

Statistical Notice

DATE: 28 01 2014

Coverage: United Kingdom
Theme: Economy

Changes to the Households Below Average Income (HBAI) publication 2012/13

This Statistical Notice invites users to provide comments on the proposed changes to the 2012/13 Households Below Average Income (HBAI) publication to be published in May/June 2014.

In summary, the proposals are:

- In order to focus our publication on commentary and analysis that aid interpretation, we propose to produce one report, including commentary, charts and summary tables - instead of a separate [First Release](#) and [Report](#) as is currently produced.
- All the existing tables contained within the PDF of the Report will still be published as Excel spreadsheets on the relevant [HBAI GOV.UK web-page](#), alongside the new summary tables
- The report would be shorter than the existing one, and would focus on commenting on and analysing the key findings.
- We also propose to publish a CSV file with a time series of key indicators so that users are able to easily produce their own analysis, charts and tables.

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What is the HBAI?

1. Households Below Average Income (HBAI) uses net disposable weekly household income, after adjusting for the household size and composition, as an assessment for material living standards - the level of consumption of goods and services that people could attain given the net income of the household in which they live. In order to allow comparisons of the living standards of different types of households, income is adjusted to take into account variations in the size and composition of the households in a process known as equivalisation. HBAI assumes that all individuals in the household benefit equally from the combined income of the household. The unit of analysis is the individual, so the populations and percentages in the tables are numbers and percentages of individuals – both adults and children.

Income is net of the following components:

- income tax payments;
- National Insurance contributions;
- domestic rates / council tax;
- contributions to occupational pension schemes;
- 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 Before Housing Costs (BHC) takes income from all household members including dependants and includes the following main components:

- usual net earnings from employment;
- profit or loss from self-employment (losses are treated as a negative income);
- all Social Security 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, Healthy Start vouchers and free school milk and free TV licence for those aged 75 and over).

Income After Housing Costs (AHC) is derived by deducting a measure of **housing costs** from the above income measure. These include the following components:

- rent (gross of housing benefit);
- water rates, community water charges and council water charges;
- mortgage interest payments;
- structural insurance premiums (for owner occupiers);
- ground rent and service charges.

2. HBAI presents analysis on the income distribution, income inequality, numbers and percentages of people in relative low income and absolute low income, and numbers and percentages of people in material deprivation. Analysis is available by individual, family and household characteristics.

3. **Relative low income** sets the threshold as a proportion of the average income, and moves each year as average income moves. It is used to measure the number and proportion of individuals who have incomes a certain proportion below the average.

4. **Absolute low income** sets the low income line in a given year, then adjusts it each year with inflation. This measures the proportion of individuals who are below a certain standard of living in the UK (as measured by income).

5. **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 zero (when everybody has identical incomes) to 100 per cent (when all income goes to only one person).

Uses of HBAI

6. The main source of data used in the HBAI publication is the UK Department for Work and Pensions (DWP) Family Resources Survey (FRS). Prior to 2002/03 the survey covered Great Britain; from 2002/03 the survey was extended to cover the UK.

7. 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.

8. Researchers and analysts outside government use the statistics and data to examine topics such as income inequality, poverty, the distributional impacts of fiscal policies and understanding the income profile of vulnerable groups.

Proposed changes to the publication

9. In order to focus our publication on commentary and analysis that aid interpretation, we propose to produce one report, including commentary, charts and summary tables - instead of a separate [First Release](#) and [Report](#) as is currently produced. All the existing tables contained within the PDF of the Report will still be published as Excel spreadsheets on the relevant [HBAI GOV.UK web-page](#), alongside the new summary tables. The report would be shorter than the existing one, and would focus on commenting on and analysing the key findings.

10. Our proposed format for the publication is as follows:

- Key points;
- A brief description of Households Below Average Income;
- The Income distribution – commentary, charts and summary tables;
- Whole population – commentary, charts and summary tables;
- Children – commentary, charts and summary tables;
- Working-age adults – commentary, charts and summary tables;
- Pensioners – commentary, charts and summary tables;
- Disability – commentary, charts and summary tables;
- Low-income dynamics – commentary, charts and summary tables;
- Glossary;
- Quality and methodology;

11. We propose to include the following summary tables in the publication showing time-series of key indicators (Table numbers in the existing Report are given in brackets – in some cases the summary tables will only include a selection of the information in the existing HBAI tables referred to):

The income distribution

- Key economic indicators (**Table 2.1tr**);
- Money values of quintile medians and overall population mean in 2012/13 prices (**Table 2.1ts**).

Whole population

- Number and percentage of individuals (i) falling below 60% of contemporary median income (relative low income) and (ii) falling below 60% of 2010/11 median income held constant in real terms (absolute low income) (**Tables 3.1tr-3.4tr**).

Children

- Number and percentage of children (i) falling below 60% of contemporary median income (relative low income), (ii) falling below 60% of 2010/11 median income held constant in real terms (absolute low income) (iii) in low income and material deprivation, and (iv) in severe low income and material deprivation (**Tables 4.1tr-4.5tr**).

Working-age

- Number and percentage of working-age adults (i) falling below 60% of contemporary median income (relative low income) and (ii) falling below 60% of 2010/11 median income held constant in real terms (absolute low income) (**Tables 5.1tr-5.4tr**).

Pensioners

- Number and percentage of pensioners (i) falling below 60% of contemporary median income (relative low income), (ii) falling below 60% of 2010/11 median income held constant in real terms (absolute low income), and (iii) in material deprivation (aged 65 and over) (**Tables 6.1tr-6.4tr, 6.7tr**).

Disability

- Number and percentage of individuals (i) falling below 60% of contemporary median income (relative low income) and (ii) falling below 60% of 2010/11 median income held constant in real terms (absolute low income) - by whether at least one member of the family is disabled or not. For the whole population, children, working-age adults and pensioners separately (**Tables 3.12ts, 3.15ts, 4.19ts, 4.25ts, 5.12ts, 5.15ts, 6.12ts, 6.17ts**).

Low-income dynamics

- Number and percentage of individuals falling below 60% of contemporary median income for three out of the last four years (persistent low income). For the whole population, children, working-age adults and pensioners separately (**Table 7.1tr**).

12. As stated above, all the existing publication tables will be available as Excel spreadsheets on the relevant [HBAI GOV.UK web-page](#), alongside the new summary tables. We also propose to publish a CSV file with a time series of key indicators so that users are able to easily produce their own analysis, charts and tables.

13. These changes will take effect from the 2012/13 Households Below Average Income (HBAI) publication to be published in May/June 2014.

Comments

14. If you have any views or comments on these proposals please send them to: team.hbai@dwp.gsi.gov.uk by 25 02 2014.