

# Freedom of Information request 2433/2011

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## Information request

1. The percentage of pensioner households below a) 40 per cent and b) 45 per cent of the contemporary median equivalised income as per the manner of calculating the 50, 60 and 70 percentages given in Table 6.1tr of the latest HBAI.
2. The actual monetary level of unequivalised median income of just pensioner households, and the percentage of pensioner households below 60 per cent of that income.

## DWP response

In response to this query each point is addressed separately below:

### **1. The percentage of pensioner households below a) 40 per cent and b) 45 per cent of the contemporary median equivalised income as per the manner of calculating the 50, 60 and 70 percentages given in Table 6.1tr of the latest HBAI.**

The Households Below Average Income (HBAI) series presents a range of low-income thresholds (based on 50, 60 and 70 per cent of contemporary median income). Table 1 overleaf reproduces Table 6.1tr of HBAI in the way you have requested.

This response uses a lower income threshold than 50 per cent of median. This data is not considered to be accurate as an indicator of living standards. Many of these households whilst having very low incomes, would not be considered poor, but do genuinely have few sources of income in the short-run. In addition there are other more general problems with the use of the very lowest income reported; it is possible that the figures include measurement error, resulting from respondents having income and refusing to tell us about it, or it may be that households supplement their expenditure from savings to maintain living standards. Income thresholds of less than 50 per cent of median are not National Statistics and caution must be applied because those people stating the lowest incomes in the FRS may not actually have the lowest living standards. The Independent Review on Poverty and Life Chances conducted by Frank Field stated that the "40% threshold would result in a measure that was not robust and did not capture with sufficient



accuracy those children who were suffering from the severest material poverty." Please note that this comment equally applies to pensioner households.

See Table 1 in the attached Excel Spreadsheet.

## **2. The actual monetary level of unequivalised median income of just pensioner households, and the percentage of pensioner households below 60 per cent of that income.**

A key assumption made in HBAI is that all individuals in the household benefit equally from the combined income of the household. This enables the total equivalised income of the household to be used as a proxy for the standard of living of each household member. If unequivalised income is used, this is no longer true. This means that the statistics presented here are on a different basis to those in the HBAI publication, and are also on a different basis to international best practice in terms of looking at individuals in low-income households.

For this analysis, we have defined a pensioner household as a household containing at least one member over state pension age. In addition to households made up only of pensioners, this means that an elderly parent living in the same household as a grown-up child would also count as a pensioner household. This is in line with the classification used in the Family Resources Survey. Table 2 below gives the median unequivalised income for a pensioner household and the proportion of such households with incomes below 60 per cent of this figure.

See Table 2 in the attached Excel Spreadsheet.