

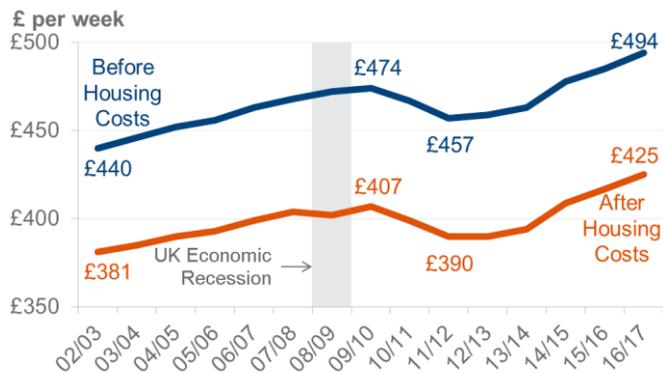
The Households Below Average Income (HBAI) report presents information on living standards in the UK based on household income measures for the 2016/17 financial year. Estimates are provided for average incomes, income inequality, and for the number and percentage of people living in low income households.

Main stories

- Average incomes (measured using the median as this is less sensitive to extreme values) increased* between 2015/16 and 2016/17 to reach new highs both Before Housing Costs (BHC) and After Housing Costs (AHC), and have been rising since 2011/12.
- Income inequality BHC and AHC remained around the same level as the period 2010/11-2015/16, which is lower than the levels observed around the 2008/09 UK economic recession.
- Relative low income BHC and AHC for the overall population was broadly stable in the latest year, while absolute low income BHC and AHC continued to fall*.

Household Income

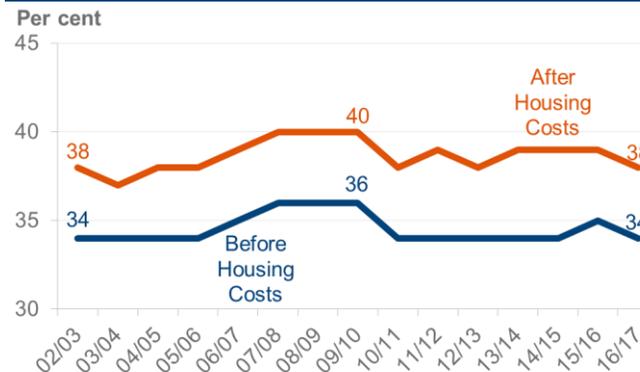
Average rose* to £494 (BHC) in 2016/17



Average (median) household net disposable income, both BHC and AHC, increased* in real terms between 2015/16 and 2016/17. Since their lows in 2011/12, incomes BHC and AHC have both increased by around £35 per week.

Income Inequality

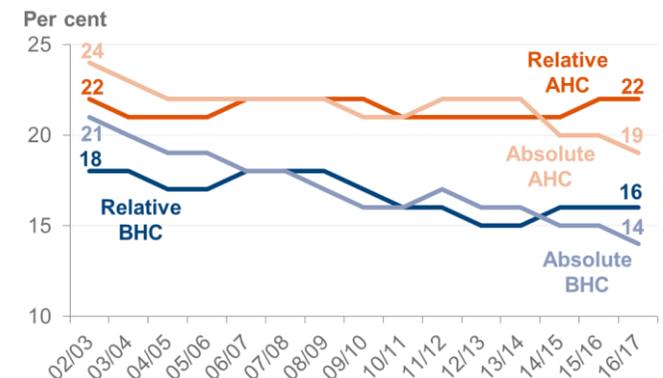
Gini broadly flat BHC and AHC



The Gini coefficient, ranging from 0% (low) to 100% (high), measures income inequality. The Gini coefficient has been broadly flat since its reduction between 2009/10 and 2010/11, currently standing at 34% BHC and 38% AHC.

Low Income Measures

Relative measures are broadly stable in 2016/17, while absolute measures fell*



The percentage of individuals in low income against the '60% of median' relative threshold shows a broadly stable picture since 2011/12, while absolute low income has fallen over the same period for both BHC and AHC.

*Not statistically significant

At a glance

Page

The Overall Income Distribution

3

Income Inequality

4

Sources of Income

6

Low-Income Indicators

7

Children

8

Working-age Adults and Work Status

9

Pensioners

10

Disability

11

Long-term Trends

12

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Comments? Feedback is welcome

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What you need to know

HBAI is the foremost source for data and information about household income and inequality in the UK. Users include central Government, local authorities, academics, journalists and the voluntary sector. It meets DWP's statutory obligation to publish a measure of relative and absolute low income, and low income and material deprivation for children under section 4 of the [Welfare Reform and Work Act 2016](#).

Income measures

HBAI estimates incorporate widely-used international standard measures of low income and inequality. The primary measure used in HBAI is equivalised disposable household income adjusted for household size and composition (called equivalisation), estimated on both a before and after housing costs basis (BHC and AHC). Our main income measure includes contributions from earnings, state support, pensions, and investment income among others, and is **net** of tax.

HBAI uses this equivalised disposable household income as a proxy for living standards. A household is said to be in relative low income if their equivalised income is below 60 per cent of median income, while they are said to be in absolute low income if their equivalised income is below 60 per cent of the 2010/11 median income adjusted for inflation.

In line with international best practice, the income measures used in HBAI are subject to several statistical adjustments and, as such, are not always directly relatable to income amounts as they might be understood by people on a day-to-day basis. These adjustments, however, allow us to compare measures over time and across households of different sizes and compositions on a consistent basis.

HBAI uses variants of CPI inflation when estimating how incomes are changing in real terms over time. For further information, see the HBAI Quality and Methodology Information Report.

Survey data

Estimates are based on the Family Resources Survey, which has a sample of over 19,000 UK households. Use of survey data means results in this report are subject to uncertainty which can affect how changes should be interpreted, especially in the short term. Latest estimates should be considered alongside long-term patterns. **Analysis at geographies below the regional level is not available from this data.**

Statistical significance is a technical concept that says whether a reported change is likely to have arisen only by chance due to variations in the sampling. We calculate 95% **confidence intervals** around estimates in HBAI which sets a standard that, where any change is reported as statistically significant, there is less than a 1 in 20 chance that the reported difference is due to sampling variation and there is actually no real underlying change.

Changes in rates of low income are statistically significant unless highlighted by an asterisk (*).

The reported change between two years may not equal the difference between the rounded numbers for those years. This is because we round at the final point in any calculation.

Additional tables and data

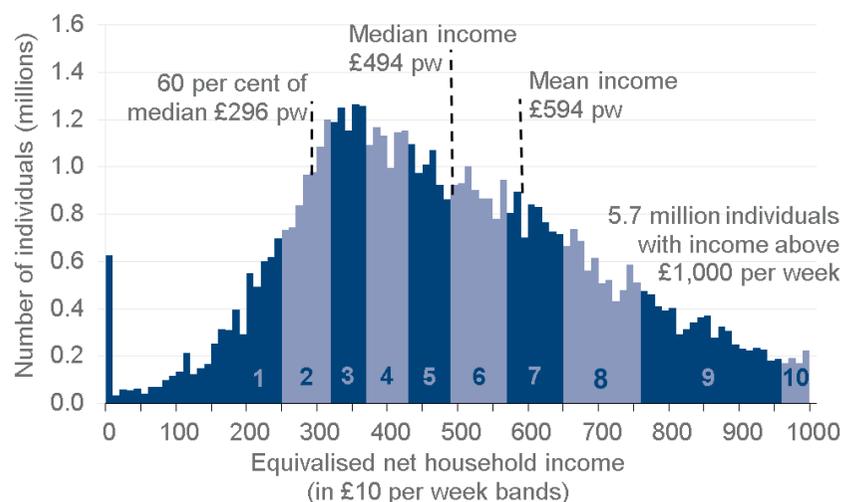
A large number of ODS reference tables are available online, breaking down results presented in this report for different demographic characteristics. Results are available for most series back to 1994/95. <https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201617>.

The source data behind these statistics is available for download for further analysis via the UK Data Archive.

The Overall Income Distribution

Distribution of UK household income is skewed with a long right-hand tail of higher incomes. The shape of the overall income distribution evolves slowly over time, with relatively small year-on-year changes.

Income distribution (BHC) for the total population, 2016/17



Main Findings

The presence of large numbers of individuals with relatively high incomes results in a skewed or non-symmetric distribution. As a result, the **median** income (**£494 per week**) is the standard measure of average income as changes in the mean can be driven by extreme values. The median represents the income of the individual in the middle of the distribution.

There are a large number of individuals with household incomes around the 60% of median income mark (£296 per week). Those falling below this line are considered to have relative low income. As a result of the clustering around this income level, relatively small movements in the overall distribution can sometimes lead to sizeable movements in this low income measure.

See **Table 2.1 BHC** for full data. AHC data is available in **Table 2.1 AHC**.

In 2016/17, the average (median) real terms household income before housing costs **increased slightly*** from 2015/16 levels by almost £10 per week to **£494 per week** (around £25,700 per year). Average household income after housing costs has also **increased slightly*** from 2015/16 by almost £10 per week to £425 per week (around £22,200 per year).

Since the current survey series began in 1994/95, there were generally steady increases in real terms income until 2009/10. Following falls in 2010/11 and 2011/12, there have generally been rises in the subsequent years. Levels in 2016/17 exceeded* the average (median) income in 2015/16 to reach historic highs.

See **Table 2.1ts Decile** for full data.

2016/17 was a relatively positive year in terms of the UK labour market, with earnings and employment both growing. Inflation was low with CPI around 1% on average. These are likely to be the main factors behind the income growth in 2016/17.

Deciles divide the population, when ranked by household income, into ten equal sized groups, and are indicated by 1 to 10 on the top chart, while quintiles divide the population into five equal sized groups.

The shape of the overall income distribution evolves slowly over time and a notable movement requires significant changes to incomes at the bottom and top of the distribution.

From 2009/10 to 2011/12, median income fell by around 2 per cent in real terms both BHC and AHC. During this period, incomes for those in lower quintiles fell* by less, while for those in higher quintiles fell by more. Since 2011/12, growth has been highest at the median, with slightly lower growth* in the bottom and top quintiles.

See **Table 2.1ts Quintile** for full data

Annual real terms change in income by quintile, 2016/17 prices

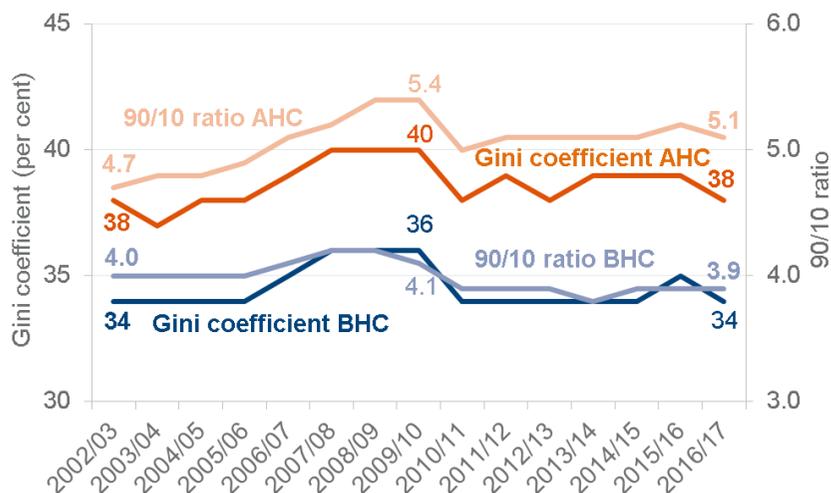


* Not statistically significant

Income Inequality

Income inequality fell between 2009/10 and 2010/11, and has remained broadly flat since then

Measures of inequality, 2002/03 to 2016/17



Interpretation

The **Gini coefficient** is an international standard technical measure of how incomes are distributed across all individuals. It ranges from 0% (when everyone has identical incomes) to 100% (when all income goes to only one person).

Percentiles divide the population, when ranked by household income, into 100 equal sized groups.

The **90/10 ratio** is the income at the 90th percentile divided by the income at the 10th percentile. It is equivalent to 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 high incomes and those with the low incomes.

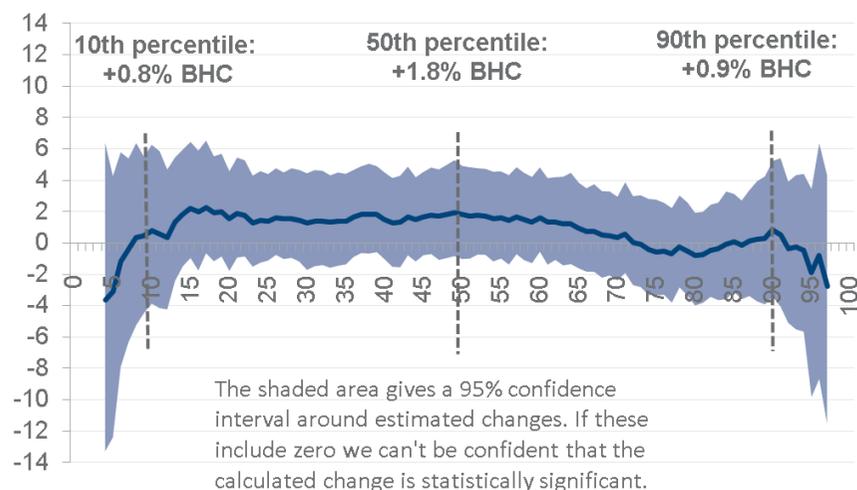
Main Findings

There were slight decreases* across most inequality measures between 2015/16 and 2016/17, and all measures remain below their recent high point around 2009/10 (AHC 90/10 ratio reduction not significant*).

See **Table 2.1ts** and **2.2ts** for full data

Percentiles 1-3 and 98-100 are excluded because of large statistical uncertainty

Change in real term income BHC by percentile, 2015/16 to 2016/17



Interpretation

Looking at changes to incomes by percentile between 2015/16 and 2016/17 allows us to assess how the income for each part of the distribution has changed during this period.

Main Findings

Overall, individuals have seen positive real term income growth* across much of the distribution. Between 2015/16 and 2016/17, incomes of those in the top half of the distribution saw more* modest growth compared to those in the bottom half.

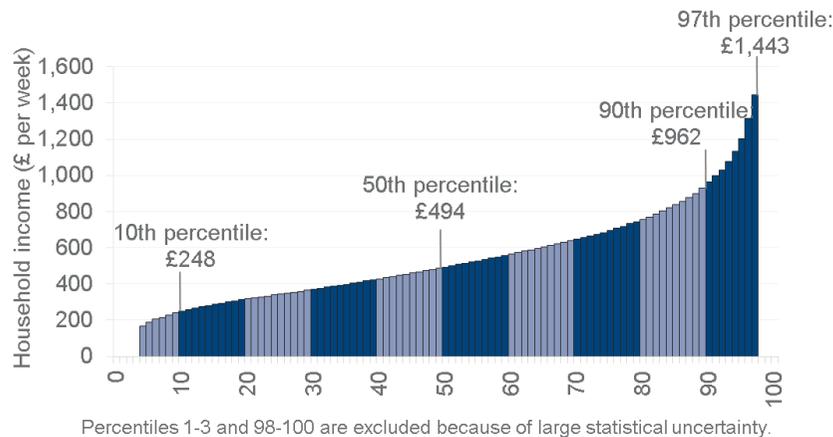
In 2016/17, those in the 10th and 90th percentiles saw their average household income increase* by similar levels compared to 2015/16. This meant between 2015/16 and 2016/17 the 90/10 ratio (BHC) remained flat at 3.9.

See **Table 9.1** for full data.

* Not statistically significant

Those in the top 3 per cent of the income distribution have at least 3 times the income of the average (median) household

Weekly net equivalised household income BHC by percentile 2016/17



Interpretation

Percentiles divide the population, when ranked by household income, into 100 equal sized groups. The chart indicates the amount of weekly net equalised household income an individual requires to sit at each percentile of the UK income distribution.

Main Findings

Income BHC at the 10th percentile is around half of the median (50th percentile) implying that around 10 per cent of the population have less than half of the median household income BHC.

Incomes increase sharply past the 90th percentile BHC. In 2016/17, income at the 90th percentile is almost double that of the median, whilst the top 3 per cent of the population (97th percentile and above) have more than 3 times that of the median.

See **Table 9.2** for full data.

Annualised net equivalent household income BHC at different percentiles of the 2016/17 UK distribution

Percentile	Single individual	Couple with no children	Couple with two children under 14
10th	£8,700	£12,900	£18,100
50th	£17,200	£25,700	£36,000
90th	£33,600	£50,200	£70,200
97th	£50,400	£75,200	£105,300

Interpretation

To create income analysis by percentiles the population is ordered according to their **equivalised** household income. The annual income required to be at a given point in the distribution is therefore different for different household types. See page 14 for more information on equivalisation in HBAI.

Main Findings

Larger families require a higher level of household income to achieve similar 'living standards' (based on a household income measure) as smaller families.

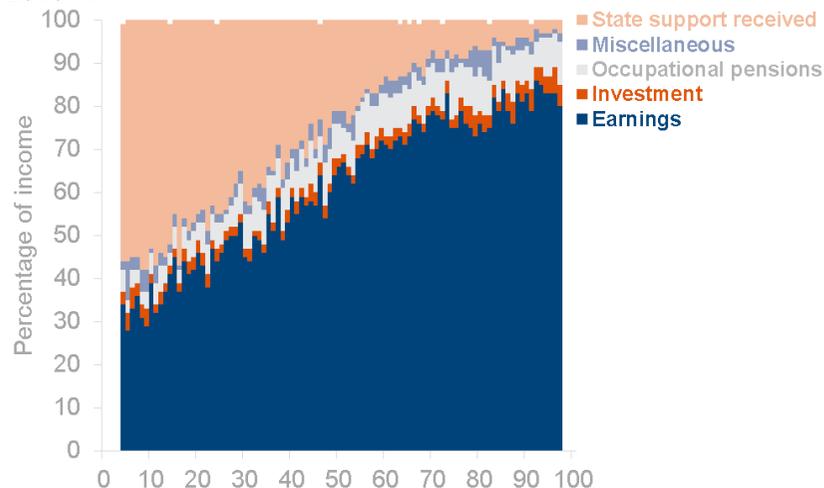
To lie in the top half of the income distribution in 2016/17, a single individual needed a net income over £17,200, compared to a couple with two young children who required a combined net income over £36,000.

In 2016/17, a single individual with net household income of around £33,600 would sit above the 90th percentile on the distribution, implying their income exceeded that of 90 per cent of the UK population. A couple with two children receiving the same level of combined annual income would lie in the bottom half at the income distribution and be considered to have less than average (median) household income.

Sources of Income

The majority of household income in the UK comes from either earnings or state support

Income sources as a percentage of gross income by percentile, 2016/17



Percentiles 1-3 and 98-100 are excluded because of large statistical uncertainty. Percentages may not always sum to 100% due to rounding.

Interpretation

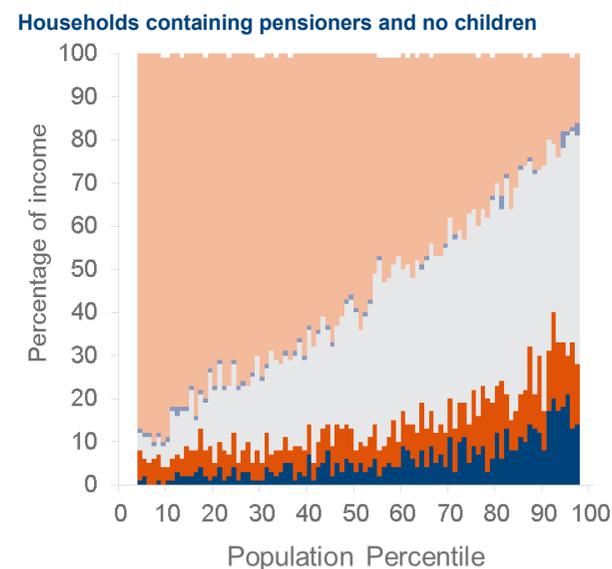
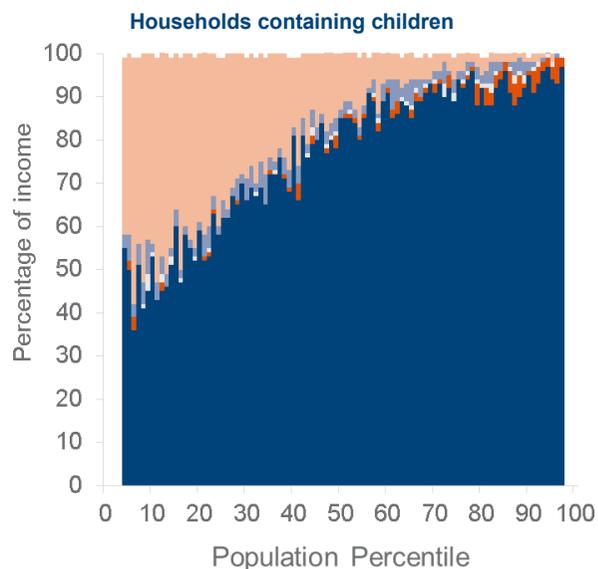
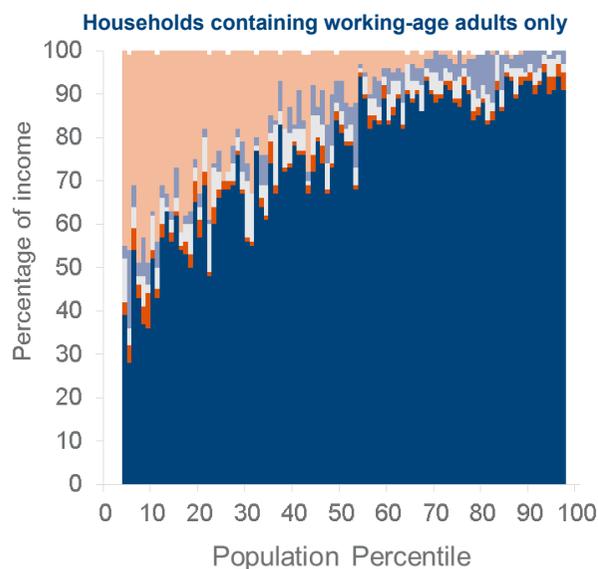
The charts show the different sources of **gross** income by percentile, ranking the population by income and dividing into 100 equal-sized groups. Income components are all considered before tax (gross). This is therefore a different definition of income from that used elsewhere in the HBAI report.

Main Findings

There is a clear pattern of higher income households receiving a large proportion of income from earnings, and lower income households more of their income from state support. In 2016/17:

- Earnings account for around a third of gross income for individuals around the 10th percentile compared to around 80 per cent for individuals around the 90th percentile.
- The proportion of household income from earnings exceeds that received from state support for around 75 per cent of the UK population (those above the 25th percentile).
- Households containing only working-age adults receive most of their income from earnings.
- Households containing children have similar income sources as households containing working-age adults only, except state support receipt generally makes up a larger proportion of income because of greater eligibility to state support (including child benefit and tax credits) for this group.
- Households containing pensioners and no children receive around 80 per cent of their income from state support (particularly the basic state pension) and occupational pensions. Earnings and investments make a large contribution to income for those in the top half of the distribution.

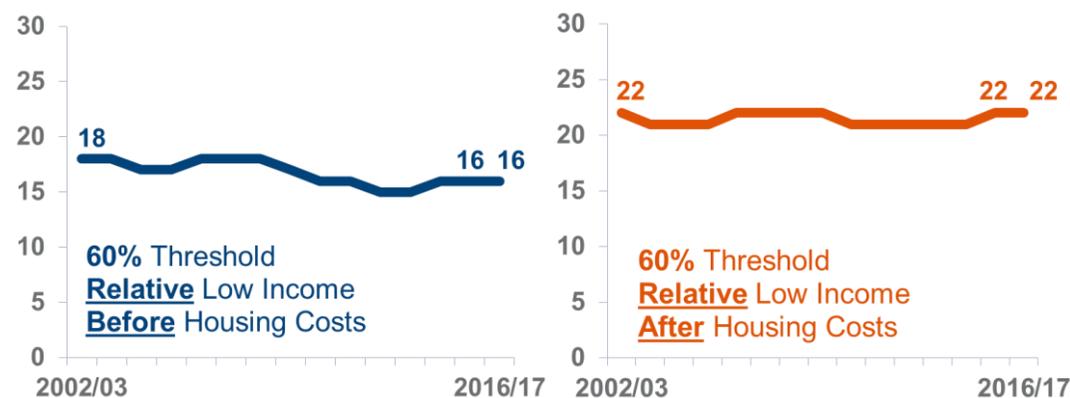
See [Table 9.3](#), [9.4](#), [9.5](#) and [9.6](#) for full data.



Low-Income Indicators

Relative low income for the overall population was broadly stable in the latest year but absolute low income fell*

Percentage of individuals in relative low income

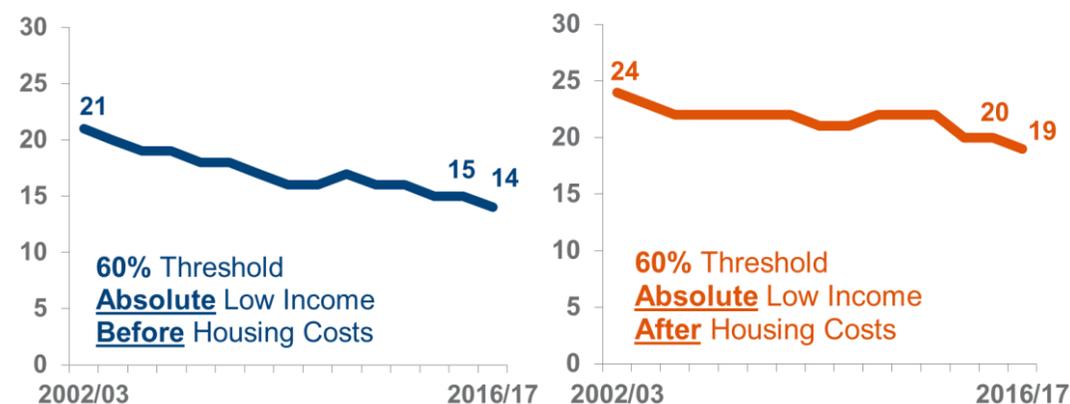


Relative low income sets a threshold as a proportion of the UK average (median) income and moves each year as average income changes. It is used to measure the number and proportion of individuals who have income below this threshold (typically 50, 60 or 70 per cent of the median).

The percentage of individuals in relative low income will **decrease** if:

- Average (median) income stays the same or rises, and individuals with lower incomes see their incomes rise more than the average; or
- Average (median) incomes fall, and individuals with lower incomes see their incomes fall less than average incomes.

Percentage of individuals in absolute low income



Absolute low income takes the 60 per cent of median income threshold from 2010/11 and moves this in line with inflation. This is designed to assess how low incomes are faring with reference to inflation. It measures the number and proportion of individuals who have incomes below this threshold. Other thresholds are also available (e.g. 50% or 70% of median).

The percentage of individuals in absolute low income will **decrease** if individuals with lower incomes see their incomes rise by more than inflation.

See [Tables 3.1tr](#) and [3.2tr](#) for full data.

Main Findings

- The percentage of individuals in relative low income BHC has been broadly stable in recent years at around 16 per cent whilst relative low income AHC remained at the previous year's level of 22 per cent.
- Following a period of stability, both absolute low income BHC and AHC fell* by roughly 1 percentage point in 2016/17 to 14 per cent and 19 per cent respectively. These absolute low income measures are at their respective historic lows.
- Patterns over the past twenty years show how year-on-year changes tend to be relatively modest, with longer-term patterns emerging over time.

Overall the percentage of individuals in relative low income in 2016/17 were broadly stable and there was a small fall* in the percentage in absolute low income BHC and AHC.

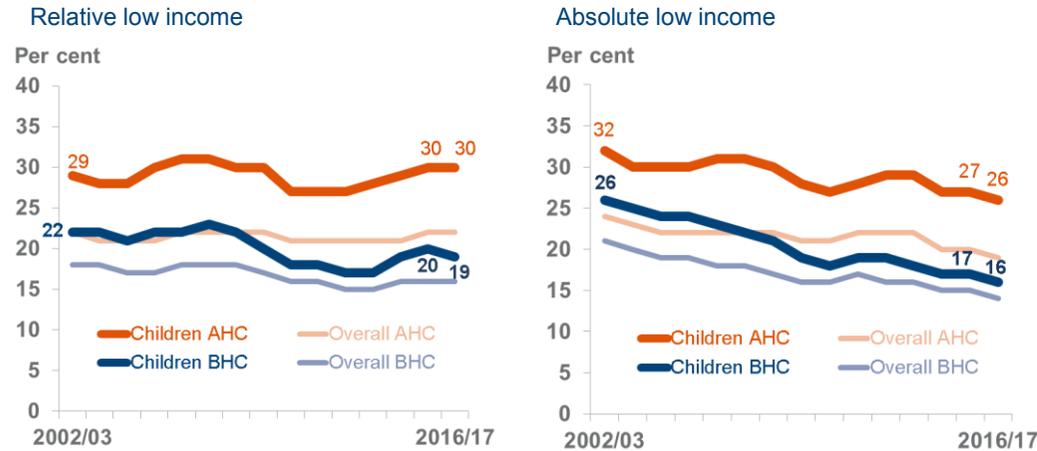
* Not statistically significant

Children in Low Income Households

Three low income measures for children from HBAI are included in section 4 of the [Welfare Reform and Work Act 2016](#) – a 60% threshold relative low income measure, a 60% threshold absolute low income measure, and a combined 70% threshold low income and material deprivation measure. See **Tables 4.1tr, 4.2tr and 4.5tr** for full data.

Relative low income was broadly flat, while absolute low income continued a downward trend

Percentage of children in low income



Main Findings

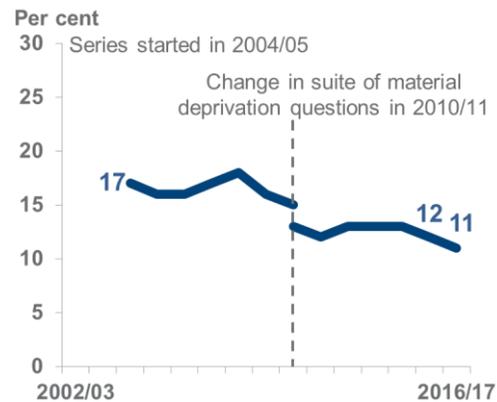
Changes in relative low income for children between 2015/16 and 2016/17 were small*. BHC levels were lower* than levels seen over the period up to 2009/10 but higher* than the period 2010/11 to 2013/14. AHC, levels have risen* since around 2010 and are now around levels seen in 2005/06 to 2009/10.

Absolute low income measures for children have continued their decrease since around 2012/13, to 16 per cent BHC and 26 per cent AHC. The percentage of children in absolute low income BHC and AHC is at a historic low.

Compared to the overall population, children remain more likely to be in low income households.

Low Income and Material Deprivation decreased* following a period of stability

Percentage of children in low income and material deprivation



Interpretation

Child Low Income & Material Deprivation – respondents are asked whether they have access to a list of 21 goods and services. If they can't afford a given item, this is scored in the material deprivation measure, with items more commonly owned in the population given a higher weighted score. A child is considered to be in low income and material deprivation if they live in a family that has a total score of 25 or more out of 100 and an equivalised household income BHC below 70% of median. More details are available in the HBAI Quality and Methodology Information Report.

Main Findings

Following a period of stability since around 2010/11 the percentage of children in low income and material deprivation decreased* to 11 per cent in 2016/17 a reduction of 2 percentage points since 2014/15.

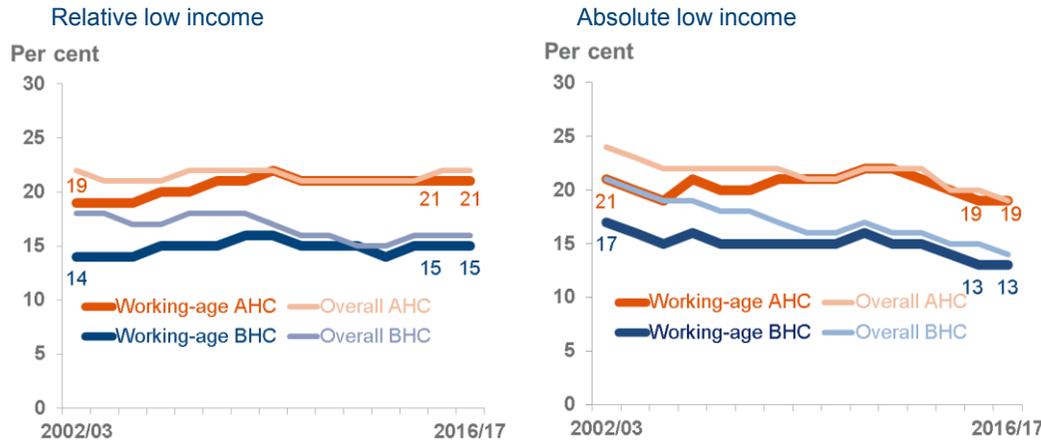
*Not statistically significant

Working-age Adults in Low Income Household and Low Income by Work Status

Working-age adults make up around 60 per cent of the UK population – as such changes in income for this group can drive overall results more than changes amongst children and pensioners (with each of these groups making up around 20 per cent of the population). As shown on page 6, this group receive a greater proportion of their income from employment and so their results are more sensitive to changes in the labour market. See Tables 5.1tr, 5.2tr, 5.2ts, 5.5ts, 5.11ts, 4.1ts, 4.6ts and 4.14ts for full data.

Relative low income was broadly stable in 2016/17, while absolute low income is on a broadly downward trend

Percentage of working-age adults in low income



Main Findings

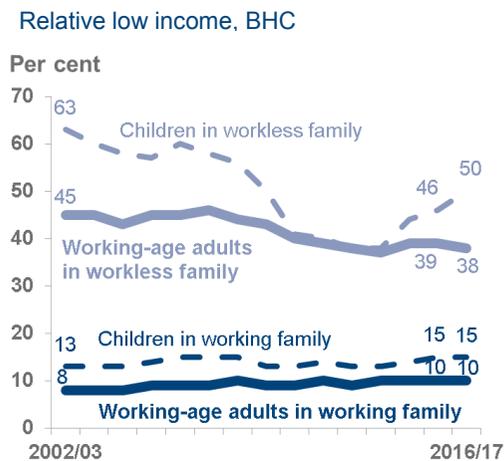
Low Income Measures

The percentage of working-age adults in relative low income remained stable in 2016/17 at 15 per cent BHC and 21 per cent AHC; 2016/17 is the sixth consecutive year in which relative low income levels AHC amongst working-age adults remained unchanged.

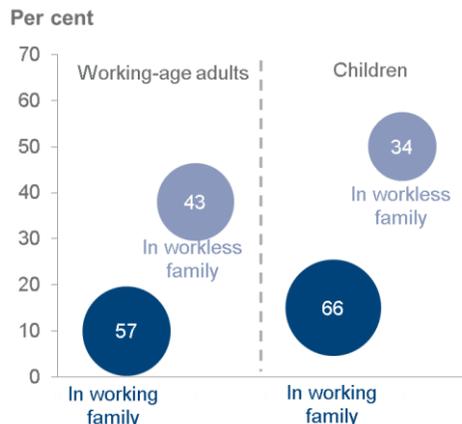
Absolute low income BHC continued a broadly downwards trend with 13 per cent of working-age adults being in absolute low income. Absolute measures AHC continued a broadly downwards trend, at 19 per cent in 2016/17.

Overall, the patterns observed are broadly consistent with long-term trends which show a stable series for relative low income measures for working-age adults and a falling trend for absolute low income since around 2011/12.

Percentage and composition of working-age adults and children in low income by work status



Relative low income, composition and risk in 2016/17. BHC



In-work Low Income & Composition

Working-age adults and children in working families are much less likely to be in relative low income than those in families where no-one is in work. In 2016/17, 10 per cent of working-age adults in working families were in relative low income BHC compared to 38 per cent in workless families, while 15 per cent of children in working families were in relative low income BHC compared to 50 per cent in workless families.

Although being in work reduces the likelihood of falling below low income measures amongst working-age adults and children, the majority of those in relative low income belong to working families. This is because a great majority of working-age adults and children belong to working families. In 2016/17:

- Overall, 32.3 million working-age adults were in **working** families, and 6.5 million working-age adults were in **workless** families. 10 per cent of 32.3 million is greater than 38 per cent of 6.5 million, meaning overall 57 per cent of all working-age adults in low income were in working families.
- Overall, 11.8 million children were in **working** families, and 1.9 million children were in **workless** families. 15 per cent of 11.8 million is about twice the size of 50 per cent of 1.9 million, meaning overall 66 per cent of all children in low income were in working families.

*Not statistically significant

The size of the bubble shows the share of those in low income in each group. For instance, looking at the lowest bubble shows that 10 per cent of working-age adults in working families were in low income BHC (shown by the level of the centre of the bubble), however of all working-age adults in low income, 57 per cent were in a working family (shown by the size of the bubble).

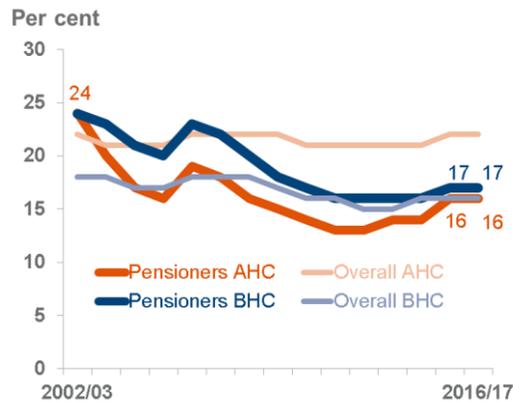
Pensioners in Low Income Households

Around three-quarters of pensioners live in homes that are owned outright (compared to roughly 1 in 5 of the working-age population), and so face minimal housing costs. The Government's preferred measures of low income for the pensioner population are therefore estimated on an after housing costs (AHC) basis to draw out the difference in living standards for the minority of pensioners who do face housing costs. We also estimate a broader material deprivation measure for pensioners. See **Tables 6.1tr, 6.2tr, and 6.7tr** for full data.

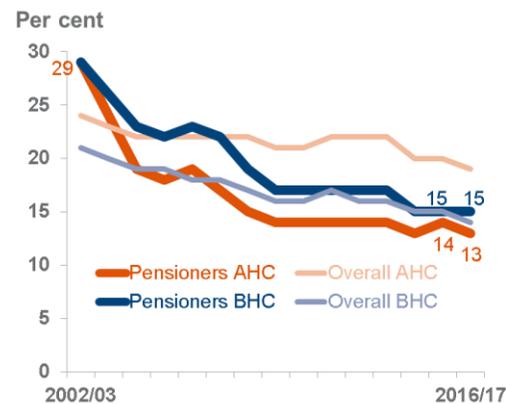
Relative low income for pensioners is low in historic terms, but remained at its highest* level since around 2009/10

Percentage of pensioners falling below headline low income indicators

Relative low income



Absolute low income



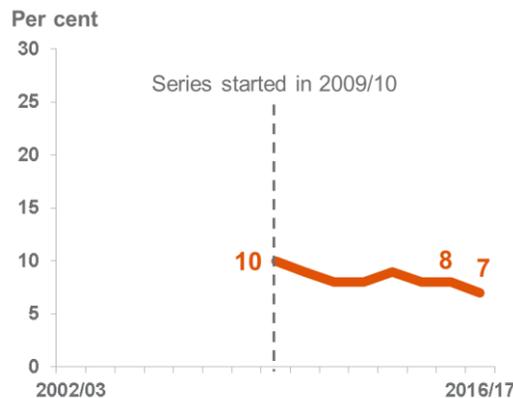
Main Findings

The percentage of pensioners in relative and absolute low income remained broadly stable between 2015/16 and 2016/17.

Compared to the overall UK population, pensioners have been less likely to be in relative or absolute low income measures AHC from around 2004/05, and have been around the same level as the overall population BHC since around 2009/10. This is due to large reductions in rates of low income for pensioners over the past 20 years.

Material Deprivation fell slightly* in 2016/17

Percentage of pensioners in material deprivation



Interpretation

Pensioner Material Deprivation – pensioners aged 65 or over are asked whether they have access to a list of 15 goods and services. If they don't have a given item (because of cost, health, or availability) this is scored in the material deprivation measure, with items more commonly owned in the population given a higher weighted score. A pensioner is considered to be in material deprivation if they live in a family that has a final score of 20 or more out of 100. More details are available in the HBAI Quality and Methodology Information Report.

Main Findings

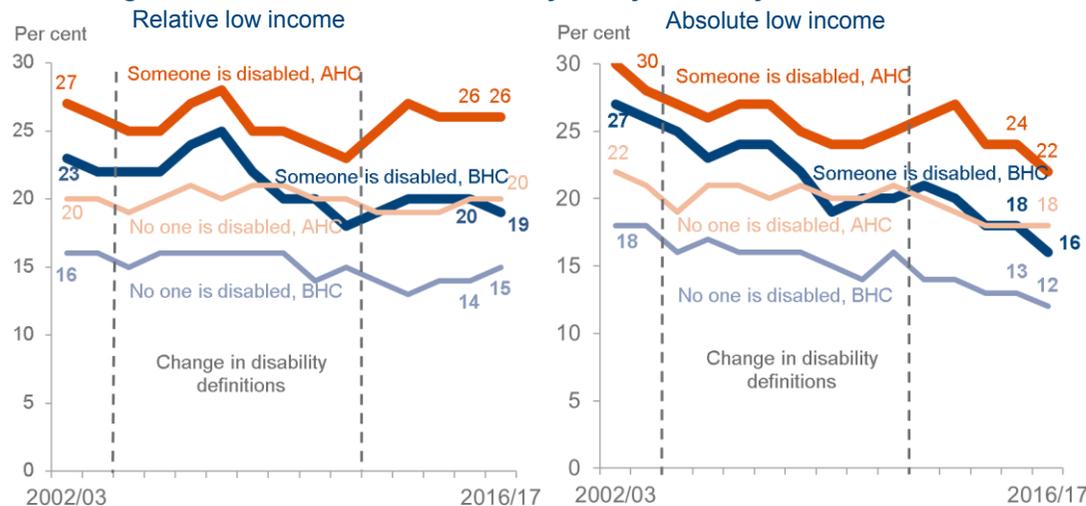
The percentage of pensioners falling below material deprivation indicators fell* slightly between 2015/16 and 2016/17, to around 7%, continuing a downward trend since 2013/14.

*Not statistically significant

Disability

Relative low income is broadly stable in 2016/17, while absolute low income has continued to fall*

Percentage of individuals in low income, by family disability



Interpretation and Definitions

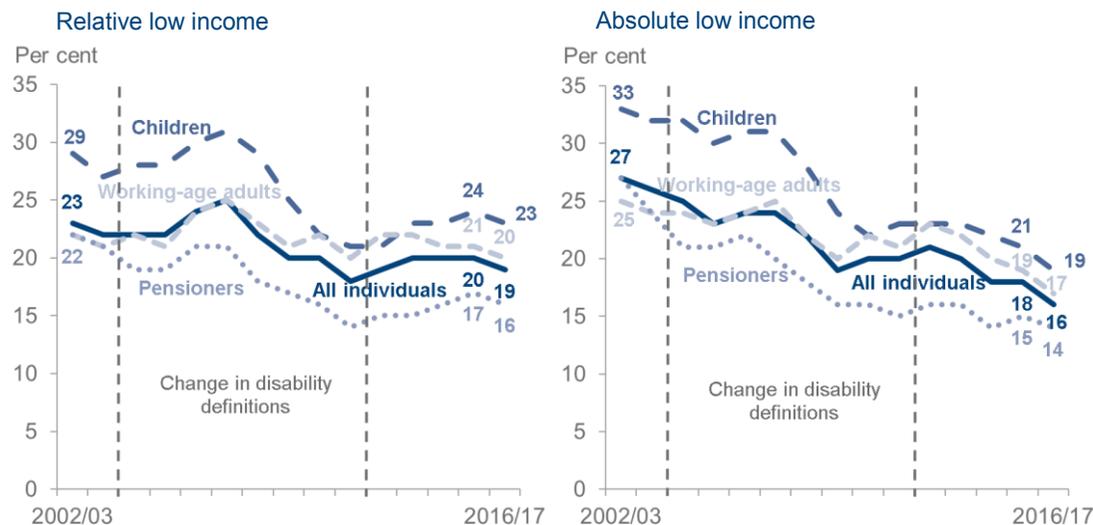
Disabled people are identified as those who report any physical or mental health condition(s) or illness(es) that last or are expected to last 12 months or more, and which limit their ability to carry out day-to-day activities a little, or a lot. This is in line with the Equality Act definition.

The means of identifying people with a disability has changed over time however, with different criteria applied for 2002/03-2003/04; 2004/05-2011/12; and 2012/13 to date, as such, changes over time in the number of individuals with disabilities could be affected by the changes in the disability questions.

Further, different individuals may also have different interpretations of particular health conditions or question wording, meaning that changes to the disability questions may have had a different effect on different groups.

Therefore, comparisons between figures from 2012/13 onwards with earlier years should be made with caution.

Percentage of individuals in low income, BHC by group for families containing someone who is disabled



Main Findings

There is no strong relationship between trends for those with and without disabled family members, suggesting that different factors affect the income of these households. We know, for example, that working-age adults with disabilities are less likely to be in employment, and that disability is more prevalent amongst pensioners.

On relative and absolute low income measures both BHC and AHC, those living in a family with a disabled member are more likely to be in low income than non-disabled families.

Since 2012/13, the gap between families where someone is disabled and families where no-one is disabled in absolute low income has narrowed.

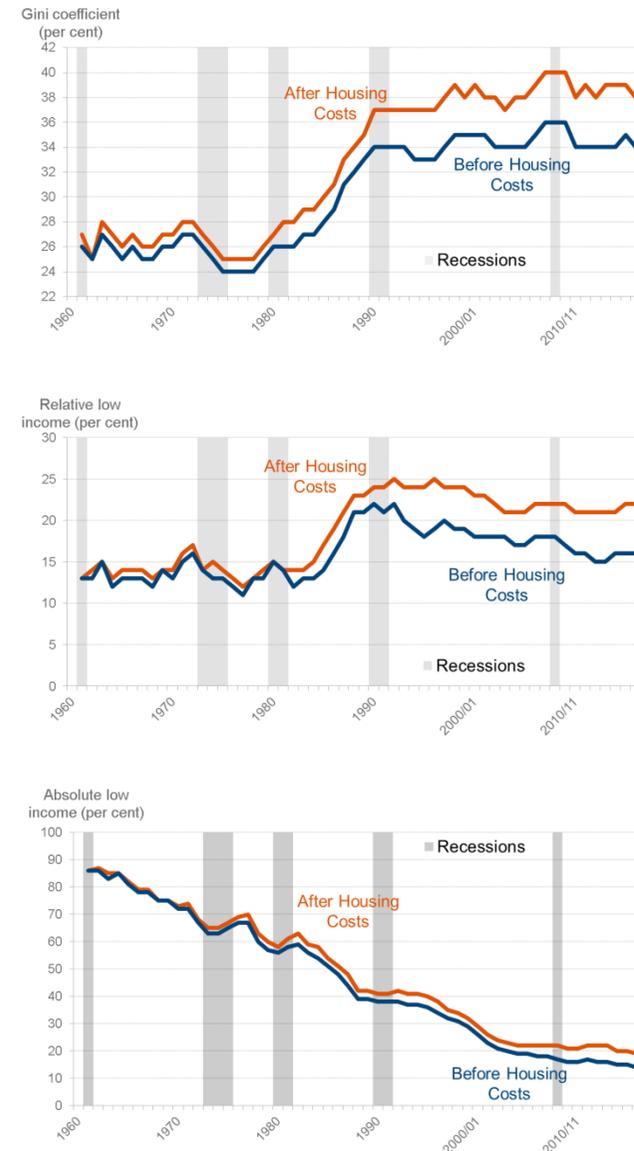
Looking at low income rates BHC by group shows large reductions in rates of low income for all groups and all measures between 2007/08 and 2009/10, with smaller movements either side of this period. See **Summary tables 7a, 7c, 7e and 7g** for full data.

*Not statistically significant

Long-term Trends (data prior to 1994/95 are not National Statistics)

Work undertaken by IFS to extend HBAI trends back to 1961 shows large increases in inequality over the 1980s

Headline low income indicators



All results reported prior to 2002/03 are for Great Britain only

Main Findings

Looking at trends over the past 50 years, incomes across the population have increased dramatically in real terms over time, driving falls in **absolute low income**. This pattern has held fairly consistently over time, with rises in absolute low income relatively rare.

Over the 1980s, however, incomes for those further up the income distribution grew more quickly than for those at the bottom, driving large increases in income inequality (**Gini**) and in **relative low income** measures.

From the early 1990s, income inequality measures in the UK have remained relatively stable, although analysis by Atkinson, Piketty et al, held at the World Wealth & Income Database (<http://wid.world/>) suggests that increasing inequality has continued with incomes for those within the top 1 per cent continuing to grow faster than for the rest of the distribution. Changes this far up the distribution will not be captured well in HBAI data.

Interpretation

The increase in income inequality (and in relative low income) over the past 40 years or so has been driven in part by a significant increase in individual earnings inequality over the same period. Partial explanations for wider trends are as follows:

- From the **late-1970s** there was a large rise in unemployment following the recession, accompanied by increasing inequality in earnings – driven in part by factors like increases in part-time working.
- From the **mid-1980s** increasing income inequality was further driven by incomes of those in employment pulling away from those who are economically inactive (including pensioners) as growth in employment income rose faster than for other sources such as benefits.
- In the **late-1980s** the widening of the income distribution was driven further by increases in earnings inequality, with increasing differences between wages for different occupations.
- By the **early 1990s** the picture began to stabilise with incomes of those economically inactive starting to catch up to those in employment.
- In the **early 2000s** falls in low income measures were driven by increasing relative incomes for pensioners and families with children.

See https://www.ifs.org.uk/uploads/publications/bns/bn19figs_2016.xlsx for full data and http://www.ifs.org.uk/uploads/publications/docs/Accounting_for_changes_in_inequality.pdf for detailed decomposition analysis of trends.

Measuring income in HBAI

HBAI uses data from the Family Resources Survey (FRS) to derive a measure of disposable household income. Adjustments are made to take into account the size and composition of households to make figures comparable.

FRS Survey Data The FRS covers a sample of over 19,000 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.

Sampling Error Results from surveys are estimates and not precise figures - in general terms the smaller the sample size, the larger the uncertainty. 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.

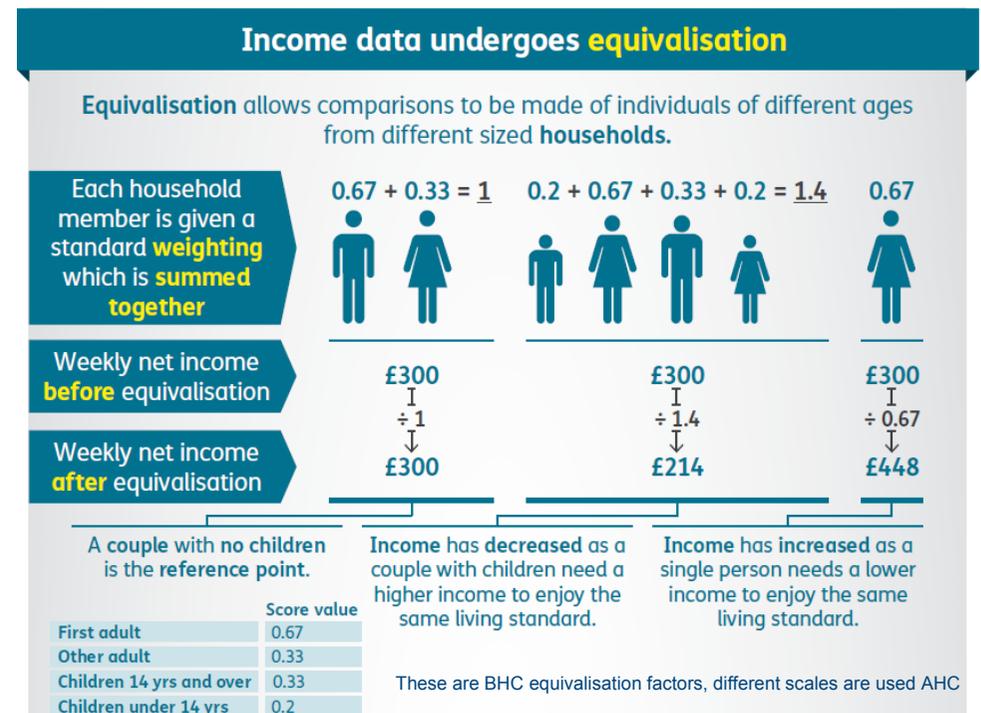
Non-Sampling Error These results are based on data from respondents to the survey. If people give inaccurate responses or certain groups of people are less likely to respond this can introduce biases and errors. This non-sampling error can be minimised through effective and accurate sample and questionnaire design and extensive quality assurance of the data. However, it is not possible to eliminate it completely, nor can it be quantified.

Income This is measured as total weekly household income from all sources (including child income) after tax, national insurance and other deductions. Income measures are presented before and after housing costs (rent, mortgage interest payments, buildings insurance etc.)

A household income measure implicitly assumes that all members of the household benefit equally from the household's income and so appear at the same position in the income distribution.

SPI adjustment Estimates of mean income and some inequality measures are very sensitive to fluctuations in incomes at the top of the distribution. An adjustment to correct for this is made to 'very rich' households in FRS-based results using data from HMRC's Survey of Personal Incomes.

Equivalisation An adjustment is made to income to make it comparable across households of different size and composition. For example, this 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.



KEY DEFINITIONS:

HOUSEHOLD

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, sitting room, or dining area. A household will consist of one or more benefit units/families.

VS

FAMILY or BENEFIT UNIT

A single adult or a couple living as married and any dependent children.

Inflation is the speed at which the prices of goods and services rise or fall. The use of different inflation measures has an effect on trends in average household income and absolute low income measures in HBAI.

HBAI uses variants of CPI to adjust for inflation to look at how incomes are changing over time in **real terms** i.e. if, for example, average incomes rise by 3% in cash terms but inflation is higher at 5%, then we will record a fall in average incomes as the real average purchasing power of incomes has fallen.

About these statistics

The income measure used in HBAI is **weekly net disposable equivalised income Before Housing Costs** measuring income from all sources from all household members including:

- usual net earnings from employment;
- profit or loss from self-employment (losses are treated as negative income);
- state support – all benefits and tax credits, including state pension;
- income from occupational and private pensions;
- investment income;
- maintenance payments, if a person receives them directly;
- income from educational grants and scholarships;
- the cash value of certain forms of income in kind, including free school meals.

Income is net of:

- income tax payments and National Insurance contributions;
- domestic rates/council tax;
- contributions to occupational pension schemes;
- all maintenance payments;
- student loan repayments;
- parental contributions to students living away from home.
- ground rent and service charges.

Income **After Housing Costs** is derived by deducting a measure of housing costs from the overall income measure. **Housing costs** include:

- rent (gross of housing benefit);
- water rates, community water charges and council water charges;
- mortgage interest payments;
- structural insurance premiums;

Negative Incomes

Negative incomes BHC are reset to zero, but negative AHC incomes are possible.

Children are defined as individuals aged under 16; or aged 16 to 19 in full-time non-advanced education.

Pensioners are defined as individuals over their state pension age at the time they are interviewed.

National Statistics Status: National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value.

The UK Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007, signifying they are assessed as fully compliant with the [Code of Practice for Statistics](#). Further information about National Statistics status can be found in the Code [glossary](#).

Where to find out more

Further outputs and reference tables from HBAI analysis, alongside our HBAI Quality and Methodology Information Report, giving further detail on how we estimate the measures reported here are available via the following link:

<https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

Guidance on alternative sources of data on earnings and income is available at the following link and provides useful information to contextualise the HBAI statistics:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/methodologies/aguidetosourcesofdataonearningsandincome>

Other National and Official Statistics

Details of other National and Official Statistics produced by the Department for Work and Pensions can be found on the DWP website with a schedule of statistical releases over the next 12 months and a list of the most recent releases at: <https://www.gov.uk/government/organisations/department-for-work-pensions/about/statistics>. In accordance with the Code of Practice for Statistics, all DWP National Statistics are also announced at: <https://www.gov.uk/government/statistics/announcements>.

A closely-related source of key information on Income & Earnings is the Office for National Statistics' (ONS) Effects of Taxes and Benefits on Household Income. Both sets of statistics are based on survey data and so subject to statistical uncertainty. As such there will be areas where headline results appear inconsistent, without this indicating error in either release. Where this is the case, users are encouraged to take a holistic view across the full suite of results available: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonhouseholdincome/financialyearending2016/>