI in advance of the 2014/15 publication.

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. A 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 price of renting a property. However, their treatment of owner occupier costs and mortgage interest payments are different. RPIJ is a revised 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 also includes estimates of 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.

To note, whilst all analysis in HBAI is based around the concept of one measure of inflation which tells us how costs are changing for all household types, in reality households with different characteristics have different spending patterns and these spending patterns affect each household's experience of inflation. As such, it is likely that households in different parts of the UK, or at different positions on the overall income distribution, may face differential inflation rates.

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.

Box A4b: Sumn	nary of th	ne Indices
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	RPI	RPIJ	CPI	СРІН
Population Base	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.
Coverage	 The RPI covers a range of costs, including: 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: 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.
Housing Costs	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.	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.
Weights	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.
Index Construction Formulae – at elementary aggregate level	The RPI is constructed using an arithmetic mean (AM) and uses the Carli formula.	RPIJ used a geometric mean (GM) – the Jevons formula.	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.

For 2012/13 and 2013/14, rates returned to around 2.5-3 per cent growth in all four indices, broadly consistent with longer term historical trends.

Chart A4.1: RPI, RPIJ, CPI and CPIH inflation rate, and Bank of England base rate, 1998/99 to 2013/14



Income Trends

As expected, differences between household income BHC in 2013/14 prices reduce over time, with the largest differences seen in the earliest year (Tables A4.2a-A4.2d).

Average (median) household income for past years in 2013/14 prices based on RPI adjustment is higher than average household income under the three other inflation measures in most years. This is because inflation as measured by RPI tends to be higher than the other measures cited.

The average household income values deflated by RPI, RPIJ, CPI and CPIH all stayed flat or increased minimally in value between 2012/13 and 2013/14 – none of the changes under each inflation measure were statistically significant. The average income deflated by both RPI and RPIJ peaked in 2009/10, similar to RPIJ. For CPI and CPIH the average income peaked in 2007/08 and 2008/09.

Chart A4.2: Average (median) household income in average 2013/14 prices, deflated by different inflation measures, BHC, 1998/99 to 2013/14, GB/UK



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. This is because average income is higher under RPI and therefore fewer people are counted as being in absolute low income.

In 2013/14, the number and percentage of individuals in absolute low income under RPI inflation is higher than under the other inflation measures. This is because RPI inflation is generally higher than other inflation measures and therefore the absolute low income threshold (60 per cent of 2010/11 median in 2013/14 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 BHC, between 2012/13 and 2013/14 under each of the four different inflation measures were not statistically significant.



Chart A4.3: The percentage of individuals in absolute low income, BHC, 1998/99 to 2013/14, GB/UK





A4 Summary Tables

Table A4.2a: Money values of quintile medians and overall population mean in average 2013/14 prices, RPI inflation, United Kingdom¹

						RPI
£pw equivalised 2013/14 prices						Source: FRS
		Quint	ile group media	ans		
	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Population
			(median)			mean
Income Before Housing Costs						
1997/98	197	291	403	543	821	487
1998/99	201	297	409	558	851	504
1999/00	208	306	422	570	864	515
2000/01	215	318	435	587	896	538
2001/02	228	337	456	607	938	561
2002/03	231	341	461	610	930	561
2003/04	232	344	462	614	924	560
2004/05	237	349	466	619	939	568
2005/06	236	350	470	626	950	575
2006/07	233	351	474	628	962	582
2007/08	232	352	474	631	971	588
2008/09	237	357	478	639	988	594
2009/10	244	361	480	641	991	602
2010/11	242	355	467	615	939	569
2011/12	236	345	453	603	916	560
2012/13	234	346	453	595	910	551
2013/14	239	343	453	604	910	561
and significance 2012/13-2013/14 ²	2	-1	0	1	0	2

Notes:

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

Table A4.2b: Money values of quintile medians and overall population mean in average 2013/14 prices, RPIJ inflation, United Kingdom¹

						RPIJ
£pw equivalised 2013/14 prices						Source: FRS
		Quint	ile group media	ans		
	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Population
			(median)			mean
Income Before Housing Costs						
1997/98	181	267	369	498	752	447
1998/99	186	275	379	517	789	467
1999/00	191	281	388	525	795	474
2000/01	204	302	413	558	851	511
2001/02	217	321	434	578	892	534
2002/03	219	325	439	581	885	535
2003/04	221	328	440	584	880	533
2004/05	226	332	445	590	895	541
2005/06	226	335	449	599	909	550
2006/07	223	337	455	603	923	558
2007/08	223	339	457	608	936	567
2008/09	229	346	462	618	955	575
2009/10	237	350	466	622	962	585
2010/11	236	347	456	601	918	556
2011/12	233	340	447	594	903	552
2012/13	232	343	450	591	904	547
2013/14	239	343	453	604	910	561
Percentage change						
and significance 2012/13-2013/14 ²	3 *	0	1	2 *	1	3

Notes:

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

Table A4.2c: Money values of quintile medians and overall population mean in average 2013/14 prices, CPI inflation, United Kingdom¹

						CPI
£pw equivalised 2013/14 prices						Source: FRS
		Quint	ile group media	ans		
	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Population
			(median)			mean
Income Before Housing Costs						
1997/98	172	254	351	474	715	425
1998/99	181	267	368	501	765	453
1999/00	186	274	377	510	773	461
2000/01	200	296	404	545	832	500
2001/02	211	313	424	564	871	521
2002/03	216	319	431	570	870	525
2003/04	219	326	437	580	874	530
2004/05	227	335	447	593	901	545
2005/06	228	338	453	604	916	554
2006/07	227	342	462	612	939	567
2007/08	230	350	471	627	966	584
2008/09	234	352	470	628	970	584
2009/10	236	350	465	620	960	583
2010/11	238	349	458	604	922	559
2011/12	234	341	448	596	906	553
2012/13	232	343	450	591	904	548
2013/14	239	343	453	604	911	562
Percentage change						
and significance 2012/13-2013/14 ²	3 *	0	1	2 *	1	3

Notes:

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

Table A4.2d: Money values of quintile medians and overall population mean in average 2013/14 prices, CPIH inflation, United Kingdom¹

						CPIH
£pw equivalised 2013/14 prices						Source: FRS
		Quint	ile group media	ans		
	Quintile 1	Quintile 2	Quintile 3 (median)	Quintile 4	Quintile 5	Population mean
Income Before Housing Costs						
2005/06	223	331	444	592	898	543
2006/07	222	335	453	600	920	556
2007/08	225	342	461	613	946	572
2008/09	229	345	461	617	952	573
2009/10	232	344	458	611	945	574
2010/11	236	346	454	599	914	554
2011/12	233	339	447	593	901	551
2012/13	232	343	449	590	903	547
2013/14	239	343	453	604	911	561
Percentage change and significance 2012/13-2013/14 ²	3 *	0	1	2 *	1	3

Notes:

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

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 N	lumber of individuals									Source: FRS
			Perce	ntage			Number			
		RPI	RPIJ	CPI	СРІН	RPI	RPIJ	CPI	СРІН	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	11.1	59.3
	2006/07	17	18	18	18	10.2	10.8	10.5	10.8	59.7
	2007/08	17	18	17	17	10.5	10.9	10.1	10.5	60.2
	2008/09	17	17	17	17	10.2	10.5	10.1	10.4	60.7
	2009/10	15	16	16	17	9.4	9.7	9.9	10.2	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	10.4	62.5
	2012/13	17	16	16	16	10.6	10.1	10.3	10.0	62.9
Percentage point/numerical change and	2013/14	17	16	16	15	10.4	9.8	9.9	9.7	63.0
significance	2012/13-2013/14 ^{3,4}	0	-1	-1	-1	-0.1	-0.4	-0.4	-0.3	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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 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 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 N	lumber of children									Source: FRS
			Perce	ntage			Number			
		RPI	RPIJ	CPI	СРІН	RPI	RPIJ	CPI	СРІН	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	23	2.7	2.9	2.8	2.9	13.0
	2007/08	22	23	21	22	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	2.6	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	2.4	13.4
	2013/14	19	18	18	17	2.6	2.3	2.4	2.3	13.4
Percentage point/numerical										_
change and significance	2012/13-2013/14 5.4	0	-1	-1	-1	-0.1	-0.1	-0.1	-0.1	0

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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

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.
 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 M	umber of working-age a	adults								Source: FRS
			Perce	ntage			Number	All working-		
		RPI	RPIJ	CPI	CPIH	RPI	RPIJ	CPI	СРІН	(millions)
FRS (GB) FRS (UK)	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
FRS (UK)	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	5.4	35.9
	2007/08	15	15	14	15	5.3	5.6	5.2	5.4	36.1
	2008/09	15	15	15	15	5.5	5.6	5.4	5.6	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	5.9	37.5
	2012/13	16	15	15	15	5.9	5.7	5.8	5.7	37.7
	2013/14	15	14	15	14	5.8	5.5	5.5	5.4	37.6
Percentage point/numerical change and significance	2012/13-2013/14 ^{2,3}	0	-1	-1	-1	-0.2	-0.3	-0.3	-0.3	0

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 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 Sou											
			Perce	ntage			Number				
		RPI	RPIJ	СРІ	СРІН	RPI	RPIJ	CPI	СРІН	All pensioners (millions)	
FRS (GB)	1997/98	39	45	50		3.9	4.5	5.0		10.0	
. ,	1998/99	39	43	46		3.9	4.3	4.6		10.0	
	1999/00	35	40	43		3.5	4.0	4.4		10.0	
	2000/01	31	34	36		3.1	3.4	3.6		10.1	
	2001/02	27	30	32		2.8	3.0	3.3		10.1	
FRS (UK)	2002/03	25	27	29		2.6	2.8	3.0		10.5	
. ,	2003/04	23	25	26		2.5	2.7	2.8		10.6	
	2004/05	21	23	23		2.2	2.4	2.4		10.7	
	2005/06	20	21	21	22	2.1	2.3	2.3	2.3	10.8	
	2006/07	22	23	22	23	2.3	2.5	2.4	2.5	10.9	
	2007/08	21	22	20	21	2.3	2.4	2.3	2.4	11.1	
	2008/09	18	19	18	19	2.1	2.1	2.0	2.1	11.3	
	2009/10	16	16	17	17	1.8	1.9	1.9	2.0	11.6	
	2010/11	17	17	17	17	2.0	2.0	2.0	2.0	11.7	
	2011/12	17	17	17	17	2.0	2.0	2.0	2.0	11.7	
	2012/13	17	16	17	16	2.0	1.9	2.0	1.9	11.8	
	2013/14	18	17	17	16	2.1	2.0	2.0	1.9	11.9	
Percentage point/numerical change and significance	2012/13-2013/14 ^{3,4}	0	0	0	0	0.1	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. 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										
		RPI	RPIJ	CPI	СРІН	RPI	RPIJ	CPI	СРІН	All individuals (millions)
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	24	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	2013/14	22	20	20	20	4.1	3.8	3.8	3.7	18.9
significance	2012/13-2013/14 ^{3,4}	0	-1	0	0	-0.1	-0.2	-0.1	-0.1	-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 use grossing factors based on 2011 Census data. Figures have been revised back to 2002/03 using these new grossing factors.

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.
 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 low-income thresholds may not equal the difference between the total percentage of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below low-income thresholds may not equal the difference between the total percentage of individuals below low-income total percentage of individuals below low-

individuals below thresholds for any pair of years shown. 5. 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, or 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 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 N	lumber of individuals liv	Source: FRS								
			Perce	ntage			Number (r			
		RPI	RPIJ	CPI	СРІН	RPI	RPIJ	CPI	СЫН	All individuals (millions)
				-	-					
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	6.5	43.1
	2008/09	15	16	15	16	6.6	6.7	6.5	6.7	43.2
	2009/10	14	15	15	15	6.1	6.3	6.4	6.6	43.1
	2010/11	14	14	14	14	6.3	6.2	6.2	6.2	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	6.1	43.7
	2013/14	14	14	14	14	6.4	6.0	6.0	6.0	44.0
Percentage point/numerical										
change and significance	2012/13-2013/14 ^{3,4}	0	-1	-1	-1	-0.1	-0.2	-0.2	-0.2	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.

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

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.
 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

5. 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, or which limit their ability to carry out day-to-day activities a little, or a lot. Caution should be exercised when making comparisons with reports prior to 2012/13.

Annex 5

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 married or cohabiting couple, 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 onwards 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/a responsible adult; 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

From 2012/13 onwards, 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 <u>harmonised standards</u> included from the 2011/12 publication onwards. 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.

Research³⁹ 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).

³⁹ 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 2013/14 HBAI statistics.

Other changes are planned and have been announced. From December 2018 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: <u>https://www.gov.uk/changes-state-pension</u>

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

Regional⁴⁰ 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.

⁴⁰ Regional information is at <u>NUTS1</u> 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 singleyear 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 underreporting 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 is 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 Reduction, 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	Disability Living Allowance (both mobility and care
element)	components)
Income Support	Personal Independence Payment (both mobility
	and daily living components)
Employment and Support Allowance (income-	Attendance Allowance
related element)	
Pension Credit	Employment and Support Allowance (contributory
	based element)
Housing Benefit	Widow's/Bereavement Payment
Council Tax Reduction	Child Benefit
Rates Rebate	Retirement Pension
In Work Credit	Widowed Mother's/Parent's Allowance
Social Fund – Funeral Grant	Armed Forces Compensation Scheme
Social Fund – Sure Start Maternity Grant	Incapacity Benefit
Social Fund – Community Care Grant	Severe Disablement Allowance
Return to Work Credit	Jobseeker's Allowance (contributory based
	element)
Northern Ireland Rate Relief for full-time	Widow's Pension/Bereavement Allowance
students, trainees, under 18s and those	
leaving care	
Northern Ireland Rate Rebate through energy	Carer's Allowance
efficient homes	
Northern Ireland Other Rate Rebate	Industrial Injuries Disablement Benefit
Job Grant	Statutory Maternity/Paternity/Adoption Pay
Extended Payments (Council Tax Benefit and	Statutory Sick Pay
Housing Benefit)	
	Maternity Allowance
	Guardian's Allowance
	Winter Fuel Payments
	Other state benefits
	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 up-rated 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 up-rated 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.