

# Chapter 1

## Introduction and summary of key findings

### Introduction

#### Background

This is the twenty-third edition of the Households Below Average Income (HBAI) series. This report presents information on potential living standards in the United Kingdom as determined by disposable income in 2010/11, and changes in income patterns over time.

#### What does HBAI measure?

Households Below Average Income (HBAI) uses household disposable incomes, after adjusting for the household size and composition, as a proxy for material living standards. More precisely, it is a proxy for the level of consumption of goods and services that people could attain given the disposable 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, which is explained in more detail below.

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.

See **Appendix 1** for a detailed definition of net disposable household income and see **Appendix 2** for a more in-depth presentation of the methodology underpinning HBAI.

#### Publication structure

This publication is split into seven chapters and three appendices. **Chapter 1** gives a summary of the results and an introduction to the analysis; **Chapter 2** gives an overview of the income distribution and looks at the economic climate for the period covered; **Chapters 3 to 6** provide detailed analysis of the incomes of all individuals, children, working-age adults and pensioners respectively; **Chapter 7** gives a summary of analysis of persistent poverty. **Chapters 3 to 6** follow a common structure, starting

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with commentary covering the key findings, then background information including an explanation of technical terms, then tables showing headline **trends** over time, which have a **tr** suffix, followed by **detailed breakdown** results for the most recent year, which have a **db** suffix, and tables showing **time series**, which have a **ts** suffix.

**Appendix 1** gives a glossary of terms used and detailed definitions, while **Appendix 2** gives a more in-depth presentation of the methodology underpinning HBAI. **Appendix 3** gives information on future changes to the child material deprivation items.

## Changes to the publication

The following changes have been made to the analyses within the publication this year.

- HBAI has recently undergone an assessment of compliance with the Code of Practice for Official Statistics. Arising from this assessment was a requirement to introduce additional statistical commentary into the report. Commentary is now included at the start of **Chapters 2 to 6**. More details on the assessment can be found below.
- The Consumer Price Index (CPI) has been included in **Table 2.1tr** showing trends in key economic indicators.
- Employment and Support Allowance has been included as a separate item to the list of benefits in the state support sections of the tables in **Chapters 4 and 5**. Due to small sample sizes in 2009/10, this benefit was previously included with Incapacity Benefit or Income Support depending on its type.
- Severe low income and material deprivation statistics have been included in the composition tables (**4.3db** and **4.4db**) and percentage tables (**4.5db** and **4.6db**) in **Chapter 4**.
- In-work poverty data has been added to the detailed breakdown tables (**4.1db**, **4.3db** and **4.5db**) and time series tables (**4.1ts**, **4.6ts**, **4.10ts**, **4.14ts** and **4.20ts**) in **Chapter 4**.
- Marital status data has been added to the time series tables (**4.1ts**, **4.6ts**, **4.10ts**, **4.14ts** and **4.20ts**) in **Chapter 4**.
- Four new questions about four additional material deprivation items for children were introduced into the 2010/11 FRS. However, for the 2010/11 report we are able to report on both series of items and will be using the original items for the calculation of low income and material deprivation, and severe low income and material deprivation statistics. More details on the changes are given in **Appendix 3**.
- With changes to women's State Pension Age, the definition of a pensioner has changed to someone who is of pension age at the time of interview. Some 60 year

old women who would previously have been defined as pensioners will now be included as working-age adults.

- The Office for Disability Issues (ODI) maintains a disability indicator set. One of the ODI indicator categories 'Those living in families with disabled children' was not available in the HBAI publication. An extra disability category has been added to cover this missing category.
- Following user consultation, time series tables looking at pensioners in households with incomes below 50 per cent of median have been removed.

## Revisions to 2008/09 and 2009/10 and other methodological improvements

For this publication, we have revised the 2008/09 and 2009/10 results. This was due to two reasons:

- Changes to the direct tax system in Northern Ireland: In 2007/08 a new rates system was introduced in Northern Ireland. However, within the Family Resources Survey dataset, information under the old property specific values were being used for 2008/09 and 2009/10, resulting in higher rate values being calculated which overestimated housing costs in Northern Ireland.
- New tenure data from the Department of Communities and Local Government (CLG): CLG tenure data is used as a control total within the FRS grossing regime. CLG has published more up to date information and has revised previously published estimates. Due to the size of the changes to the tenure totals we have taken the unusual decision to revise the grossing for 2008/09 and 2009/10.

More information can be found at:

[http://research.dwp.gov.uk/asd/hbai/hbai\\_revision\\_due\\_to\\_ni\\_tax\\_changes.pdf](http://research.dwp.gov.uk/asd/hbai/hbai_revision_due_to_ni_tax_changes.pdf)

Revised tables for earlier years are available on request. The grossing issue will particularly affect analysis by tenure, while the Northern Ireland direct tax system revision will mainly affect results for Northern Ireland.

Methodological improvements have been made to the way the HBAI data is derived:

- There are a small number of adult and child material deprivation questions with missing data. We have developed a methodology for imputing values, with a similar methodology to that used for pensioner material deprivation for FRS 2009/10.
- The methodology to calculate total savings and investments has been improved. More households are shown to have a small level of savings and fewer households are shown to have a large level of savings. This means figures in this publication are not directly comparable with figures in the previous publication.

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## Equivalisation

Income is adjusted, or equivalised, to take into account variations in both the size and composition of the household. This process reflects the common sense notion that a family of several people needs a higher income than a single person in order for both households to enjoy a comparable standard of living.

Equivalence scales conventionally take a couple with no children as a reference point. The incomes of larger households are adjusted downwards and the incomes of smaller households adjusted upwards relative to this reference point. The values of the modified OECD and McClements equivalisation scales are shown in **Table A2.1** in **Appendix 2**.

Most income values quoted in this publication relate to the 'cash' income for a couple with no children; the equivalisation process must be reversed in order for them to be converted to cash incomes for other family types (see **Table 2.4ts** for examples).

## Housing costs

It could be argued that the costs of housing faced by different households at a given time do not always match the true value of the housing that they actually enjoy, and that housing costs should therefore be deducted from any definition of disposable income. However, any measure of income defined in this way would understate the relative standard of living of those individuals who were actually benefiting from a better quality of housing by paying more for better accommodation. Income growth over time would also understate improvements in living standards where higher costs reflected improvements in the quality of housing.

Conversely, any income measure which does not deduct housing costs may overstate the living standards of individuals whose housing costs are high relative to the quality of their accommodation (for example, some residents of London). Growth over time in income Before Housing Costs could also overstate improvements in living standards for low-income groups in receipt of Housing Benefit, and whose rents have risen in real terms. This is because Housing Benefit will also rise to offset the higher rents (for a given quality of accommodation) and would be counted as an income rise, although there would be no associated increase in the standard of living. A similar effect could work in the opposite direction for pensioners: if a shift from renting to owning their housing outright leads to a fall in Housing Benefit income, because fewer low-income pensioners are paying rents, then changes in income Before Housing Costs may understate any improvement in living standards.

Therefore, HBAI presents analyses of disposable income on two bases: Before Housing Costs (BHC) and After Housing Costs (AHC). This is principally to take into account variations in housing costs that themselves do not correspond to comparable variations in the quality of housing. A definition of housing costs can be found in **Appendix 1**.

## Self-employed

All analyses in this volume include the self-employed. However, it should be noted that a proportion of this group are believed to report incomes that do not reflect their living standards and that there are also recognised difficulties in obtaining timely and accurate income information from this group. Previous analysis of the level of material deprivation reported by those self-employed and reporting incomes amongst the lowest 20 per cent of incomes suggests that the link between lower incomes and higher levels of material deprivation is much weaker than it is for the population as a whole.

## Data sources

The main source of data used in this publication is the UK DWP Family Resources Survey (FRS), which is a continuous cross-sectional survey. During 2010/11, full interviews were completed with 23,460 households in Great Britain and 1,896 in Northern Ireland.

As the FRS does not track individuals over time, analysis of incomes is supplemented by the use of longitudinal data from the British Household Panel Survey (BHPS), which is carried out by the Institute for Social and Economic Research (ISER) UK Longitudinal Studies Centre at the University of Essex. The BHPS has been subsumed into the larger Understanding Society survey from the start of 2009. A technical note is available at:

[http://research.dwp.gov.uk/asd/hbai/low\\_income/usoc\\_tech\\_note.pdf](http://research.dwp.gov.uk/asd/hbai/low_income/usoc_tech_note.pdf) setting out details of the move to using Understanding Society for persistent low-income statistics.

## Changes to the Family Resources Survey

Prior to 2002/03 the survey covered Great Britain; from 2002/03 the survey was extended to cover the UK. The fieldwork for the survey in Northern Ireland is managed by the Department for Social Development (DSDNI) and is currently carried out by the Northern Ireland Statistics and Research Agency. The contract for fieldwork for the survey in Great Britain has been re-tendered four times, most recently in 2010. A consortium made up of the Office of National Statistics and the National Centre for Social Research won that contract, for 2011-12 to 2014-15 inclusive. As part of the new contract the cost of the survey has reduced, but the Department has sought to retain as far as possible the accuracy of FRS estimates.

This has been achieved primarily through:

- The FRS incorporating those elements of the General Lifestyle Survey (GLF) used to provide cross-sectional data for the EU Survey of Income and Living Conditions (EU-SILC). While the FRS is used to measure UK poverty, the GLF, an ONS survey, was used to satisfy the EU-SILC, which is used to compare poverty levels across Europe. From April 2012, the FRS will be used to capture the cross-sectional data requirements for EU-SILC, while ONS will retain responsibility for

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the longitudinal EU-SILC requirements. Completed FRS interviews will form the sample frame for a follow-up survey, which ONS will use to meet the longitudinal EU-SILC requirements. DWP and ONS have agreed to share savings from this exercise. DWP will seek to minimise any increase in the length of the FRS questionnaire, and disruption to FRS estimates. More details can be found at: <http://www.ons.gov.uk/ons/about-ons/consultations/closed-consultations/2011/the-future-of-the-glf-survey/index.html>.

- Reducing the sample size: From April 2011, the target achieved sample size for GB was reduced by 5,000 households. Therefore the overall achieved sample size for the UK will be around 20,000 households. We have assessed that this still allows core outputs (such as measures of poverty and take-up of income related benefits) from the FRS to be produced, though with slightly wider confidence intervals or ranges. More details on this assessment can be found at <http://research.dwp.gov.uk/asd/frs/>.

### Population coverage

Both the FRS and the BHPS are surveys of private households. This means that people in residential institutions, such as nursing homes, barracks, prisons or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here. Northern Ireland was included in the FRS from the 2002/03 survey year. The selected BHPS results presented in this publication do not include data for Northern Ireland, which are only available from the 1996 wave. The area of Scotland north of the Caledonian Canal was included in the FRS for the first time in the 2001/02 survey year, and from the 2002/03 survey year, the FRS was extended to include a 100 per cent boost of the Scottish sample. This has increased the sample size available for analysis at the Scottish level.

For some tables, estimates for Northern Ireland (NI) have been imputed for the years 1998/99 to 2001/02. This allows for changes since 1998/99 to be measured at the United Kingdom (UK) level. For further details, see **Appendix 4 of the HBAI 2004/05 publication**. The FRS time series in this publication are presented with discontinuities in the years where there is a change from GB to UK.

### Reliability of results

All figures presented in HBAI are estimates taken from sample surveys and, as such, are subject to variation as a result of both sampling error and bias due to non-sampling errors. These areas are covered in more detail in **Appendix 2**, as well as being outlined briefly below:

- **Sampling error** – as mentioned above, HBAI results are derived from a survey and are therefore subject to sampling error. This will vary to a greater or lesser extent depending on the level of disaggregation at which results are presented. Estimates of income growth between years are vulnerable to sampling error.

- **Non-response** – as with any survey, HBAI results are also at risk from systematic bias due to non-response by households selected for interview in the FRS. In an attempt to correct for differential non-response, estimates are weighted using population totals. Further information on the weighting methodology is included in **Appendix 2**.
- **Comparison with the Labour Force Survey:** Investigations in 2002 into differences between FRS estimates of worklessness and estimates from the Labour Force Survey (LFS) suggested that the FRS overstates the proportion of children living in workless households. A report on findings is at the following URL: [http://research.dwp.gov.uk/asd/frs/reports/children\\_in\\_workless\\_households.pdf](http://research.dwp.gov.uk/asd/frs/reports/children_in_workless_households.pdf)
- **Equivalence scales** – the results presented in HBAI are calculated using the modified OECD equivalence scale. Please refer to **Appendix 2** for a table showing the equivalence scale values.
- **Income components** – as previously mentioned, there are particular problems with the collection and quality of data relating to the incomes of the self-employed. The FRS also records a shortfall in investment income when compared with National Accounts totals. This may lead to an understatement of total income for some groups for whom this is a major income component, such as pensioners, although this is likely to be more important for those at the top of the income distribution.
- **High incomes** – comparisons with Her Majesty’s Revenue and Customs’ Survey of Personal Incomes (SPI), which is drawn from tax records, suggest that the FRS under-reports the number of individuals with very high incomes and also understates the level of their incomes. There is also some volatility in the number of high income households surveyed. Since any estimate of mean income is 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 SPI data. The median-based low-income statistics are not affected.
- **Incomes as a guide to living standards** – comparisons of household income and expenditure suggest that those households reporting the lowest incomes may not have the lowest living standards. The bottom 10 per cent of the income distribution should not, therefore, be interpreted as having the bottom 10 per cent of living standards. For HBAI tables, this will have a relatively greater effect on results where incomes are compared against low thresholds of median income. For this reason, compositional and percentage tables using the 50 per cent of median thresholds have been italicised to highlight the greater uncertainty. We have also presented money value quintile medians in **Table 2.3ts** on three-year averages to reflect this uncertainty.
- **Comparisons with National Accounts** – **Table 2.1db** shows comparisons between growth in Real Household Disposable Income and real growth in HBAI mean BHC unequivalised income. For some years, income growth in the HBAI-based series appears lower than the National Accounts estimates. The implication of this is that absolute real income growth could be understated in the HBAI series. Comparisons over a longer time period are believed to be more robust.

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- **Back payments** – it is possible that at the time of an FRS interview, a person will not be in receipt of a benefit, but will be subsequently awarded the benefit which is backdated to the time of interview. In this situation, HBAI methodology does not adjust for the ‘retrospectively’ increased income. This is relevant for benefits where there are significant backlogs in processing claims or where it is possible for families to submit backdated claims. The size of this effect will be larger in years with a relatively large volume of back payments, such as in 2003/04, when Child and Working Tax Credits and Pension Credit were introduced. Further details of possible effects of the introductions of these benefits were described in the 2004/05 HBAI publication.
- **Geographical disaggregation** – the sample size of the FRS is large enough to allow analysis at regional level within the UK for some results. However, in general, estimates of changes over time at a regional level are unlikely to yield a reliable picture of how different regions have experienced different changes. To address this issue, **Chapters 3 to 6** of the publication present data to the level of region (see **Appendix 1** for definition) and country as three-year averages.
- **Ethnicity breakdowns** – where results are presented for households headed by a person reporting their ethnic status as Mixed, Black Caribbean or Black non-Caribbean and Chinese or other ethnic group, caution should be applied when interpreting results due to the small sample sizes of these groups. Smaller ethnic minority groups exhibit year-on-year variation which limits comparisons over time. For this reason, analysis by ethnicity is presented as three-year averages.

### Assessment of compliance with the Code of Practice for Official Statistics

In December 2011, the UK Statistics Authority published a report on whether it was appropriate for HBAI to be designated as a National Statistic. See: <http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/assessment-report-161---statistics-on-household-resources.pdf>) for details

Subject to specific requirements, it was agreed that this was the case. To meet these requirements, we have introduced commentary to the start of **Chapters 2 to 6** to aid user interpretation of the statistics into the report. We have also published a document looking at the balance between users’ needs for accuracy and timeliness (see [http://research.dwp.gov.uk/asd/frs/reports/production\\_process\\_frs\\_based\\_statistics.pdf](http://research.dwp.gov.uk/asd/frs/reports/production_process_frs_based_statistics.pdf) ). Finally, a comparison how the methods used for measuring income differ from other European measures of income is included in **Appendix 2**.

### National Statistics Quality Review of Income Statistics

In 2004, as part of the National Statistics Quality Review of Income Statistics, the DWP published a joint review of the HBAI and Pensioners’ Incomes (PI) reports. The purpose was to establish whether the HBAI and PI series continue to meet the needs of their users. Details of the review and its conclusions are available at <http://research.dwp.gov.uk/asd/index.php?page=hbai>.



## Uses of the Households Below Average Income Data

This publication is used to monitor DWP Impact Indicators on pensioner poverty and disability poverty. The full list of Impact Indicators is available at:

<http://www.dwp.gov.uk/publications/corporate-publications/dwp-business-plan-2011-2015/business-plan-transparency>

The Coalition Government's child poverty strategy, published on 5 April 2011, presents a suite of indicators that will be used to monitor progress made over the life course of the strategy. There are fifteen indicators across three themes: family resources, supporting families' circumstances, and children's life chances. As well as income-based measures, they include, for example, measures of educational attainment and of the transition from childhood to higher education, training or work. This report updates six of these indicators.

<http://www.education.gov.uk/childrenandyoungpeople/families/childpoverty/a0076385/child-poverty-strategy>

The HBAI report is released alongside a number of other National Statistics publications focused on income and low-income statistics for countries within the United Kingdom:

Poverty and income inequality in Scotland

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/incomepoverty>

An analysis of the income distribution in Northern Ireland

[http://www.dsdni.gov.uk/index/stats\\_and\\_research/stats-publications/stats-family-resource/households.htm](http://www.dsdni.gov.uk/index/stats_and_research/stats-publications/stats-family-resource/households.htm)

Low-income statistics for Eurostat were produced by the Office for National Statistics (ONS) using the General Lifestyle Survey. A brief description of how levels of low-income in the UK compare with other EU countries is available at:

<http://ons.gov.uk/ons/taxonomy/index.html?nscl=Living+Conditions>

Details of the differences between the EU and HBAI methodology are given in **Appendix 2**.

ONS also produce an annual article on the effects of taxes and benefits on household income, which is due to be published in June 2012. The article provides estimates of income, taxes and benefits (in cash and in kind) in decile groups ranked by equivalised disposable income. This will be available at:

<http://ons.gov.uk/ons/taxonomy/index.html?nscl=Effects+of+Taxes+and+Benefits+on+Households>

The Pensioners' Incomes series, which gives more a more detailed analysis of pensioners' incomes will be published in July 2012 and will be available at:

[http://research.dwp.gov.uk/asd/index.php?page=pensioners\\_income](http://research.dwp.gov.uk/asd/index.php?page=pensioners_income)

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Other publications covering similar themes include:

Family Resources Survey

<http://research.dwp.gov.uk/asd/frs/>

Low Income Dynamics

<http://research.dwp.gov.uk/asd/index.php?page=lid>

In addition, the Office for Disability Issue's disability poverty Indicators are updated at:

<http://odi.dwp.gov.uk/roadmap-to-disability-equality/indicators.php>

### Estimates of income and low-income levels for small areas

Households Below Average Income (HBAI) data cannot be broken down below the level of region, due to sample size and coverage issues. However there are some data sources that present information at smaller geographies:

#### **The revised local child poverty measure**

The revised local child poverty measure published by HM Revenue and Customs gives the proportion of children living in families in receipt of out of work (means-tested) benefits or in receipt of tax credits where their reported income is less than 60 per cent of median income. The means-tested out of work benefits are Income Support, Income Based Jobseekers Allowance, Employment and Support Allowance and Pension Credit. The median income used is based on the HBAI publication, but as income on tax credit records is at family not household level, a series of manipulations have to be made to calculate this. The 2009 data, which is the most recent published, is available for England, Wales, Scotland and Northern Ireland at the following geographic levels: region, county, local authority, ward, parliamentary constituency and Lower Layer Super Output Area (LSOA)/Data Zone/SOA. Statistics for 2006-2008 only include local child poverty figures for England. Data is available here:

[http://www.hmrc.gov.uk/stats/personal-tax-credits/child\\_poverty.htm](http://www.hmrc.gov.uk/stats/personal-tax-credits/child_poverty.htm).

#### **The local child proxy poverty measure**

The local child poverty proxy measure estimates the proportion of children living in families in receipt of out of work benefits. The out of work benefits are Income Support, Jobseekers Allowance, Incapacity Benefit/Severe Disablement Allowance, Pension Credit and Employment Support Allowance. The proportion of children in poverty is calculated using the out of work benefits data and ONS mid-year population estimates. Data is published to Lower Layer Super Output Area (LSOA) level. Data is available from 2004 to 2010 and can be accessed via the following link:

<http://www.education.gov.uk/childrenandyoungpeople/families/childpoverty/b0066347/child-poverty-data>

#### **Neighbourhood Statistics model-based poverty levels for England and Wales**

The Neighbourhood Statistics website has model-based estimates of average income and proportions of households in low income at Middle Layer Super Output Area (MSOA) level for 2007/08. This is available at:

See <http://neighbourhood.statistics.gov.uk/dissemination/Download1.do>.

## English Indices of Deprivation

The English Indices of Deprivation, produced by the Department for Communities and Local Government is a measure of relative levels of deprivation in small areas of England called Lower Layer Super Output Areas and is available at:

<http://www.communities.gov.uk/publications/corporate/statistics/indices2010>.

## Acknowledgements

As in previous years, the DWP would like to thank the Institute for Fiscal Studies (IFS) for the substantial assistance that they have provided in checking and verifying the income data and grossing factors underlying the main results in this edition.

We are also grateful to Her Majesty's Revenue and Customs for the provision of aggregated data from the Survey of Personal Incomes.

The British Household Panel Survey data was made available through the UK Data Archive at the University of Essex. Responsibility for the accuracy and interpretation of the results lies solely with the DWP.

## Registration

If you have any comments or questions, or are interested in receiving information about this publication, such as consultations, planned changes, and advance notice of future releases, please email [team.hbai@dwp.gsi.gov.uk](mailto:team.hbai@dwp.gsi.gov.uk), contact the DWP statistician responsible for HBAI by telephone on 020 7449 7337, or write to Surveys Branch, Department for Work and Pensions, 2nd Floor, Caxton House, Tothill Street, London, SW1H 9NA.

# Summary of key findings

This chapter provides a summary of the chapters within the report, focussing on headline trends.

**Relative measures.** Changes in relative low-income indicators depend on how changing incomes at the lower end of the distribution compare with income growth for the rest of the population. Relative low-income statistics fall if income growth at the lower end outstrips overall income growth. Where reductions are reported for relative low-income indicators, these tend to be on a smaller scale to those seen for the absolute indicators discussed below, as a large part of the income growth at the bottom of the distribution is usually absorbed in keeping pace with the population as a whole.

**Absolute measures.** Absolute incomes in this publication are assessed against the median in 1998/99 adjusted for inflation, and the indicator falls if poorer households are seeing their income rise in real terms.

**Measurement against indicators.** The figures included in the annual Households Below Average Income report and the related report Low Income Dynamics are used to monitor progress against a variety of indicators. These indicators are described in this section in the chapter summaries.

Comparisons are conventionally made between the latest year and either 1998/99 (the first year when UK data is available) or with the previous year. Frequently both percentage point changes in the percentage of a group in low income and changes in the overall numbers in low income are presented. These do not necessarily move in the same direction, for instance the percentage of a group in low income may be flat, but the actual number might rise or fall slightly, due to changes in the group's population.

## The income distribution

Between 2009/10 and 2010/11, incomes fell, in real terms, across each quintile of the income distribution on a Before Housing Costs basis and on an After Housing Costs basis. However, between 1998/99 and 2010/11, there was income growth, in real terms, across each quintile of the income distribution.

Income inequality, as measured by the Gini Coefficient, fell by two percentage points on both a Before Housing Costs and After Housing Costs basis (see **Chapter 2** for a definition of the Gini coefficient).

## Whole population

**Relative** – In 2010/11, 16 per cent of people (9.8 million) were in households in the UK with incomes below 60 per cent of contemporary median net disposable household income Before Housing Costs (BHC), and 21 per cent (13.0 million) After Housing Costs (AHC).

Compared to 2009/10, this represents a fall of 1 percentage point (0.5m) on a BHC basis and a fall of 1 percentage point (0.5m) AHC.

Compared to 1998/99, this represents a fall of 3 percentage points (1.3m) on a BHC basis and a fall of 3 percentage points (1.0m) AHC.

**Absolute** – In 2010/11, 11 per cent of people (6.5 million) were in households in the UK with incomes below 60 per cent of 1998/99 median net disposable household income held constant in real terms Before Housing Costs (BHC), and 15 per cent (9.1 million) After Housing Costs (AHC).

Compared to 2009/10, this was flat in percentage point terms (a rise of 0.3m) on a BHC basis and was flat in percentage point terms (a rise of 0.3m) AHC.

Compared to 1998/99, this represents a fall of 9 percentage points (4.7m) on a BHC basis and a fall of 9 percentage points (4.9m) AHC.

## Children

**Relative low income** – The proportion of children living in households where income is less than 60 per cent of median household income Before Housing Costs for the financial year (2020 target is less than 10 per cent).

In 2010/11, 18 per cent of children (2.3 million) were in households in the UK with incomes below 60 per cent of contemporary median net disposable household income Before Housing Costs (BHC), and 27 per cent (3.6 million) After Housing Costs (AHC).

Compared to 2009/10, this represents a fall of 2 percentage points (0.3m) on a BHC basis and a fall of 2 percentage points (0.2m) AHC.

Compared to 1998/99, this represents a fall of 9 percentage points (1.1m) on a BHC basis and a fall of 7 percentage points (0.9m) AHC.

**Absolute low income** – The proportion of children living in households where income is less than 60 per cent of median household income Before Housing Costs in 2010/11 adjusted for prices (2020 target is less than 5 per cent). For this year, this continues to be measured against median incomes in 1998/99.

In 2010/11, 11 per cent of children (1.4 million) were in households in the UK with incomes below 60 per cent of 1998/99 median net disposable household income held constant in real terms Before Housing Costs (BHC), and 18 per cent (2.3 million) After Housing Costs (AHC).

Compared to 2009/10, this was flat in percentage point terms and numbers on a BHC basis and was flat in percentage point terms and numbers AHC.

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Compared to 1998/99, this represents a fall of 16 percentage points (2.1m) on a BHC basis and a fall of 16 percentage points (2.1m) AHC.

**Low income and material deprivation** – The proportion of children who experience material deprivation and live in households where income is less than 70 per cent of median household income Before Housing Costs for the financial year (2020 target is less than 5 per cent).

This is an additional indicator of child poverty complementing the Before Housing Costs based relative and absolute low-income indicators above. In 2010/11, 14 per cent of children (1.9 million) were living in UK households in low income and material deprivation. This represents a fall of 1 percentage point (0.2m) since 2009/10.

**Severe low income and material deprivation** – The proportion of children who experience material deprivation and live in households where income is less than 50 per cent of median household income Before Housing Costs for the financial year. This is also referred to elsewhere as severe child poverty.

This is also an additional indicator of child poverty complementing the Before Housing Costs based relative and absolute low-income indicators above. In 2010/11, 4 per cent of children (0.6 million) were living in UK households in severe low income and material deprivation. This represents a fall of 1 percentage point (0.1m) since 2009/10.

The first three measures here are statutory targets in the Child Poverty Act, the fourth measure in the Act, **persistent poverty** based on a 60 per cent of median income threshold Before Housing Costs, is published in the National Statistics publication Low-Income Dynamics which is summarised in **Chapter 7**, and shows:

In 2005 - 2008, there were 12 per cent of children living in GB households in persistent low income Before Housing Costs (BHC). The AHC figure is 17 per cent.

Compared to 2004 - 2007, this represents a rise of 2 percentage points on a BHC basis. The AHC change is a rise of 2 percentage points.

Compared to 1991 - 1994, this represents a fall of 7 percentage points on a BHC basis. The AHC change is a fall of 8 percentage points.

### Working-age adults

**Relative** – In 2010/11, 15 per cent of working-age adults (5.5 million) were in households in the UK with incomes below 60 per cent of contemporary median net disposable household income Before Housing Costs (BHC), and 21 per cent (7.8 million) After Housing Costs (AHC).

Compared to 2009/10, this represents a fall of 1 percentage point (0.2m) on a BHC basis and a fall of 1 percentage point (0.1m) AHC.

Compared to 1998/99, this represents a rise of 1 percentage point (0.5m) on a BHC basis and a rise of 2 percentage points (1.1m) AHC.

**Absolute** – In 2010/11, 10 per cent of working-age adults (3.8 million) were in households in the UK with incomes below 60 per cent of contemporary median net disposable household income Before Housing Costs (BHC), and 16 per cent (5.8 million) After Housing Costs (AHC).

Compared to 2009/10, this was flat in percentage point terms (a rise of 0.1m) on a BHC basis and flat in percentage point terms (a rise of 0.2m in terms of numbers) AHC.

Compared to 1998/99, this represents a fall of 4 percentage points (1.2m) on a BHC basis and a fall of 4 percentage points (0.8m) AHC.

## Pensioners

**Relative** – The relative 60 per cent of median measure After Housing Costs is used to monitor the Department for Work and Pensions Impact Indicator: Rate of pensioner poverty.

In 2010/11, 17 per cent of pensioners (2.0 million) were in households in the UK with incomes below 60 per cent of contemporary median net disposable household income Before Housing Costs (BHC), and 14 per cent (1.7 million) After Housing Costs (AHC).

Compared to 2009/10, this represents a fall of 1 percentage point (no change in numbers) on a BHC basis and a fall of 1 percentage point (0.1m) AHC.

Compared to 1998/99, this represents a fall of 9 percentage points (0.7m) on a BHC basis and a fall of 14 percentage points (1.3m) AHC.

**Absolute** – In 2010/11, 11 per cent of pensioners (1.3 million) were in households in the UK with incomes below 60 per cent of 1998/99 median net disposable household income held constant in real terms Before Housing Costs (BHC), and 9 per cent (1.0 million) After Housing Costs (AHC).

Compared to 2009/10, this represents a rise of 1 percentage point (0.1m) on a BHC basis and a rise of 1 percentage point (0.1m) AHC.

Compared to 1998/99, this represents a fall of 16 percentage points (1.5m) on a BHC basis and a fall of 20 percentage points (1.9m) AHC.

**Material Deprivation** – This is an additional indicator of pensioner poverty complementing the After Housing Costs based relative and absolute low-income indicators above. In 2010/11, 9 per cent of pensioners aged 65 or over (0.8 million) were materially deprived. This represents a fall of 1 percentage point (0.1m) since 2009/10.

## Disability

The Office for Disability Issues (ODI) maintains a disability indicator set. The indicators were developed in consultation with disabled people, to monitor progress in tackling

## 1 Summary of key findings

barriers and improving outcomes. These indicators include measures of disability poverty.

Disability Poverty Indicators C1, C2 and C3 are based on the Households Below Average Incomes data, C4 covers fuel poverty and C5 is based on persistent poverty, and is currently published in the National Statistics publication Low-Income Dynamics available at the following URL:

<http://research.dwp.gov.uk/asd/index.php?page=lid>.

The Households Below Average Income sourced indicators cover a comparison of the disabled and non-disabled population for:

Indicator C1 - Children living in households with incomes below 60 per cent of median equivalised household income (baseline year 2004/05)

Indicator C2 - Children living in low income and material deprivation (baseline year 2004/05)

Indicator C3 - Individuals living in households with incomes below 60 per cent of median equivalised household income (baseline year 2004/05)

These are available at the following URL:

<http://odi.dwp.gov.uk/roadmap-to-disability-equality/indicators.php>

Indicator C3 is used to monitor the Department for Work and Pensions Impact Indicator: Rate of disability poverty.

**Individuals living in families with a disabled member** - In 2010/11, 20 per cent of individuals in families where someone is disabled were living in households with incomes below 60 per cent of contemporary median net disposable household income Before Housing Costs (BHC), and 24 per cent After Housing Costs (AHC).

Compared to 2009/10, this represents a fall of 1 percentage point on a BHC basis and a fall of 1 percentage point AHC.

Compared to 2004/05, this represents a fall of 3 percentage points on a BHC basis and a fall of 1 percentage point AHC.

**Individuals living in families with no disabled member** - In 2010/11, 15 per cent of individuals in families where no one is disabled were living in households with incomes below 60 per cent of contemporary median net disposable household income Before Housing Costs (BHC), and 20 per cent After Housing Costs (AHC).

Compared to 2009/10, this represents a fall of 1 percentage point on a BHC basis and a fall of 1 percentage point AHC.

Compared to 2004/05, this represents no change on a BHC basis and a rise of 1 percentage point AHC.

**Affect of disability** - In 2010/11 individuals in families where someone was disabled were 5 percentage points Before Housing Costs, and 4 percentage points After Housing Costs, more likely to be living in UK households with below 60 per cent of contemporary median net disposable household than individuals in families where no one was disabled.



### Trend Charts

Figure 1.1: All individuals, main measures, 1998/99 to 2010/11, United Kingdom (see Chapter 3 trends tables for figures)

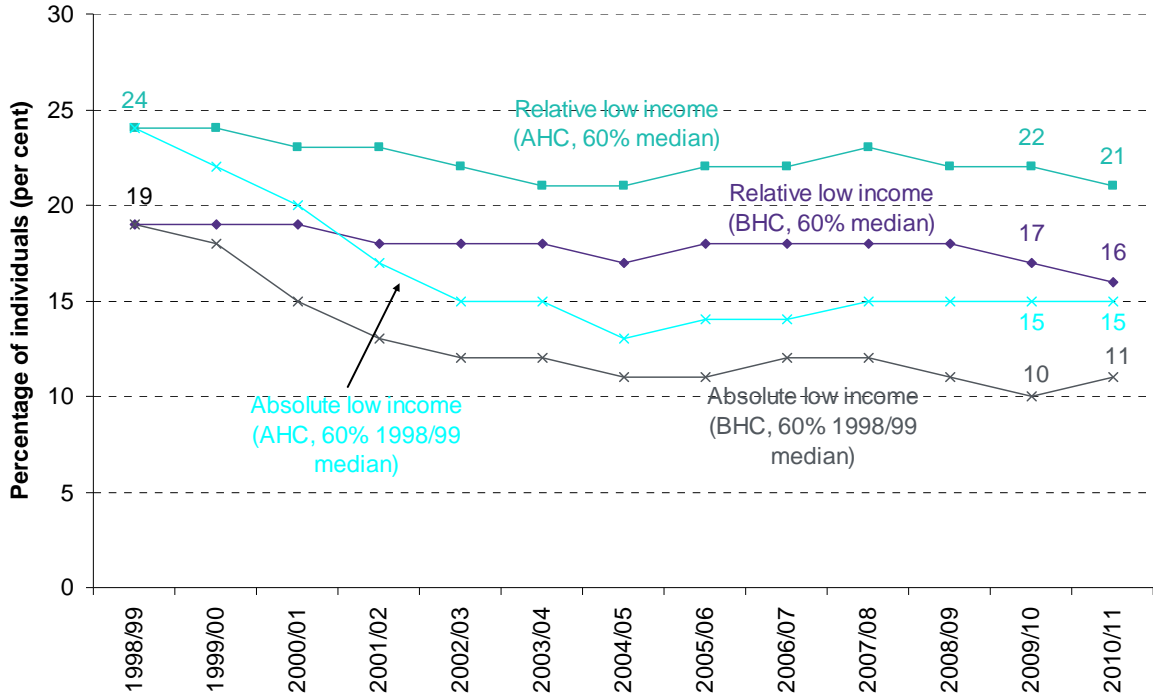
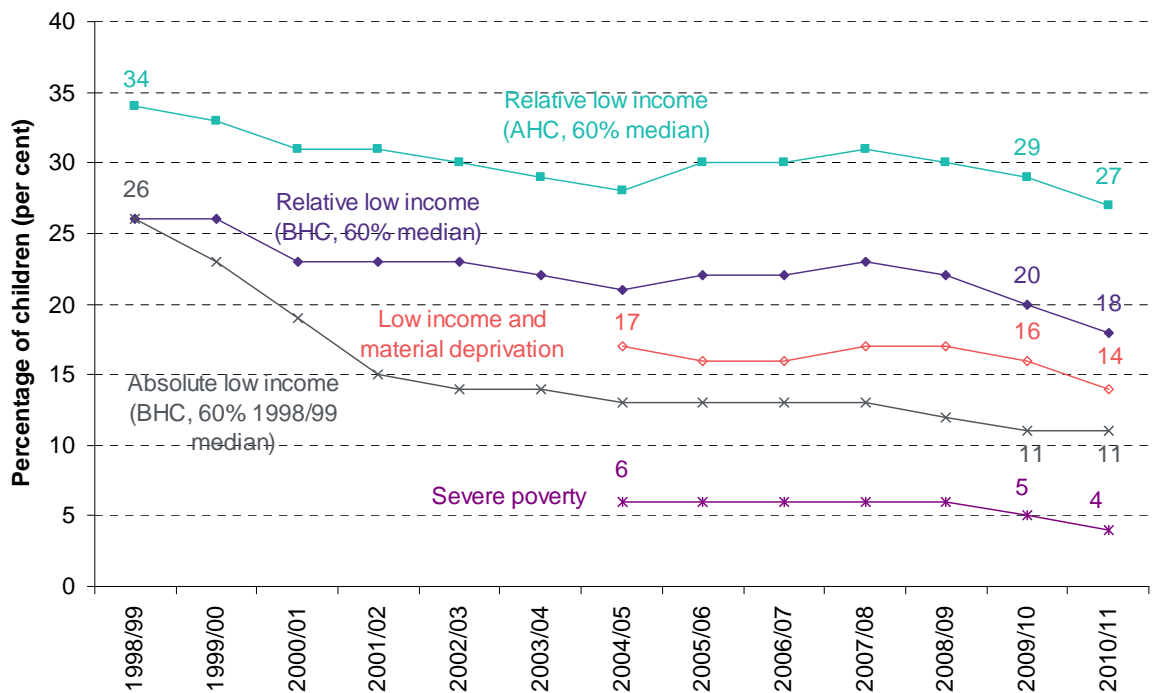


Figure 1.2: Children, main measures, 1998/99 to 2010/11, United Kingdom (see Chapter 4 trends tables for figures)



# 1 Summary of key findings

Figure 1.3: Working-age adults, main measures, 1998/99 to 2010/11, United Kingdom (see Chapter 5 trends tables for figures)

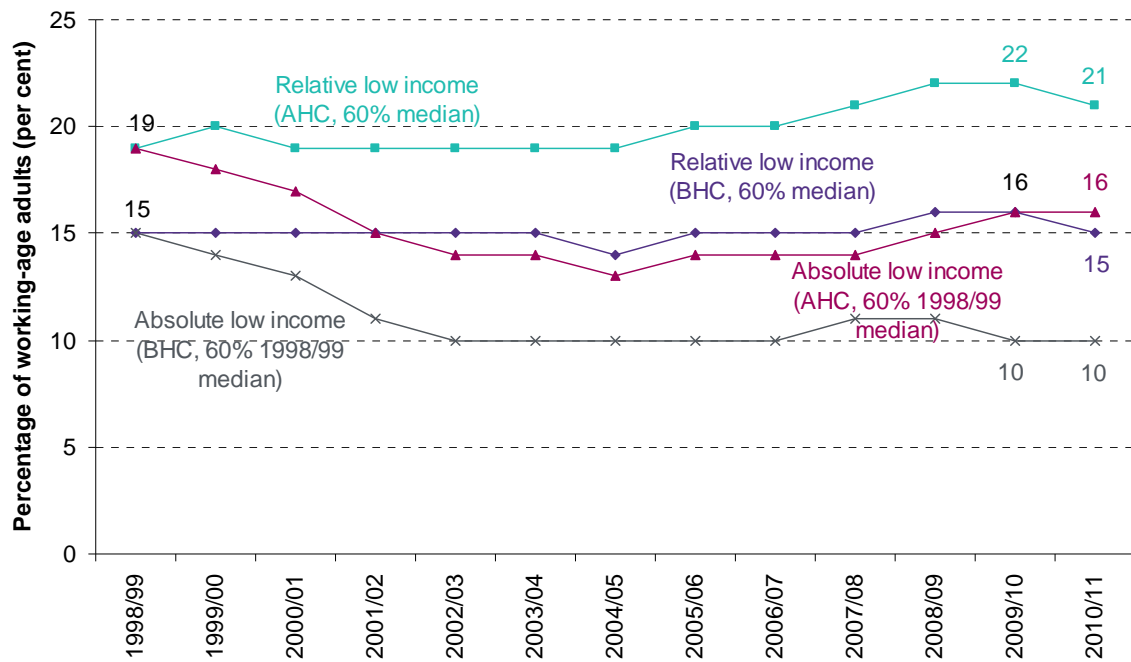


Figure 1.4: Pensioners, main measures, 1998/99 to 2010/11, United Kingdom (see Chapter 6 trends tables for figures)

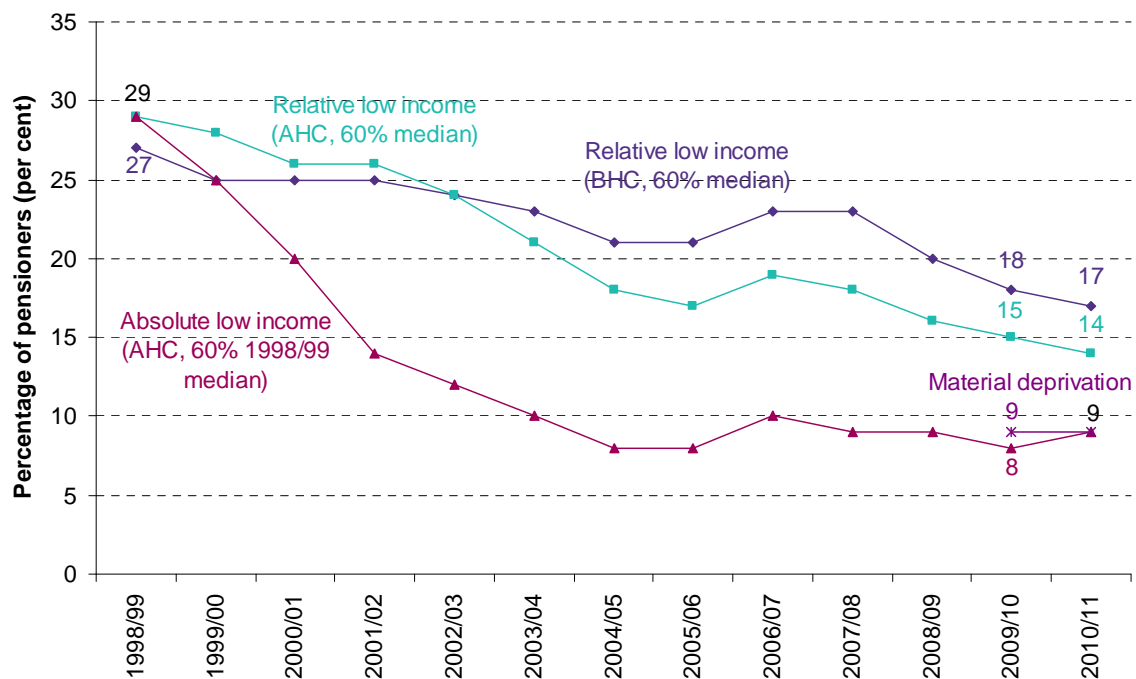


Figure 1.5: Individuals by family disability status, main measures, 2002/03 to 2010/11, United Kingdom

