

Poverty

- Households Below Average Income (HBAI) statistics give an insight into the standard of living of the household population of England. HBAI assumes that all individuals in the household benefit equally from the combined income of the household.
- Individuals are said to be in **relative low income** if they live in a household with an income below a percentage (60 per cent in this case) of median income (the income earned by the household in the middle of the distribution in a given year), before or after housing costs. Relative low-income levels fall if income growth at the lower end of the income distribution outstrips overall income growth.
- Individuals are said to be in **absolute low income** if they live in a household with an income below a threshold of median income (in this case 60 per cent of median income) in a specific year adjusted for inflation, before or after housing costs. Absolute low-income levels fall if low-income households are seeing their incomes rise faster than inflation.
- The percentage of people living in relative and absolute low income is lower in rural areas than in urban areas, but nevertheless many thousands of individuals living in rural areas are in households below average income.

Percentage of households, working-age people, children and pensioners in relative and absolute low income, before and after housing costs, in 2012/13, by rural and urban areas in England

Type of low income	Group	Rural		Urban	
		Before housing costs	After housing costs	Before housing costs	After housing costs
Relative	Households	13	15	16	22
	Working-age people	10	15	15	23
	Children	9	16	19	30
	Pensioners	15	13	15	13
Absolute	Households	14	16	17	24
	Working-age people	11	16	16	25
	Children	11	18	21	34
	Pensioners	16	14	17	16

Relative low income in 2012/13

- The percentage of **households** in rural areas in relative low income was 13 per cent before housing costs and 15 per cent after housing costs. In comparison, the percentage of households in urban areas in relative low income was 16 per cent before housing costs and 22 per cent after housing costs.
- The percentage of **working-age people** in rural areas in relative low income was 10 per cent before housing costs and 15 per cent after housing costs. In comparison, the percentage of working-age people in urban areas in relative low income was 15 per cent before housing costs and 23 per cent after housing costs.
- The percentage of **children** in rural areas in relative low income was 9 per cent before housing costs, and 16 per cent after housing costs. In comparison, the percentage of children in urban areas in relative low income was 19 per cent before housing costs and 30 per cent after housing costs.
- The percentage of **pensioners** in both rural and urban areas in relative low income was 15 per cent before housing costs and 13 per cent after housing costs.

Absolute low income in 2012/13

- The percentage of **households** in rural areas in absolute low income was 14 per cent before housing costs and 16 per cent after housing costs. The percentage of households in urban areas in absolute low income was 17 per cent before housing costs and 24 per cent after housing costs.
- The percentage of **working-age people** in rural areas in absolute low income was 11 per cent before housing costs and 16 per cent after housing costs. In comparison, the percentage of working-age people in urban areas in relative low income was 16 per cent before housing costs and 25 per cent after housing costs.
- The percentage of **children** in rural areas in absolute low income was 11 per cent before housing costs and 18 per cent after housing costs. In comparison, the percentage of children in urban areas in absolute low income was 21 per cent before housing costs and 34 per cent after housing costs.
- The percentage of **pensioners** in rural areas in absolute low income was 16 per cent before housing costs and 14 per cent after housing costs. In comparison, the percentage of pensioners in urban areas in absolute low income was 17 per cent before housing costs and 16 per cent after housing costs.

Dashboard showing the change in the percentage of households, working-age people, children and pensioners, in relative and absolute low income, before and after housing costs, between 2011/12 and 2012/13, by rural and urban areas in England

Type of low income	Group	Rural		Urban	
		Before housing costs	After housing costs	Before housing costs	After housing costs
Relative	Households	↑	↑	↓	↓
	Working-age people	—	↑	↓	—
	Children	↓	↓	—	—
	Pensioners	↑	↑	↓	↓
Absolute	Households	↑	—	↓	—
	Working-age people	↓	↑	↓	↑
	Children	↓	—	—	↑
	Pensioners	↑	—	↓	—

Key: the percentage in low income increased (↑), decreased (↓) or stayed the same (—).

This dashboard shows the direction of change over the last year and is provided to give an indication only and may not represent a clear improvement or deterioration. Indication of change is based on a ±1.0 percentage point threshold.

Trends between 2011/12 and 2012/13

In rural areas:

- regardless of housing costs, the percentage of households and pensioners in relative low income increased, while the percentage of children in relative low income decreased
- the percentage of working-age people in relative low income stayed the same before housing costs were applied, but increased after housing costs were applied
- before housing costs there was an increase in the percentage of households and pensioners in absolute low income, and a decrease in the percentage of working-age people and children in absolute low income
- after housing costs, the percentage of households, children and pensioners in absolute low income stayed the same, while there was an increase for working-age people

In urban areas:

- regardless of the type of low income, there was a decrease in the percentage of all groups before housing costs, except for children, which stayed the same
- there was a decrease in the percentage of households and pensioners in relative low income after housing costs; the percentage of working-age people and children in absolute low income increased; while the remaining groups did not change

Technical note

This report presents figures on the percentage living in relative and absolute low income for households overall, and separately for working-age adults, children and pensioners. These statistics are one of the measures used to assess changes to living standards by examining low income, income inequality and poverty. Figures are presented as *before* and *after* housing costs.

The Department for Work and Pensions (DWP) reports that **before housing costs**¹ measures allow an assessment of the relative standard of living of those individuals who were actually benefiting from a better quality of housing by paying more for better accommodation, and income growth over time incorporates improvements in living standards where higher costs reflected improvements in the quality of housing.

After housing costs¹ measures allow an assessment of living standards of individuals whose housing costs are high relative to the quality of their accommodation, and income growth over time may also overstate improvements in living standards for low-income groups, as a rise in housing benefit to offset higher rents (for a given quality of accommodation) would be counted as an income rise.

These rural statistics are based on **relative low income** and **absolute low income**². DWP also report on measures of 'low income and material deprivation' and 'persistent poverty'.

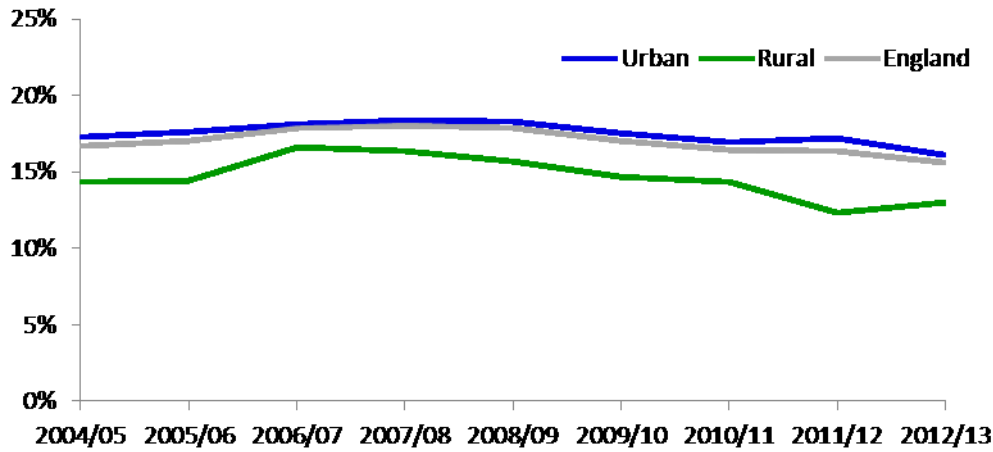
¹ See Note (a) for explanation of what is included in *before* and *after* housing costs.

² See Note (b) for explanation of *relative* low income and *absolute* low income.

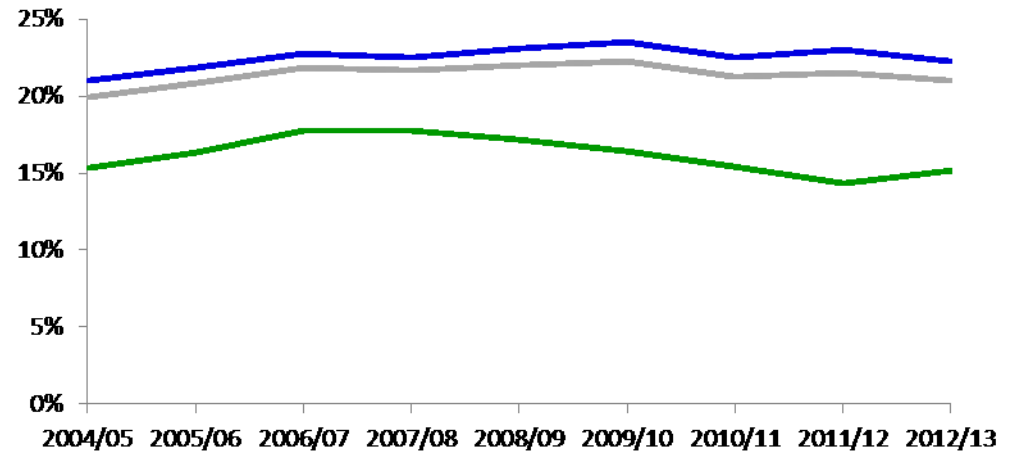
Percentage of households in low income

Percentage of **households** in **relative** low income, by urban and rural areas in England, 2004/05 to 2012/13

(i) **Before** housing costs

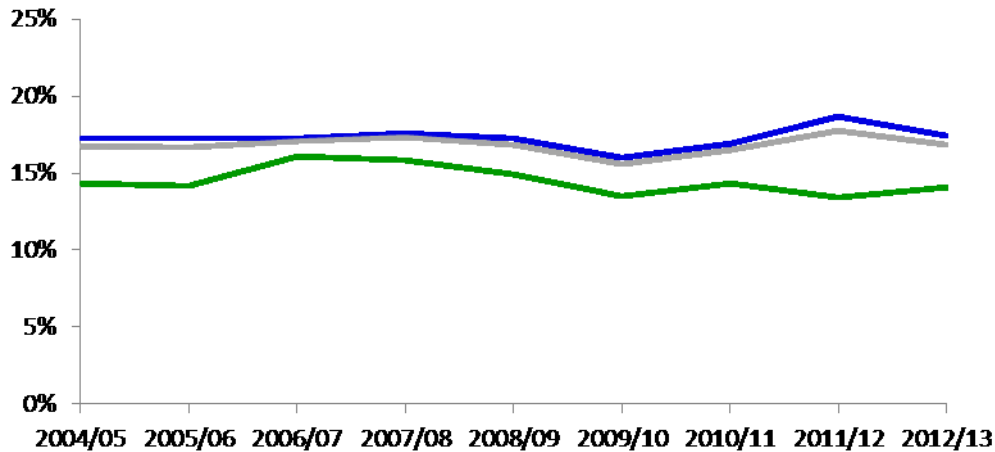


(ii) **After** housing costs

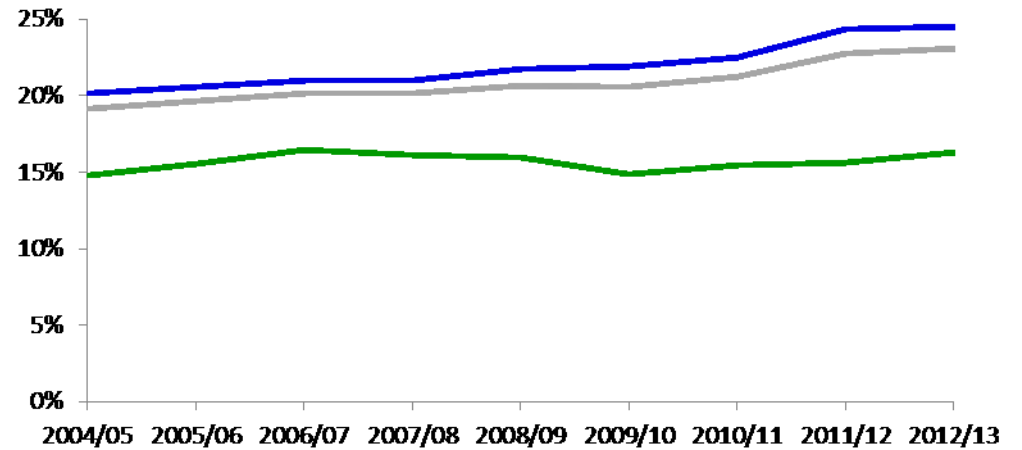


Percentage of **households** in **absolute** low income, by urban and rural areas in England, 2004/05 to 2012/13

(i) **Before** housing costs



(ii) **After** housing costs



- Both before and after housing costs measures can be used to examine relative and absolute low income for households.
- **Relative low income:** In 2012/13, the percentage of households in rural areas in relative low income was 13 per cent before housing costs and 15 per cent after housing costs. In comparison, the percentage of households in urban areas in relative low income was 16 per cent before housing costs, and 22 per cent after housing costs.
- **Absolute low income:** In 2012/13, the percentage of households in rural areas in absolute low income was 14 per cent before housing costs, and 16 per cent after housing costs. The percentage of households in urban areas in absolute low income was 17 per cent before housing costs and 24 per cent after housing costs.
- The percentage of urban households in relative low income decreased from 2011/12 to 2012/13 regardless of housing costs, while the percentage of rural households increased. Before housing costs, the percentage of households in absolute low income decreased for urban areas and increased for rural areas, although there was no change for both rural and urban areas after housing costs.

Percentage of households in relative low income, by urban and rural areas in England, 2004/05 to 2012/13

Area	Housing costs	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Urban	Before	17	18	18	18	18	18	17	17	16
	After	21	22	23	23	23	24	23	23	22
Rural	Before	14	14	17	16	16	15	14	12	13
	After	15	16	18	18	17	16	15	14	15
England	Before	17	17	18	18	18	17	16	16	16
	After	20	21	22	22	22	22	21	21	21

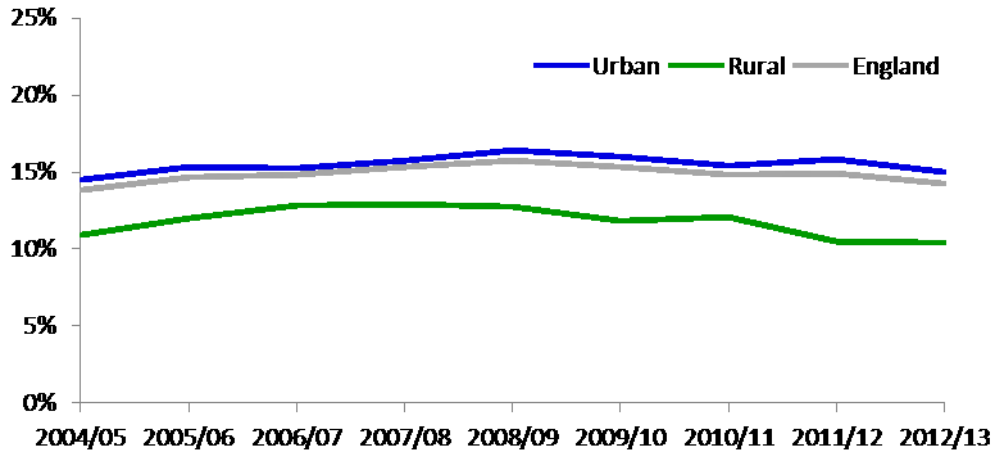
Percentage of households in absolute low income, by urban and rural areas in England, 2004/05 to 2012/13

Area	Housing costs	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Urban	Before	17	17	17	18	17	16	17	19	17
	After	20	21	21	21	22	22	23	24	24
Rural	Before	14	14	16	16	15	13	14	13	14
	After	15	16	16	16	16	15	15	16	16
England	Before	17	17	17	17	17	16	16	18	17
	After	19	20	20	20	21	21	21	23	23

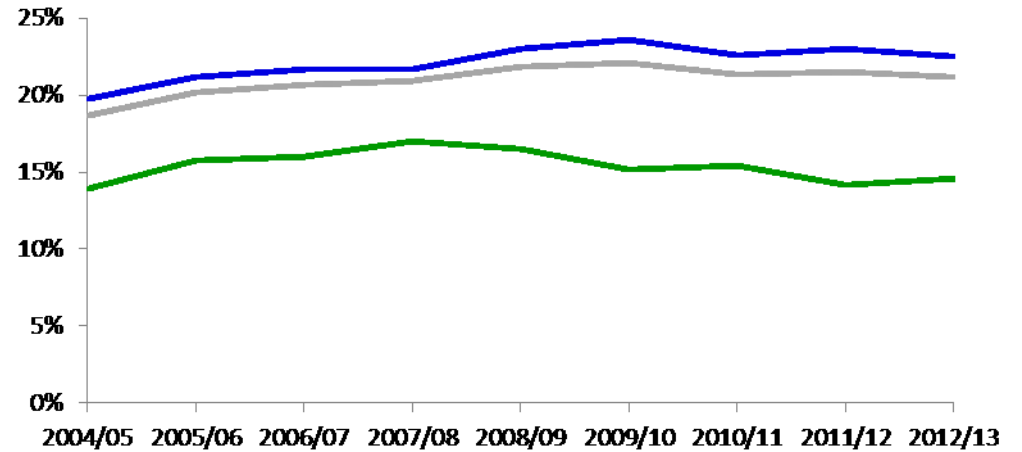
Percentage of working age people in low income

Percentage of **working-age people** in **relative** low income, by urban and rural areas in England, 2004/05 to 2012/13

(i) **Before** housing costs

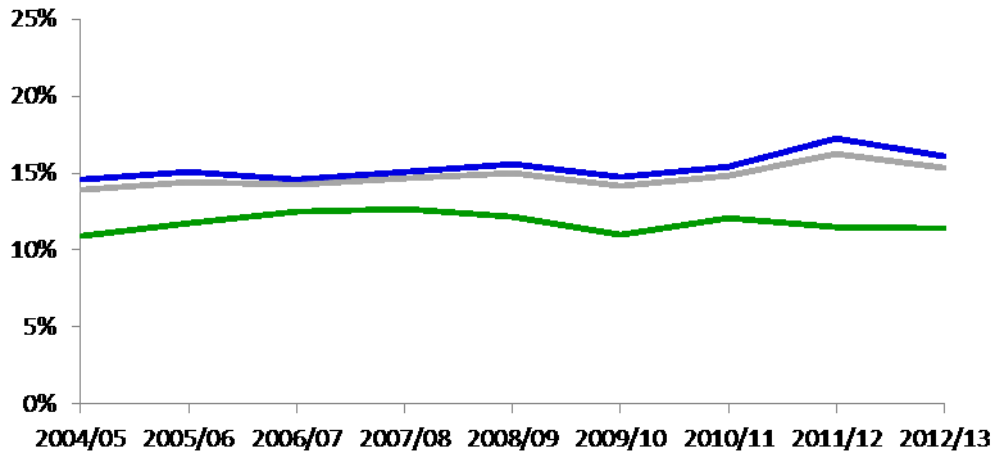


(ii) **After** housing costs

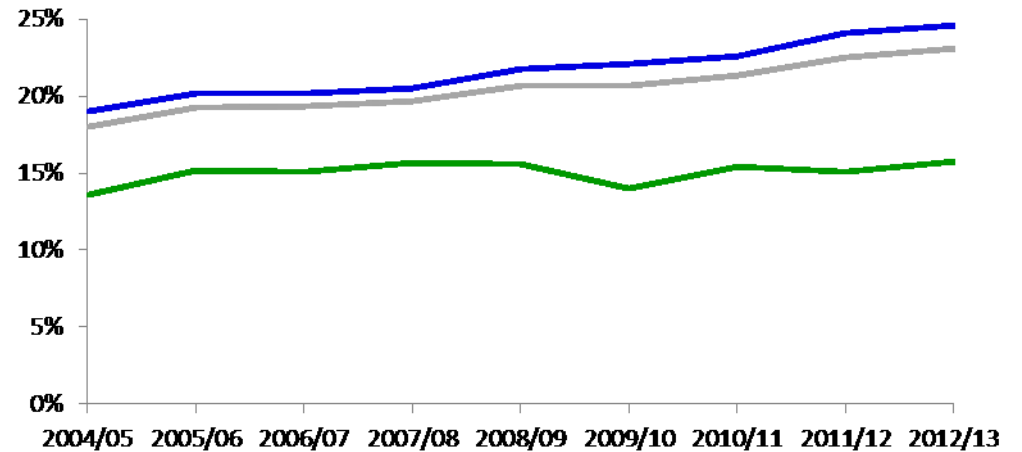


Percentage of **working-age people** in **absolute** low income, by urban and rural areas in England, 2004/05 to 2012/13

(i) **Before** housing costs



(ii) **After** housing costs



- DWP report that the preferred measure to examine relative and absolute low income for the working-age population (those aged between 16 and 64) is before housing costs. This is because after housing costs measures can underestimate the true living standard of families who choose to spend more on housing to attain a higher standard of accommodation.
- **Relative low income:** In 2012/13, the percentage of working-age people in rural areas in relative low income was 10 per cent before housing costs, and 15 per cent after housing costs. In comparison, the percentage of working-age people in urban areas in relative low income was 15 per cent before housing costs, and 23 per cent after housing costs.
- **Absolute low income:** In 2012/13, the percentage of working-age people in rural areas in absolute low income was 11 per cent before housing costs, and 16 per cent after housing costs. In comparison, the percentage of working-age people in urban areas in relative low income was 16 per cent before housing costs, and 25 per cent after housing costs.
- Between 2011/12 and 2012/13, there was no change in the percentage of working-age people in relative low income in urban areas after housing costs, and rural areas before housing costs. The percentage decreased in urban areas before housing costs and increased in rural areas after housing costs. In both rural and urban areas before housing costs, the percentage of people in absolute low income decreased, while there was an increase after housing costs.

Percentage of working-age people in relative low income, by urban and rural areas in England, 2004/05 to 2012/13

Area	Housing costs	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Urban	Before	15	15	15	16	16	16	15	16	15
	After	20	21	22	22	23	24	23	23	23
Rural	Before	11	12	13	13	13	12	12	10	10
	After	14	16	16	17	17	15	15	14	15
England	Before	14	15	15	15	16	15	15	15	14
	After	19	20	21	21	22	22	21	22	21

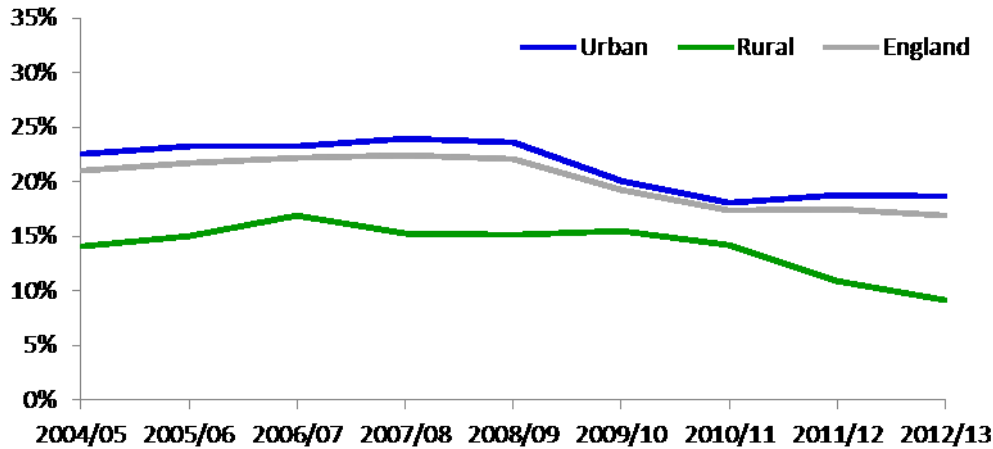
Percentage of working-age people in absolute low income, by urban and rural areas in England, 2004/05 to 2012/13

Area	Housing costs	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Urban	Before	15	15	15	15	16	15	15	17	16
	After	19	20	20	21	22	22	23	24	25
Rural	Before	11	12	13	13	12	11	12	12	11
	After	14	15	15	16	16	14	15	15	16
England	Before	14	14	14	15	15	14	15	16	15
	After	18	19	19	20	21	21	21	23	23

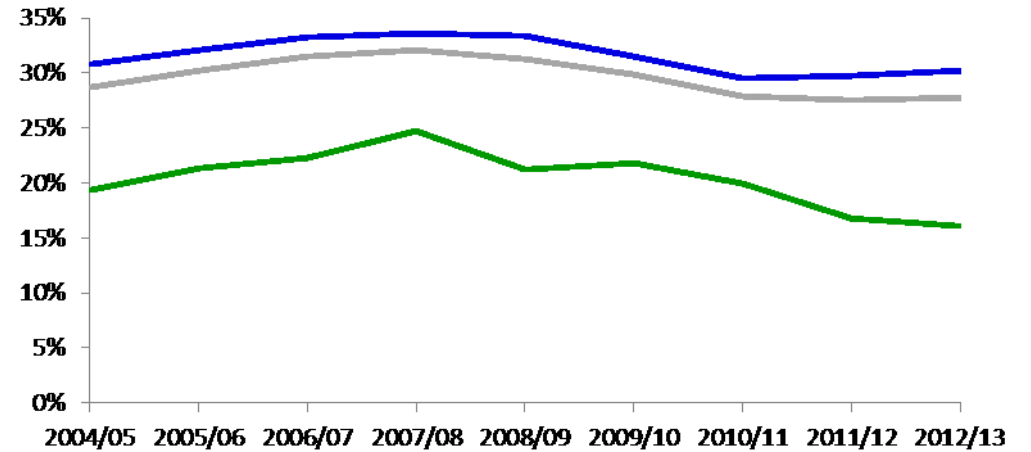
Percentage of children in low income

Percentage of children in relative low income, by urban and rural areas in England, 2004/05 to 2012/13

(i) Before housing costs

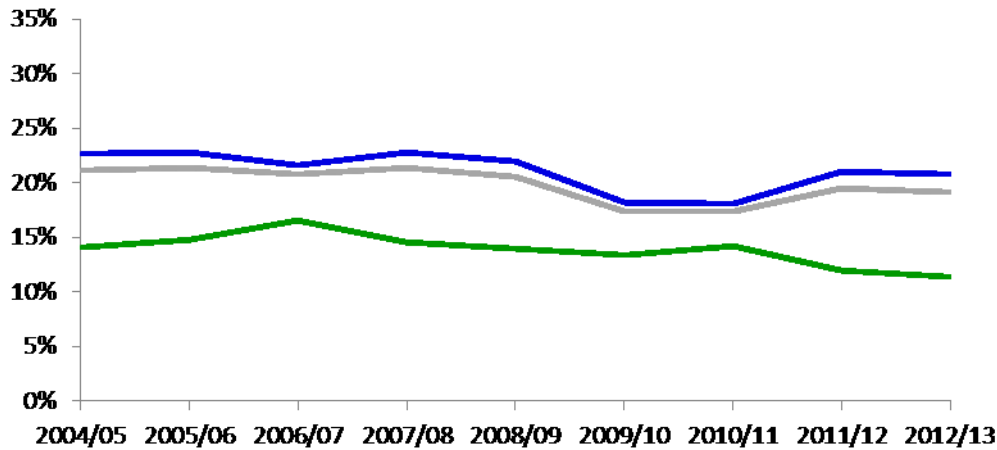


(ii) After housing costs

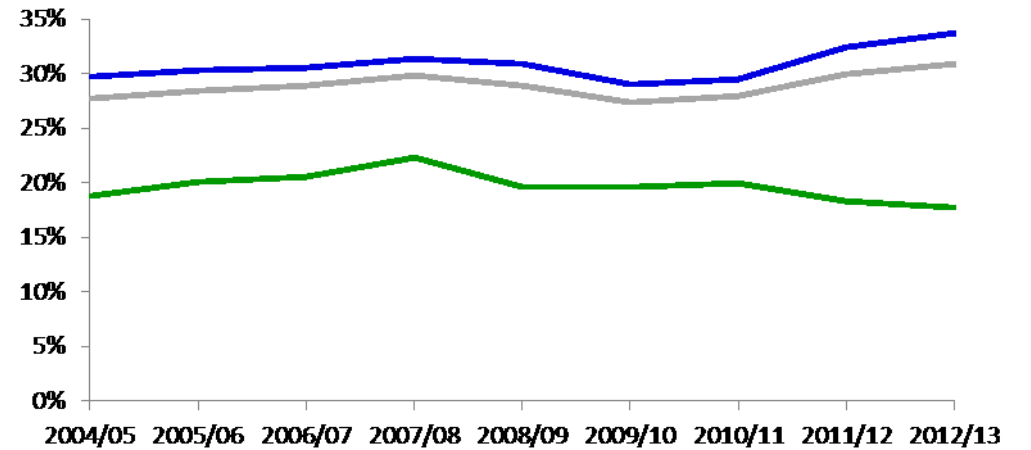


Percentage of children in absolute low income, by urban and rural areas in England, 2004/05 to 2012/13

(i) Before housing costs



(ii) After housing costs



- DWP report that the preferred measure of low income for children is based on incomes measured before housing costs, as after housing costs measures can underestimate the true living standard of families who choose to spend more on housing to attain a higher standard of accommodation.
- **Relative low income:** In 2012/13, the percentage of children in rural areas in relative low income was 9 per cent before housing costs, and 16 per cent after housing costs. In comparison, the percentage of children in urban areas in relative low income was 19 per cent before housing costs, and 30 per cent after housing costs.
- **Absolute low income:** In 2012/13, the percentage of children in rural areas in absolute low income was 11 per cent before housing costs, and 18 per cent after housing costs. In comparison, the percentage of children in urban areas in absolute low income was 21 per cent before housing costs, and 34 per cent after housing costs.
- The percentage of children in relative and absolute low income after housing costs is higher than for working-age people and pensioners. **The Child Poverty Act 2010** sets out the government's national Child Poverty Strategy. The Act contains four income-based UK-wide targets to be met by 2020. The target relating to the percentage of children in 'relative low income' is less than 10 per cent by 2020 (this is based on before housing costs measures). This target measures whether the incomes of the poorest families are keeping pace with the growth of incomes in the economy as a whole.

Percentage of **children in relative** low income, by urban and rural areas in England, 2004/05 to 2012/13

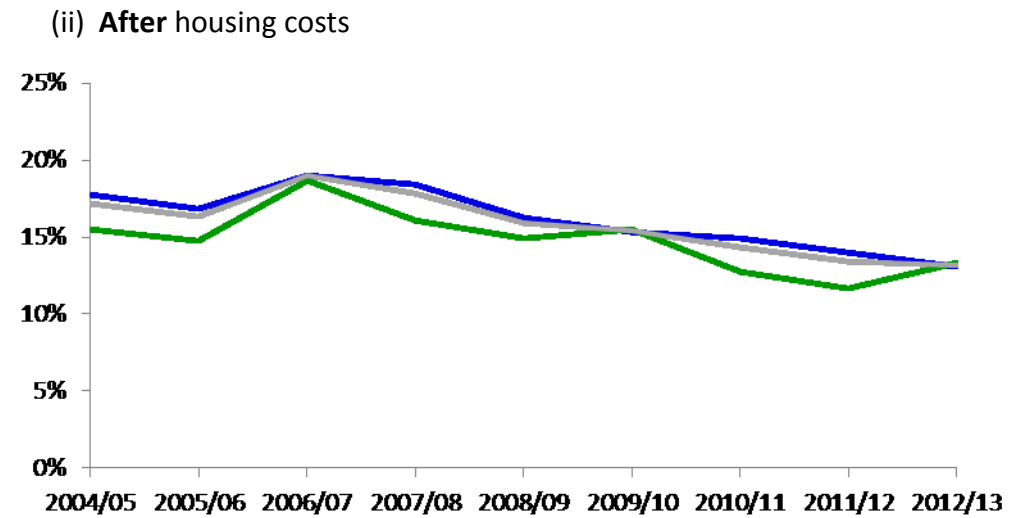
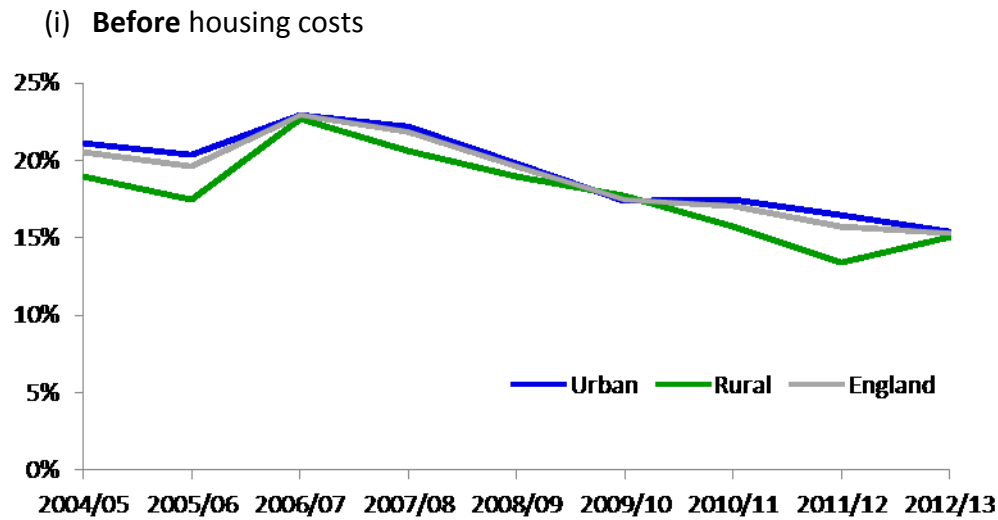
Area	Housing costs	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Urban	Before	23	23	23	24	24	20	18	19	19
	After	31	32	33	34	33	32	30	30	30
Rural	Before	14	15	17	15	15	15	14	11	9
	After	19	21	22	25	21	22	20	17	16
England	Before	21	22	22	22	22	19	17	17	17
	After	29	30	31	32	31	30	28	28	28

Percentage of **children in absolute** low income, by urban and rural areas in England, 2004/05 to 2012/13

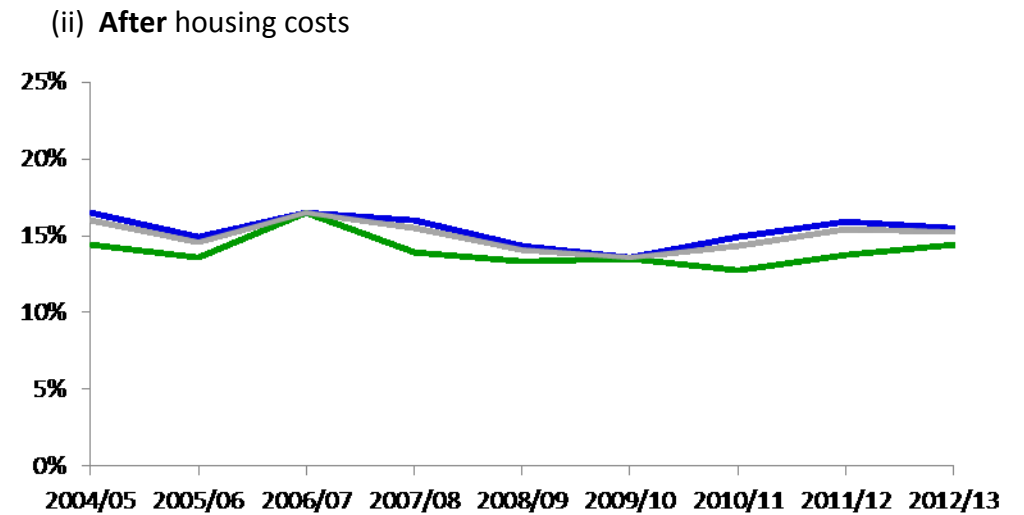
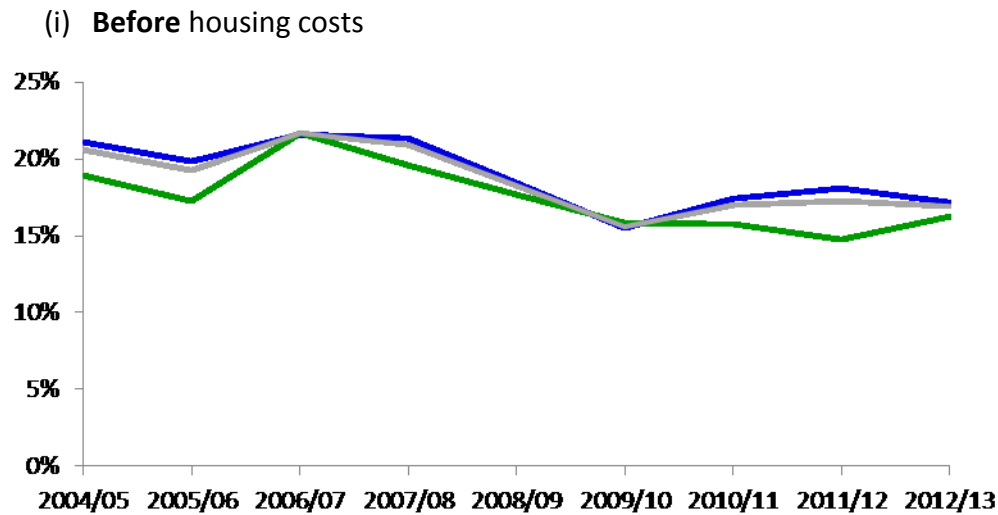
Area	Housing costs	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Urban	Before	23	23	22	23	22	18	18	21	21
	After	30	30	31	31	31	29	30	32	34
Rural	Before	14	15	16	15	14	13	14	12	11
	After	19	20	21	22	20	20	20	18	18
England	Before	21	21	21	21	21	17	17	19	19
	After	28	28	29	30	29	27	28	30	31

Percentage of pensioners in low income

Percentage of pensioners in relative low income, by urban and rural areas in England, 2004/05 to 2012/13



Percentage of pensioners in absolute low income, by urban and rural areas in England, 2004/05 to 2012/13



- DWP report that the preferred measure of low income for pensioners is based on incomes measured after housing costs, as a significant percentage of pensioners own their own home. The figures for both urban and rural areas show that the percentage of pensioners in relative or absolute low income was lower after housing costs, than before housing costs.
- **Relative low income:** In 2012/13, the percentage of pensioners in rural areas in relative low income was 15 per cent before housing costs, and 13 per cent after housing costs. In comparison, the percentage of pensioners in urban areas in relative low income was 15 per cent before housing costs, and 13 per cent after housing costs.
- **Absolute low income:** In 2012/13, the percentage of pensioners in rural areas in absolute low income was 16 per cent before housing costs, and 14 per cent after housing costs. In comparison, the percentage of pensioners in urban areas in absolute low income was 17 per cent before housing costs, and 16 per cent after housing costs.
- The percentage of pensioners in relative low income – both before and after housing costs – decreased in urban areas and increased in rural areas between 2011/12 and 2012/13. The percentage in absolute low income before housing costs decreased, while the percentage in rural areas increased. Percentages in both urban and rural areas stayed the same after housing costs.

Percentage of pensioners in relative low income, by urban and rural areas in England, 2004/05 to 2012/13

Area	Housing costs	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Urban	Before	21	20	23	22	20	17	17	16	15
	After	18	17	19	18	16	15	15	14	13
Rural	Before	19	17	23	21	19	18	16	13	15
	After	16	15	19	16	15	15	13	12	13
England	Before	21	20	23	22	20	17	17	16	15
	After	17	16	19	18	16	15	14	13	13

Percentage of pensioners in absolute low income, by urban and rural areas in England, 2004/05 to 2012/13

Area	Housing costs	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Urban	Before	21	20	22	21	18	16	17	18	17
	After	16	15	17	16	14	14	15	16	16
Rural	Before	19	17	22	20	18	16	16	15	16
	After	14	14	16	14	13	14	13	14	14
England	Before	21	19	22	21	18	16	17	17	17
	After	16	15	16	16	14	14	14	15	15

Source: Department for Work and Pensions (DWP), bespoke data request.

Notes:

(a) HBAI statistics – background information

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. The unit of analysis is the individual.

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.

Further information on the DWP's HBAI statistics can be found in:

- *Households below average income (HBAI)* on GOV.UK: <https://www.gov.uk/government/organisations/department-for-work-pensions/series/households-below-average-income-hbai--2>
- *First release: households below average income (HBAI) statistics, June 2013* on GOV.UK: <https://www.gov.uk/government/statistics/first-release-households-below-average-income-hbai-statistics-june-2013>
- *Households below average income (HBAI): 1994/5 to 2012/13* on GOV.UK: <https://www.gov.uk/government/statistics/households-below-average-income-hbai-199495-to-201213>

(b) HBAI statistics – definitions of relative and absolute low income

Relative low income sets the threshold as a percentage of the average income, so it moves each year as average income moves. It is used to measure the number and percentage of individuals who have incomes that are a certain percentage below the average.

The percentage of individuals in *relative* low income will increase if the average income:

- stays the same or rises and, relative to this, individuals on lowest incomes see their income fall, or rise to a lesser extent
- falls and individuals with the lowest incomes see their income fall more than the average income

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

- stays the same or rises, while those with the lowest incomes see their income rise more than the average income
- falls and, relative to this, individuals with the lowest incomes see their income rise, fall to a lesser extent, or show no change

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

The percentage of individuals in *absolute* low income will:

- increase if individuals with the lowest incomes see their income fall or rise less than inflation
- decrease if individuals with the lowest incomes see their incomes rise more than inflation

* HBAI uses variants of the RPI to adjust for inflation to look at how incomes are changing over real 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. A full report can be found on the UK Statistics Authority website.

Notes continued:

(c) The Child Poverty Act 2010, Social Mobility and Child Poverty Commission

The relative low income target in the Child Poverty Act 2010 (<http://www.legislation.gov.uk/ukpga/2010/9/section/3>) is that less than 10% of children who live in qualifying households live in households that fall within the relevant income group.

For the purposes of this analysis, a household falls within the relevant income group – in relation to a financial year – if its equivalised net income for the financial year is less than 60% of median equivalised net household income for the financial year.

(d) State of the Nation

The *State of the Nation 2014: social mobility and child poverty in Great Britain* is available on GOV.UK:
<https://www.gov.uk/government/publications/state-of-the-nation-2014-report>

(e) Rounding

In the tables, figures are rounded to the nearest 1.0 per cent whereas the dashboard shows change based on a ± 1.0 percentage point threshold. Increases or decreases in figures between years as noted in the tables and dashboard may therefore not match and these changes may not represent a clear improvement or deterioration.