Department for Work & Pensions

National Statistics

Households below average income: an analysis of the income distribution FYE 1995 to FYE 2020

Published 29 March 2021

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The Households Below Average Income (HBAI) report presents information on UK living standards based on household income measures for Financial Year Ending (FYE) 2020. Estimates are provided for average incomes, income inequality, and for those in relative and absolute income poverty for various households. Please note that comparisons between years are generally made using percentages rounded to the nearest percentage point for each year. Changes are not statistically significant unless stated with a caveat.

1. Main stories

The headlines include that:

- median household income increased by statistically different 1% in 2019 and FYE 2020 (£29,600 and £29,900 respectively) and by statistically different 2% and after housing costs (AHC)[1] income inequality (Gini) and AHC remained similar to the levels seen since FYE 2011, while income inequality before housing costs (BHC) has been increasing since then
- absolute low income BHC and AHC for the overall population remained similar to the latest year. Relative low income BHC increased the same, while AHC increased slightly

Household Income

Between FYE 2010 and FYE 2020, average (median) household income after housing costs (AHC and BHC) increased significantly in real terms (i.e. taking account of inflation). In the latest year to FYE 2020, incomes (BHC and AHC) have both increased by £1,600 per week.

Income Inequality

The Gini coefficient, ranging from 0% (less) to 100% (high), measures income inequality. The Gini coefficient has been very gradually rising since FYE 2011 for both BHC and AHC. Gini (AHC) increased to 35% BHC and up 1 percentage point to 38% AHC.

Low Income Measures

The percentage of individuals in relative low income has risen since around FYE 2014 for both BHC and AHC. In the latest year, FYE 2020, the rate of relative low income BHC and AHC has fallen over the same period, and both have decreased this year (24% for 20% in 10%* and BHC from 15% to 14%).

2. What you need to know

HBAI is the foremost source for data and information about household income and poverty in the UK. It is used by Government Departments, the devolved administrations, 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 composition (called equivalisation), estimated on both a before housing costs (BHC) and after housing costs (AHC) basis. Equivalised income includes contributions from savings, capital, pensions, and occupational or private pensions, among others, and is net of tax.

HBAI uses the 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% of the median income in the year in question. Similarly, a household is said to be in absolute low income if their income is below 60% of the median income adjusted for inflation.

In line with international best practice, the income measures used in HBAI are subject to a three year rolling average. This helps to smooth out the impact of sudden, large income amounts, as they might be unrepresentative of people on a long-term basis. These adjustments, however, allow us to compare measures over time and across households of different sizes and composition on a consistent basis.

HBAI uses variants of CPI inflation when estimating low income and material deprivation. For more information, see the Uprating Guide and Methodology Information Paper.

Survey data

Estimates are based on the Family Resources Survey (FRS), which has a sample of over 19,000 UK households. Use of survey data means results in this report are subject to sampling and other survey errors, in addition to measurement issues. Over the long-term, latest estimates should be considered alongside long-term statistics. Analysis of the impact of COVID-19 on survey data collection and HBAI estimates for the latest report are from interviews conducted between April 2019 and March 2020. Interviews for the FRS are normally conducted face-to-face throughout the year, however, from mid-March to end-June 2020 interviews had already taken place and there is a material impact of COVID-19 upon these results. The HBAI statistics for FYE 2020 incorporate the pandemic's impact on the lives of households across the distribution and all low income rates.

Statistical significance is a technical concept that says whether a reported change is likely to have occurred only by chance due to variations in the sample. We quote 95% confidence intervals around estimates in HBAI which only a standard there, where any reported change is statistically significant at the 95% level. We also use a 95% level of reported difference in our testing variation and there is unlikely to be a statistically change. Changes are not statistically significant unless highlighted by an asterisk (*) in the accompanying text. Where we do not have a statistically significant change, differences between the counted numbers for those years. This is because we round up the final point in any calculation.

Additional tables and data

A large number of DWP-supporting tables are available online, breaking down results by various factors such as household demographic characteristics. Results are available for local areas back to FYE 1995.

HBAI Interactive Data Directory of Tables lists on this webpage to locate tables referenced in the following report, or to generate their own bespoke tables.

UK-wide HBAI data is available between FYE 1994 and FYE 2020 on the Stat Xplore website. You can use Stat Xplore to create your own HBAI analysis.

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

New for this Publication

Household Food Security Tables

This year's HBAI statistics include new tables showing the level of household food security for individuals living in low income households (see tables 9.1 to 9.3).

Questions are asked of the person in the household who knows the most about buying and preparing food, in contrast with the rest of the FRS, the focus is on the person of the household. Results are based on a sample of around 3,000 respondents, representing public bodies in the UK, and are disaggregated. From the questions, a measure of household score is generated, and the household's given a food security status:

- High food security (score 1-2): The household had no problem, or anxiety about, being able to afford food.
- Marginal food security (score 3 or 4): The household had problems at times, or anxiety about, accessing adequate food, but the quality, variety, and quantity of their food intake was not significantly reduced.
- Low food security (score 5 to 7): The household reduced the quality, variety, and desirability of their diets, but the quantity of food intake and normal eating patterns were not significantly disrupted.
- Very low food security (score 8 to 10): At times during the year 30 days, eating patterns of one or more household members were disrupted and their food intake was reduced because there was not enough money for food.

Households with high or marginal food security are "food secure". Food secure households have sufficient food for their needs, and are not anxious about access to healthy lifestyle. Households with low or very low food security are "food insecure". The Government's Food Security Report 2021 has a target to halve the number of people in the UK lack of access to sufficient, healthy food. Please see tables 9.1 to 9.3, plus the FYE 2020 HBAI Methodology Report's for more information.

Regarding the impact of the revision on levels of low income, the percentage of children in low income in FYE 2019 (previous publication) has been revised downwards from around 4.4 percentage points on an AHC basis and 2.1 percentage points on a BHC basis. The impact on the trend for FYE 2019 onwards is small, with the trend unchanged rounded to the nearest percentage point. However, please note that the revision does impact on the trend for the years before FYE 2019 when it was taken from child maintenance, in particular low-paid families. Conversely, the impact on the trend for pensioners is more significant, with the trend for FYE 2019 onwards being revised to a less pronounced trend. The impact of the revision on low income levels is even less because the revision each year is in the same direction – more income is added to the survey data. Please see the Methodology Report for more information. Please refer to HBAI Quality & Performance Report for more information.

Reporting of Benefits in the FRS

As with all survey data, the income FRS data used in HBAI underplays various quality issues, including the reporting of benefits in the FRS. Benefits are hard to model, in particular, benefit amounts are added using a combination of survey data and statistical processes. For the current survey year (FYE 2020), the process is both benefit amounts and benefit units. Benefit units are a new concept introduced in FYE 2020 to better reflect the household and reporting come at of benefit units. Non-household incomes to these respondents, who tend to be in the bottom half of the income distribution. Would be expected to increase the number of benefit units, and the number of benefit units and amounts adjusted and reassessing at all is the survey. Non-benefit recipients. Benefit units are not expected to change much, but benefit amounts are expected to be over-represented. Since households not receiving benefits tend to have higher incomes, this would mean household income overall would tend to be overestimated.

Development of processes linking FRS data to administrative data will continue in future years to improve the quality of the underlying data. For more information please see the FRS Background Information and Methodology report.

3. The Overall Income Distribution

Starting from all UK household incomes is a useful way to understand overall higher incomes.

The shape of the overall income distribution evolves over time, with relatively small year-on-year changes.

Main Findings

The presence of large numbers of individuals with relatively high incomes results in a positive skew to the distribution. In this case, the mean is higher than the median (MHC) 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 income distribution.

There is a large number of individuals with household income around £400 per week, median income mark (£29 per week). These falling below this one are considered to be relatively low income. Income data is not collected from those in institutions or homeless, meaning the income data of the overall distribution can be expected to be slightly lower than it would be if it included these groups. The shape of the overall income distribution has remained broadly unchanged.

See Table 2.1 BHC for Median, AHC data available in Table 2.1 AHC.

Income distribution (BHC) for the total population, FYE 2020

In FYE 2020, the average (median) net home household income before housing costs significantly increased compared FYE 2019 at £29,600 per week (median £26,000 per year). Average income after housing costs has also significantly increased to £475 per week (median £25,900 per year). Median income increased by statistically 1% in HBAI, there were generally closely towards to real terms income until FYE 2010. Following falls in FYE and FYE 2012, there were rises until FYE 2017.

See Table 2.2a Decile for full data.

FYE 2020 was a good year in terms of the UK labour market, with employment growth, and earnings growth of 3.1% easing recording CPI inflation of 1.7%.

See Table 2.1 for the full data on economic indicators.

Decile divide the population, when sorted by equivalised household income, into two equal sized groups, and are indicated by 1st (from the top) chart, while quintiles divide the population into five groups. The shape of the overall income distribution has remained broadly over time.

Annual real terms change in income by quintile, FYE 2020 prices

From FYE 2010 (the pre-recession median income high) to FYE 2020 median income increased by statistically 1% in real terms BHC and 2% in real terms AHC. During this period, income for those in lower quintiles tends to have been higher than for those in higher quintiles fell by more. Since FYE 2012, growth has been highest in the bottom 20% and lowest in the top 20% for both measures. Since FYE 2010 growth has been broadly flat in the quintile with an increased state from earned income.

See Table 2.3a Quintile for full data.

4. Income Inequality

Income inequality fell between FYE 2010 and FYE 2011, and has remained broadly flat since then.

Measures of inequality

Interpretation

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

Percentile divide the population, when sorted by household income, into 100 equal sized groups.

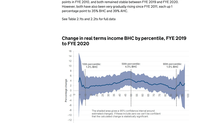
The 90:10 ratio is the income of the 90th percentile divided by the income of the 10th percentile, this is equivalent to the average (median) income of the top 10% quintile divided by the average income of the bottom 20% quintile (1. The higher the numbers, the greater the gap between those with high incomes and those with the low incomes.

Main Findings

The BHC and AHC Gini coefficients continued to be slightly below their recent high peaks in FYE 2020, and both remained statistically between FYE 2010 and FYE 2020. However, both have also been very gradually rising since FYE 2011, each up 1 percentage point to 35% BHC and 38% AHC.

See Table 2.1b and 2.2b for full data.

Change in real terms income BHC by percentile, FYE 2019 to FYE 2020



Interpretation

Looking at changes in incomes by percentile between FYE 2019 and FYE 2020 shows which groups have the income for part of the distribution have changed during this period.

Main Findings

Income changes across the entire distribution were large between FYE 2019 and FYE 2020 than previous years, with the current estimates positive for all percentiles. The percentiles with the largest increases in income were around the 70th percentile. Income percentiles seeing an increase of 6%. Outside of these percentiles, income percentiles saw changes ranging from an increase of 3.5% to 4%.

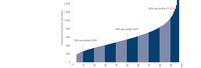
Between the 40th and 60th percentile, the 80th percentiles increase do not include statistically significant changes. Income for the 10th percentile increased by 4.5% in FYE 2020 compared with FYE 2019.

In FYE 2020, both measures for the 10th percentile are lower above the 90th percentile saw an increase compared FYE 2019. These changes resulted in a slight fall in the 90:10 ratio, from 3.7 in FYE 2019 to 3.6 in FYE 2020. The 90:10 ratio has remained flat (3.6) for 6 months in 1 decade.

See Table 2.1 for full data.

Those in the top 2% of the income distribution have at least 3 times the income of the average (median) household.

Weekly net equalised household income BHC by percentile FYE 2020



Interpretation

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

Main Findings

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

Incomes increase sharply past the 80th percentile BHC. In FYE 2020, income at the 90th percentile is almost double the income at the 80th percentile. But at the population 20th percentile and above there at least three times that of the median.

See Table 1.2 for full data.

Annual net equivalised household income BHC by household type at different percentiles of the FYE 2020 UK distribution

Percentile	Single individual	Couple with no children	Couple with two children under 14
90th	£25,000	£35,400	£52,500
80th	£16,300	£18,600	£30,500
60th	£12,500	£14,900	£18,300
50th	£10,400	£12,700	£15,600

Percentiles 1,2 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 receiving more of their income from state support. In FYE 2020:

- earnings account for around a third of gross income for individuals around the 10th percentile compared to around 85% for individuals around the 90th percentile
- the self-employed (SE) income is concentrated in the top 20% of the population while state support for around 70% of the UK population (those above the 20th 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 (except generally makes up a slightly smaller proportion of income because eligibility for state support (including child benefit) and tax credits) for this group
- households containing pensioners and no children receive around 80% of their income from state support, with the majority of the remainder being from pensioner pensions. Earnings and investments make a larger contribution of approximately 20% or more of income for those in the top half of the distribution

See Table 1.3, 1.4, 1.5 and 1.6 for full data.

Sources of income for households containing working-age adults

Sources of income for households containing children

Sources of income for households containing pensioners and no children

6. Low-Income Indicators

Absolute low income AHC for the overall population 94[1] in the latest year, relative low income AHC stable

Percentage of individuals in relative BHC low income

Percentage of individuals in relative AHC low income

Relative low income only a threshold as a proportion of the UK average (median) income and means each year is an average income change. It is used to measure the proportion of individuals in households who have income below this threshold (typically 50, 60 or 70% of the median).

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

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

Percentage of individuals in absolute BHC low income

Percentage of individuals in absolute AHC low income

Absolute low income falls when the 60% of median income threshold from 2010 to 2013 and then floats this in real terms (i.e. the line moves with inflation). This is designed to assess how the standard of living of those on low incomes is changing over time. Around the proportion of individuals who have incomes below this threshold. Other thresholds are also available (for example 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 Table 1.7b and 1.7c for full data.

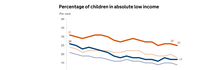
Overall the percentage of individuals in relative low income BHC rose slightly and AHC remained stable in FYE 2020. The percentage of individuals in absolute low income AHC* and BHC fell, after increases in previous years.

Main Findings

The main findings are:

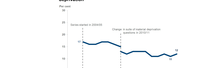
- the percentage of individuals in relative low income BHC rose between FYE 2010 and FYE 2013, 16%, and relative low income AHC remained at the previous year's level of 22%.
- absolute low income BHC fell to 14% in FYE 2020 while absolute low income AHC remained at its lowest level since the 1990s at 17%. Both have fallen by large percentages (pre-dated 5 percentage points on unrounded data) in FYE 2019. Both BHC and AHC absolute low income remained below their recent highs in FYE 2012 and FYE 2013 and have remained below for the latest seven years.
- another driver for the change in the equivalent BHC rates, especially for children and working-age adults. This is consistent with housing costs falling in real terms towards the end of the period (see section 7).
- uptrends over the past twenty years show four pre-crisis years followed by relatively modest, with longer-term patterns emerging over time

Relative BHC* and AHC rose, while absolute low income BHC remained stable, and while AHC fell



Percentage of children in relative low income

Percentage of children in absolute low income



Main Findings

Between FYE 2010 and FYE 2020, relative low income BHC for children increased significantly, from 20% to 23%[2]. The AHC series also rose in FYE 2020 to 29%, following increases since FYE 2014 and is roughly on the level seen in FYE 2012/13 FYE 2018.

Absolute low income for children BHC remained stable at 17% between FYE 2019 and FYE 2020 and is at the same level as in the previous year. The AHC series, the percentage of children in absolute low income AHC remains at a historic low.

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

Low Income and Material Deprivation Increased

Percentage of children in low income and material deprivation

Interpretation

Child Low Income & Material Deprivation – respondents are asked whether they have adequate or inadequate access to a set of goods and services. Those who are both in the material deprivation measure, and below more commonly seen in the population given a higher weighted score. A child is considered to be in low income and material deprivation if they are in a family that is in material deprivation and in low income and an equivalised household income BHC below 70% of median. More details are available in the HBAI Quality and Methodology Information Report.

Main Findings

The percentage of children in low income and material deprivation increased to 10% in FYE 2020 rising the previous year's decrease. Previously since FYE 2011 has been small.

Absolute low income BHC decreased*, as did BHC and relative low income AHC. Relative low income AHC increased in FYE 2020

Percentage of working-age in relative low income

Percentage of working-age in absolute low income between

Main Findings

The percentage of working-age adults in relative low income BHC rose from 15% to 16% in FYE 2020, although the change was less than 0.5 percentage points or the unrounded data. Relative low income AHC decreased slightly to 20%. Looking further back, BHC and AHC rates have been broadly stable since around FYE 2011.

Absolute low income BHC decreased slightly to 13% of working-age adults, which is statistically significant but not a meaningful change. Absolute low income AHC saw a statistically significant increase in both measures the previous year and is 3 ppt higher than the broadly flat trend since FYE 2012.

The relative low income figures in FYE 2020 are broadly consistent with the stable long-term trends.

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

Relative low income BHC

Relative low income, composition and risk in FYE 2020, BHC

The size of the bubble shows the share of those in low income in each group. For composition, the largest share of working-age adults in low income are those in working families and in low income BHC (shown by the level of the centre of the bubble). However of all working-age adults in low income, 58% were in a working family (shown by the size of the bubble).

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 FYE 2020, 11% of working-age adults in working families were in relative low income BHC, compared to 44% of those in worklessness families, while 19% of children in working families were in relative low income BHC compared to 53% in worklessness families.

Working-age adults living in and children in working families are most likely to be in relative low income than those in families where no one is in work. In FYE 2020, 71% of working-age adults in low income BHC were in a working family, and 58% of children in low income BHC were in working families. In FYE 2020:

- overall, 33.5 million working-age adults were in working families, and 8.6 million working-age adults were in worklessness families.
- overall, 4.1 million children were in working families, 1.8 million, meaning overall 30% of all working-age adults in low income were in working families.
- overall, 12.3 million children were in working families, and 1.6 million children were in worklessness families.
- 58% of 2.2 million in low income BHC, or 1.3 million, meaning overall 15% of all children in low income were in working families.

9. Pensioners in Low Income Households

Around three-quarters of pensioners in low income are not owned outright (compared to 1 in 3 of those in working age families). Pensioners are more likely than in 2010/11 to be moving the proportion of pensioners in low income households back to be more like their BHC, unlike for children and working-age adults. We also estimate consider material deprivation measures for pensioners. See Tables 5b, 6, 20, and 6b for full details.

Relative low income for pensioners has been increasing since around FYE 2015, absolute low income has been broadly flat since FYE 2015 BHC or FYE 2019 AHC

Percentage of pensioners in relative low income

Percentage of pensioners in absolute low income

Main Findings

The percentage of pensioners in relative low income rose to 19% BHC and 18% AHC between FYE 2015 and FYE 2020. Absolute low income BHC and AHC remained stable on the rounded data, although on the unrounded data absolute low income AHC fell by a statistically significant amount.

Compared to the overall UK population, pensioners have been less likely to be in relative or absolute low income AHC from around FYE 2005, and similar beside BHC. Pensioners have been more likely to be large reductions in rates of low income for pensioners until around FYE 2010.

Material Deprivation was stable in FYE 2020

Percentage of pensioners in material deprivation

Interpretation

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 treated as a lack of possession. If a person does not possess a particular item and a population gives a higher weighted score, if 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 in material deprivation remained stable between FYE 2018 and FYE 2020 at 8%. There has been a broadly downward trend since FYE 2014.

10. People in Low Income Households, by disability in the family

Relative BHC* and AHC low income measures where somebody in the family is disabled increased in FYE 2020

Percentage of individuals in relative low income, by family disability

Percentage of individuals in absolute low income, by family disability

Interpretation and Definitions

Disabled people are identified as those who report any physical or mental health conditions(s) or illness(es) that last or are expected to last 12 months or more, and whose day-to-day activities are limited. Step-by-Step 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 a consistent definition used from FYE 2013 onwards. This is in line with FYE 2013 to FYE 2015 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 people.

Therefore, comparisons between figures from FYE 2013 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

Percentage of individuals in relative low income, by family disability

Percentage of individuals in absolute low income, by family disability

Main Findings

There is no direct relationship between trends for those with and without disabled people in low income families, and between those in families with and without a disabled person. 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.

Between FYE 2016 and FYE 2020, relative low income BHC for those in families where someone is disabled increased from 18% to 21%. Absolute low income BHC for those where someone is disabled rose from 18% to 21%. Absolute low income AHC for those where someone is disabled also increased, from 19% to 21% between FYE 2016 and FYE 2020, whereas AHC fell from 23% to 22%.

Looking at low income BHC by group shows large reductions in rates of low income for all groups and all measures between FYE 2008 and FYE 2010, with smaller falls in the years following. Since FYE 2010, there has been little change for those in families with a disabled person generally. Increases between FYE 2016 and FYE 2020. This increase was largely due to children in families with a disabled person, where there was a rise from the relative (from 23% to 29%) and absolute (from 22% to 29%) measures.

See Summary tables 1.7a, 1.7b, 1.7c and 1.7d for full data.

11. Long-term Trends (data prior to FYE 1995 are not National Statistics)

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

Gini Coefficient

Relative Low Income

Absolute Low Income

Main Findings

Looking at trends over the past 50 years, incomes across the population have increased in real terms, however this has been accompanied by increasing inequality. Inequality has fallen from its peak in 1990 but has been fluctuating since then, with rises in absolute low income stalling.

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 flat, although there has been some increase in it. Work for the Institute for Fiscal Studies suggests that increasing inequality has continued with incomes for those towards the top of the distribution growing more than those in the middle 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:

- From the late 1970s there was a large rise in unemployment following the recession, increasing the number of households in earnings – drawn in partly by the increase in local time working.
- From the mid 1980s increasing income inequality was further driven by incomes of those in employment increasing more for those towards the top of earnings (including pensioners) or growth in employment income rose faster than for other sources such as benefits.
- In the early 1990s the widening of the income distribution was driven further by increases in earnings inequality, with increasing differences between wages for different occupations.
- From the late 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 those in work, particularly those towards the middle of work and by the introduction of tax credits and the Basic State Pension "triple lock".

See the IFS publication for full data and discussion for changes in inequality for detailed decomposition analysis of trends.

12. 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 the more the figure is likely to change from year to year and the more uncertain certainty of these estimates, by meaning 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 incorrect answers or do not answer certain questions, the results will be inaccurate. Whatever biases and errors. This non-sampling error can be minimised through effective survey design and careful data collection and processing, but it is impossible to eliminate data. However, it is not possible to estimate 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.

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 or families.

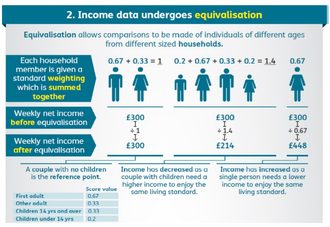
Family or Benefit Unit

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

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.

Equivalisation



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.

13. 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
- all maintenance payments
- 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 and National Insurance contributions
- domestic rates and council tax
- contributions to occupational pension schemes
- all maintenance payments
- student loan repayments
- parental contributions to students living away

Income After Housing Costs is derived by deducting housing costs, including:

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

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: The regulatory arm of the UK Statistics Authority, the Office for Statistics Regulation (OSR), has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007, signifying compliance with the Code of Practice for Statistics.

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value and comply with all aspects of the Code. OSR has undertaken this assessment to consider whether the statistics meet the required standard. Since the latest review by the OSR, we have continued to comply with the Code of Practice for Statistics, and have made a number of improvements including:

- publications have been made significantly shorter to enable a focus on commentary and analysis
- the timeliness of the publication has been improved so that reports are released within 12 months of the completion of the Family Resources Survey, made possible by improvements to the background, publication and checking codes that are used to conduct analysis
- by making our data available on Stat X-plore and the UK Data Service, our statistics are more accessible and support new analysis for users not included in the publications themselves
- the quality of statistics have improved as variants of the Consumer Price Index (CPI) have replaced the use of Retail Prices Index (RPI) when adjusting for inflation, in line with guidance from the UK Statistics Authority and National Statistician
- improved methodology for measuring and reporting uncertainty around key HBAI estimates

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 on the HBAI website.

Guidance on alternative sources of data on earnings and income is available on the ONS website and provides useful information to contextualise the HBAI statistics, with additional details on the ONS website.

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. In accordance with the Code of Practice for Statistics, all DWP National Statistics are also announced on the Government Statistics website.

A closely-related source of key information on income is the Office for National Statistics' analyses on Average Household Income and on the Effects of Taxes and Benefits on Household Income. As these statistics are based on survey data and so subject to statistical uncertainty, users are encouraged to take a holistic view across the full suite of results available on the ONS website.

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1. Changes are not statistically significant unless highlighted by an asterisk (*). ↩

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