

Freedom of Information request 2015-74

Date received 6 January 2015

Date of response 3 February 2015

Information request

1. A time series of median income, in today's prices, by ethnicity, alongside the UK median. These will be presented as three year averages.
2. The percentage of the different ethnic groups below the UK median income each year.

I have confirmed that we would also like to view the Mean – average income for each ethnicity in addition to the median.

DWP response

In response to your query, the information requested is provided in the tables attached (FOI 2015-74 Response.xls).

Tables 1 and 2 show median and mean net disposable household income for individuals in the UK, by ethnicity of the household reference person (three-year average), in 2012/13 prices from 1994/95 to 2012/13.

Table 3 shows the percentage of individuals in the UK, by ethnicity of the household reference person (three-year average), with incomes below the UK median of that year from 1994/95 to 2012/13.

These statistics are based on Households Below Average Income (HBAI) data sourced from the Family Resources Survey (FRS). The reference period for HBAI figures is the financial year.

HBAI uses variants of Retail Prices Index (RPI) to adjust for inflation to look at how incomes are changing over time in real terms. 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 household income. Using other inflation indices instead of RPI would decrease real terms income prior to 2012/13 (with the largest differences in earlier years).

Figures are for the United Kingdom from 2002/03 onwards. Earlier years are for Great Britain only, as such there is a slight discontinuity between the figures pre and post 2002/03. Ethnicity data are only available on a consistent basis from 1994/95, so no results are available before then. Three sample years have been combined as ethnicity single year estimates are subject to volatility.

All estimates are based on survey data and are therefore subject to a degree of uncertainty. Small differences should be treated with caution as these will be affected by sampling error and variability in non-response.

Definition of income

The income measures used to derive the estimates shown employ the same methodology as the Department for Work and Pensions publication HBAI series, which uses net disposable household income, adjusted (or “equivalised”) for household size and composition, as an income measure as a proxy for standard of living. The figures have been adjusted using modified OECD equivalisation factors. Net disposable income includes earnings from employment and self-employment, state support, income from occupational and private pensions, investment income and other sources. Income tax payments, National Insurance contributions, council tax / domestic rates and some other payments are deducted from incomes. Median and mean incomes have been rounded to the nearest pound sterling.

Definition of a household

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 families/benefit units. Families (or benefit units) are defined as a single adult or couple living as married and any dependent children, including same sex couples (civil partnerships and cohabitees) from January 2006.

Before and After Housing Costs

Figures have been presented on both a Before Housing Cost and After Housing Cost basis. For Before Housing Cost, housing costs (such as rent, water rates, mortgage interest payments, structural insurance payments and ground rent and service charges) are not deducted from income, while for After Housing Cost they are.

Median

The median net disposable equivalised household income figures given in this response are based on the household income of the middle household, such that half the households have household incomes below the median and half the households have household incomes above the median.

In the HBAI publication, the median is mostly used instead of the mean income because the mean is affected by outlying cases with very high income values.

Ethnicity

The ethnicity questions used in the FRS adopt the UK harmonised standards for use in major Government social surveys; that is they adopt the standard way of collecting information on the ways in which people describe their ethnic identity. The latest harmonised standards were published in August 2011 and cover the ethnic group question in England, Wales, Scotland and Northern

Ireland. They also cover harmonised data presentation for ethnic group outputs.

The ethnic group categories used by HBAI also changed slightly in 2000/01. It is not possible to separate out definitional and real effects.

Individuals have been classified according to the ethnic group of the household reference person which means that information about households of multiple ethnicities is lost. The household reference person is classified as the highest income householder without regard to gender. This is consistent with the HBAI publication.