First Release

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Low Income and Material Deprivation in the UK, 11/12

This release presents the latest annual estimates of the percentage of children, working-age adults and pensioners living in relative and absolute low income, together with statistics on children living in combined low income and material deprivation, and pensioners living in material deprivation, in 2011/12. These statistics are used for the analysis of low income by researchers and the Government, and are based on the Households Below Average Income (HBAI) statistical report which presents more detailed findings. A glossary is available at the end of this release. The latest figures cover a period where the UK economy was showing little GDP growth and average earnings fell in real terms. A number of benefit reforms, including the adoption of CPI for the uprating of many benefits and tax credits (instead of RPI), the triple guarantee for state pensions, measures to reduce housing benefit expenditure and the focussing of tax credits on lower income families were introduced in 2011/12.

This release presents three main measures of low income:

- someone is considered to be in relative low income if they receive less than 60 per cent of the average income[1] in the year in question.
- someone is considered to be in absolute low income if they receive less than 60 per cent of average income[1] in 2010/11 adjusted by inflation.
- income inequality, as measured by the Gini coefficient, ranges from zero (when everybody has identical incomes) to 100 per cent (when all income goes to only one person).

Overall findings

- Average income decreased by 3 per cent in 2011/12 in real terms compared with 2010/11, similar to the decrease in 2010/11. Incomes across the distribution grew by less than RPI inflation[2]. Average incomes fell as earnings and benefit income grew more slowly than the cost of living as measured by RPI. Prior to 2010/11, average income had risen in most years since 1994/95[3].

- The percentage of individuals in relative low income, Before Housing Costs (BHC), was 16 per cent. This is unchanged from 2010/11 and continues the lowest level since the 1980s. Levels remained static because, in the main, real incomes for households near the bottom of the income distribution fell by roughly the same rate as real incomes for households at the average.

- In 2011/12, the percentage of individuals in absolute low income, measured against the 2010/11 baseline[4], was 17 per cent BHC, which is one percentage point, or 900,000 people, higher than in 2010/11[5]. As incomes across the distribution grew by less than RPI inflation in 2011/12, and the absolute low-income threshold was uprated by RPI inflation, the population falling into absolute low income rose.

- Income inequality remained reasonably level between 2010/11 and 2011/12, as incomes fell by broadly similar amounts across the entire distribution. Having fallen between 2009/10 and 2010/11, income inequality is now at levels last seen in the middle of the last decade having reached historic highs in recent years.

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[1] In this release **average income** is defined as the median equivalised net household income, where the median income divides the population of individuals, when ranked by income, into two equal sized groups. Equivalisation is a process that makes adjustments to incomes, so that the standard of living of households with different compositions can be compared.
[2] HBAI uses RPI to look at how incomes are changing over time in real terms. As described on pages 3 and 4, the use of different inflation measures has an effect on historical real terms income figures.
[3] This is the first year of data available on a consistent basis.
[4] The change of baseline from 1998/99 to 2010/11 is explained in the Statistical Notice published on 16th May 2013 and reproduced in **Appendix 3** of the HBAI statistical report.
[5] This increase is statistically significant.

Use of HBAI statistics

HBAI is a key source for data and information about household income and is used for the analysis of low income by researchers and the Government. Users include: policy and analytical teams within the DWP, the Devolved Administrations, other government departments, local authorities, parliament, academics, journalists, and the voluntary sector.

The key reasons for the use of the statistics and data[6] are:

- to inform policy development and monitoring of indicators on child, pensioner and disability poverty;

- for international comparisons, both within the EU and for OECD countries;

- for parliamentary, academic, the voluntary sector and lobby group analysis. Examples include using the HBAI data to examine income inequality, poverty, the distributional impacts of fiscal policies and understanding the income profile of vulnerable groups.

Further details of the uses of HBAI statistics are given in **Chapter 1** of the HBAI statistical report.

Interpreting low-income measures

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

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

- the average income stays the same, or rises, and individuals with the lowest incomes see their income fall, or rise less, than average income; or

- the average income falls and individuals with the lowest incomes see their income fall more than the average income.

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

- the average income stays the same, or rises, and individuals with the lowest incomes see their income rise more than average income; or

- the average income falls and individuals with the lowest incomes see their income rise, or fall less, than average income, or see no change in their income.

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

- The percentage of individuals in absolute low income will **increase** if individuals with the lowest incomes see their income fall or rise less than inflation.

- The percentage of individuals in absolute low income will **decrease** if individuals with the lowest incomes see their incomes rise more than inflation.

Income inequality, measured by the Gini Coefficient, shows how incomes are distributed across all individuals, and provides an indicator of how high- and low-income individuals compare to one another. It ranges from 0 (when everybody has identical incomes) to 100 per cent (when all income goes to only one person).

BHC measures allow an assessment of the relative standard of living of those individuals who were actually benefiting from a better quality of housing by paying more for better accommodation, and income growth over time incorporates improvements in living standards where higher costs reflected improvements in the quality of housing.

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[6] The UK Data Service web-site provides information on access to HBAI data
http://discover.ukdataservice.ac.uk/catalogue/?sn=5828&type=Data%20catalogue

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

User information

Caution should be exercised when interpreting results over short time periods, as changes are often small in relation to sampling variation and other sources of measurement error.

Change of reference year for absolute low income

The measure of absolute low incomes compares today's incomes against the median income for a past reference date adjusted for inflation. Previously, current incomes were compared against a baseline of 1998/99. As advised in the 2010/11 HBAI publication and the Statistical Notice issued on 16th May 2013, in order to measure absolute low income in line with the Child Poverty Act 2010 and to keep the absolute measure more in line with contemporary living standards, the figures in this release and in the 2011/12 HBAI publication measure absolute low income against the median in 2010/11 adjusted for inflation.

The change in the base year for measuring absolute low income has a large effect on the proportion and number of people identified as in absolute low income. It also magnifies the scale of historical changes in the time series of the indicator. This is because the threshold has moved to a more densely populated part of the income distribution. The change in the reported headline figure does not reflect a real change in the living standards of those who now fall below the rebased absolute low income line, nor is it a correction to the previous estimate or a worsening situation in the UK economy than previously estimated – it is a re-classification of 'absolute low income'.

Child material deprivation

As advised in the 2010/11 publication and the Statistical Notice issued on 16th May 2013, four new questions about additional material deprivation items for children were introduced into the 2010/11 Family Resources Survey (FRS) and from 2011/12 four questions from the original suite were removed. The time series show figures from the original suite of questions up to and including 2010/11, and the new suite of questions from 2010/11 onwards. Therefore 2010/11 data are presented on both bases as figures from the old and new suite of questions are not comparable.

Retail Prices Index

As with previous years, the HBAI statistics use variants of the Retail Prices Index (RPI) to look at how incomes are changing over time in real terms.

In 2011/12 CPI, rather than RPI, was used for the uprating of many benefits and tax credits.

DWP is aware that in January 2013 the National Statistician announced, following a review and consultation, that the formula used to produce the RPI did not meet international standards and recommended that a new index be published (RPIJ) using the Jevons[7] formula. The National Statistician also noted that there was significant value to users in maintaining the continuity of the existing RPI's long time series without major change, so that it may continue to be used for long-term indexation and for index-linked gilts and bonds in accordance with user expectations. In accordance with the Statistics and Registration Service Act 2007, the RPI and its derivatives have been assessed against the Code of Practice for Official Statistics and found not to meet the required standard for designation as National Statistics. A full report can be found on the UK Statistics Authority website.

There are a range of indices which seek to measure inflation (such as RPI, RPIJ, CPI and CPIH), but there are differences in their coverage, calculation and population base[8]. The differences have resulted in different annual growth rates in the indices. To illustrate the effect of differences in

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[7] This is a geometric formula, whereas the RPI uses the Carli with is an arithmetic formula. These formulae are used at the elementary aggregate level (i.e. the first stage of calculation where no weighting data are available). At higher levels of aggregation weighted averages are used.
[8] The ONS web-site provides further information on consumer price indices. http://www.ons.gov.uk/ons/guide-method/user-guidance/prices/cpi-and-rpi/index.html

calculation, in 2010/11 and 2011/12 the annual growth in the RPI was 0.7 percentage points higher than the RPIJ. In earlier years the difference was slightly lower, at 0.3 to 0.4 percentage points. There are coverage, calculation and population differences between CPI and RPI.

The differences between indices will therefore have an effect on the statistics on real terms income trends and the percentage of people in absolute low income. Using other inflation indices instead of RPI would increase real term income prior to 2011/12 (with the differences increasing over time), moderately increase the proportion of people in absolute low income prior to 2010/11 and moderately decrease the proportion of people in absolute low income in 2011/12. Between 2010/11 and 2011/12 income grew less than all inflation measures, but the gap was largest using RPI.

The CPI factor used for the uprating of many benefits and tax credits in 2011/12 (based on the change between September 2009 and September 2010) was 1.2 percentage points lower than actual CPI inflation in 2011/12, 1 percentage point less than actual RPIJ inflation and 1.7 percentage points less than actual RPI inflation. Therefore, as the uprating of many benefits in 2011/12 was lower than actual CPI, RPIJ and RPI inflation in 2011/12, this would have meant a reduction in real terms income for these benefits and tax credits irrespective of which inflation measure was used. For those benefits uprated by RPI, the factor was 0.2 and 1.3 percentage points lower than actual RPI and AHC RPI inflation in 2011/12. As mentioned above, the HBAI statistics use variants of RPI to look at how incomes are changing over time in real terms.

In response to the announcement regarding the limitations of RPI, and in accordance with the Code of Practice for Official Statistics, DWP plans to engage with users of the HBAI data and publications in the second half 2013, to explore whether the adoption of an alternative index would be appropriate, taking into account user needs, data availability and methodological issues[9].

National Statistics

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- o   meet identified user needs;
- o   are well explained and readily accessible;
- o   are produced according to sound methods; and
- o   are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

Tables

The statistics presented in this release are taken from the following tables in the HBAI publication:

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2.1ts	Money values of decile and quintile medians and overall population mean.
2.2ts	Income shares and Gini coefficient.
3.1tr – 3.4tr	Whole population: Trends over time for headline figures.
3.12ts	Percentage of individuals in households with incomes below 60 per cent of contemporary median income by disability and receipt of disability benefits.
4.1tr – 4.5tr	Children: Trends over time for headline figures.
5.1tr – 5.6tr	Working-age adults: Trends over time for headline figures.
6.1tr – 6.7tr	Pensioners: Trends over time for headline figures.

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[9] See Statistical Notice at http://research.dwp.gov.uk/asd/hbai/statistical_notice_13_06_2013.pdf

Average income and the income distribution

HBAI uses variants of RPI to adjust for inflation to look at how incomes are changing over time in real terms. As described on pages 3 and 4, the use of different inflation measures has an effect on historical real terms income figures.

Average income decreased by 3 per cent in 2011/12 in real terms compared with 2010/11, and incomes across the distribution grew by less than RPI inflation. Average income fell as earnings and benefit income grew more slowly than the cost of living as measured by RPI. Incomes in 2011/12 have fallen to around 2001/02 levels, but are still higher than in 1998/99 in real terms.

Figure 1: Average incomes, 1998/99 to 2011/12, United Kingdom (2011/12 prices)
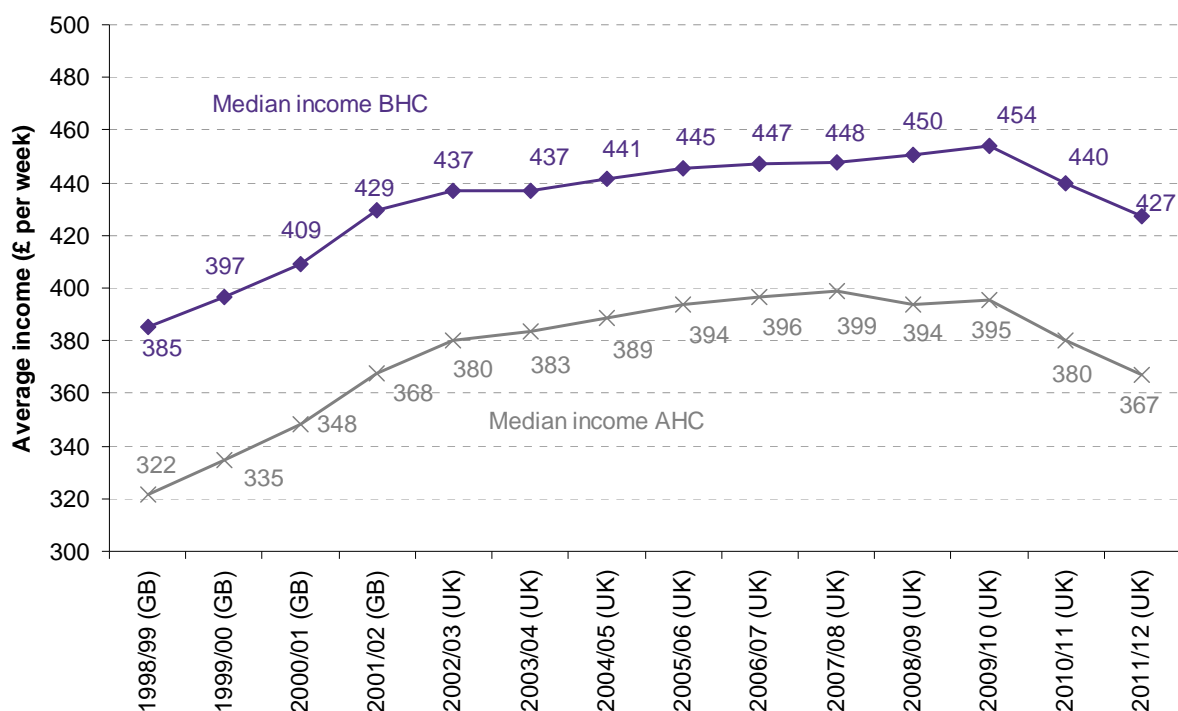
The reduction in real terms earnings may partly be due to a combination of both pay freezes and economic restructuring following the recession[10].
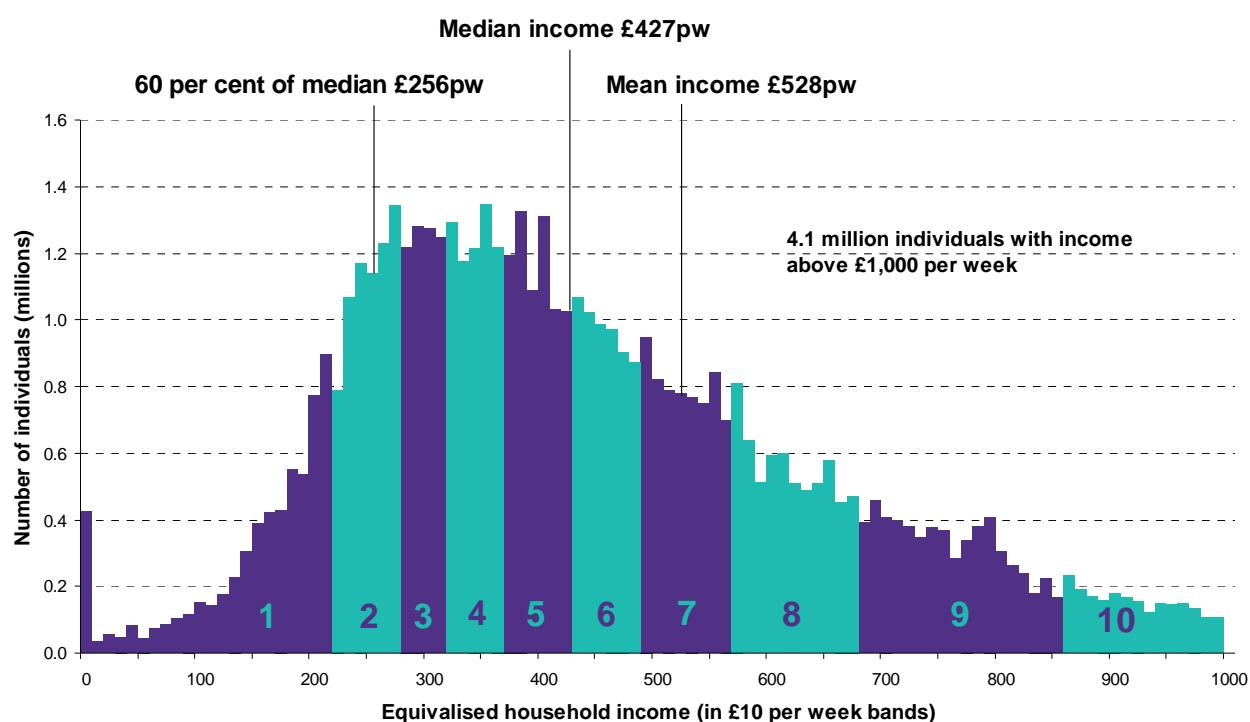
Various benefit reforms[11] were introduced in 2011/12. These included the adoption of the CPI, rather than the RPI, for the uprating of many benefits and tax credits, the triple guarantee for state pensions, measures to reduce housing benefit expenditure, and the focussing of tax credits on lower income families. These reforms had different effects on different benefit recipients but overall resulted in a real terms fall in benefit income.

Average income in 2011/12 was £427 per week, BHC, and £367 per week, AHC. This meant that the most commonly used threshold to determine if someone is in relative low income, 60 per cent of average income, was £256 per week, BHC, and £220 per week, AHC. The income distribution showed a high concentration of individuals close to the relative low-income threshold (Figure 2).

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[10] See ONS publication http://www.ons.gov.uk/ons/rel/regional-trends/regional-economic-analysis/changes-in-real-earnings-in-the-uk-and-london--2002-to-2012/sum-real-wages-down-by-8-5--since-2009.html
[11] See Table A, Chapter 2 of the HBAI statistical report for more details.

Figure 2 (BHC): Income distribution for the whole population, 2011/12

Median income £427pw

60 per cent of median £256pw

Mean income £528pw

4.1 million individuals with income above £1,000 per week

Income inequality

Income inequality is measured by the Gini coefficient (which ranges from zero when everybody has identical incomes to 100 per cent when all income goes to only one person) and remained reasonably level between 2010/11 and 2011/12, because household incomes fell by a broadly similar proportion across the entire distribution. Income inequality is now at levels last seen in the middle of the last decade having reached historic highs in recent years.

Figure 3: Income inequality, 1998/99 to 2011/12, United Kingdom
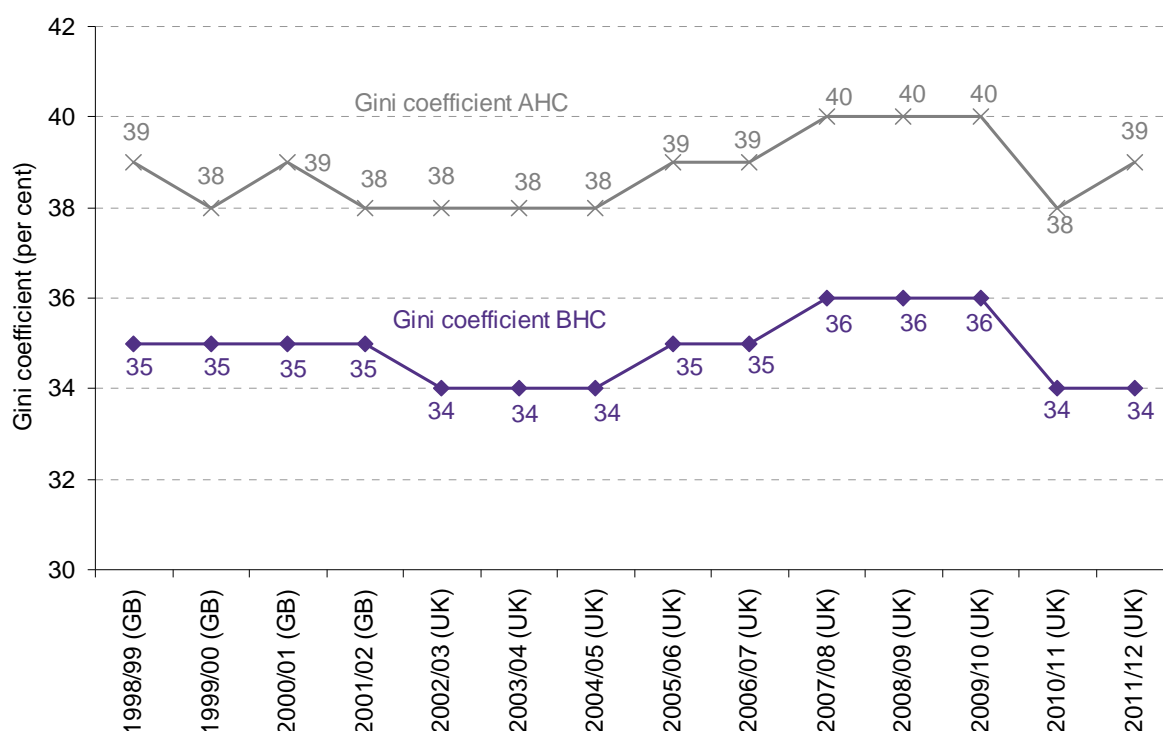
Individuals in low income and material deprivation

This section presents the latest annual estimates of the percentage living in relative and absolute low income, for the whole population, and then separately for children, working-age adults and pensioners, together with statistics on children living in combined low income and material deprivation and pensioners living in material deprivation.

HBAI uses variants of RPI to adjust for inflation to look at how incomes are changing over time in real terms. As described on pages 3 and 4, the use of different inflation measures has an effect on absolute low income figures.

Average income decreased by 3 per cent in 2011/12 in real terms compared with 2010/11, and incomes across the distribution grew by less than RPI inflation. Average income fell as earnings and benefit income grew more slowly than the cost of living as measured by RPI.

Whole population

Both BHC and AHC measures are used to examine low income for the whole population. In this release we focus on BHC measures[12], as AHC measures can underestimate the true living standard of families who choose to spend more on housing to attain a higher standard of accommodation.

The proportion of individuals in relative low income has not changed since last year, after falling in the previous two years; however the percentage of individuals in absolute low income rose by one percentage point[13], a similar increase to that seen between 2009/10 and 2010/11, and returns to levels last seen in 2008/09.

16 per cent of individuals were in relative low income with incomes below £256 per week[14] BHC, the same as 2010/11 and the lowest level since the 1980s, having fallen between 2008/09 and 2010/11. Incomes for households near the bottom of the income distribution fell by roughly the same rate as incomes for households at the average. As a result, levels of relative low income remained static.

In 2011/12, the percentage of individuals in absolute low income measured against the 2010/11 baseline[15] was 17 per cent which is one percentage point, or 900,000 people, higher than in 2010/11[13]. This follows a period of decreases or stability between 1995/96 and 2009/10, and levels have increased to those last seen between 2004/05 and 2008/09. The recent increase was mainly driven by an increase in the percentage of children and working-age adults in absolute low income, because there was a reduction in real terms income. The absolute low income threshold was uprated by RPI inflation and so the population falling into low income increased.

Figure 4: All individuals, main measures, 1998/99 to 2011/12, United Kingdom

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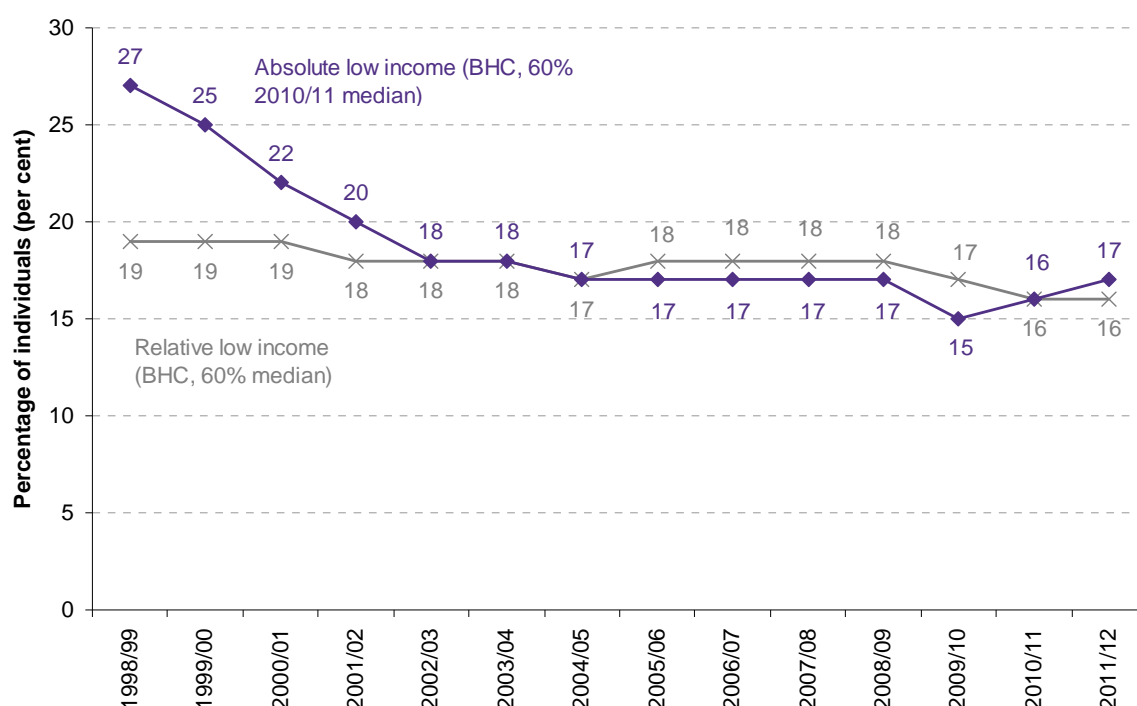
[12] Both BHC and AHC measures are reported in the HBAI statistical report.
[13] This increase is statistically significant.
[14] This is the relative low income threshold.
[15] The change of baseline from 1998/99 to 2010/11 is explained in the Statistical Notice published on 16th May 2013 and reproduced in **Appendix 3** of the HBAI statistical report.

The following groups were more likely to be in relative low income BHC in 2011/12 compared to the overall population:

- children and working-age adults in workless families, lone-parent families, those in families with three or more children and people in households with no savings;

- those aged 85 or more, pensioners having no occupational/personal pensions and pensioners living alone;

- households headed by a member of certain ethnic minority groups, particularly someone of Pakistani or Bangladeshi ethnic origin;

- individuals in families containing one or more disabled member and social rented sector tenants.

Children

Both BHC and AHC measures are used to examine low income for children. The preferred measure of low income for children is based on incomes measured BHC[16], as AHC measures can underestimate the true living standard of families who choose to spend more on housing to attain a higher standard of accommodation. The Child Poverty Act 2010 sets out four income related targets that the Government must meet by 2020. These are based on the measures of relative low income, absolute low income, low income and material deprivation[17] and persistent poverty[18].

Whilst the proportion in absolute low income rose in 2011/12[19], the proportion of children in combined low income and material deprivation, and severe poverty continued to fall[20], whilst the proportion in relative low income remained flat[21].

Between 2010/11 and 2011/12, the percentage of children in relative low income remained at 17 per cent, and was at its lowest level since the mid 1980s. The stability in 2011/12 was driven primarily by incomes for families with children at the lower end of the income distribution falling at the same rate as incomes around the median.

The percentage of children in absolute low income increased by 2 percentage points, or 300,000 children, between 2010/11 and 2011/12, BHC[22]. This was the first percentage point increase since the early 1990s, BHC. The recent increase was driven by a reduction in real terms income. The absolute low income threshold was uprated by RPI inflation and so the population falling into low income increased.

Figure 5: Children, main measures, 1998/99 to 2011/12, United Kingdom
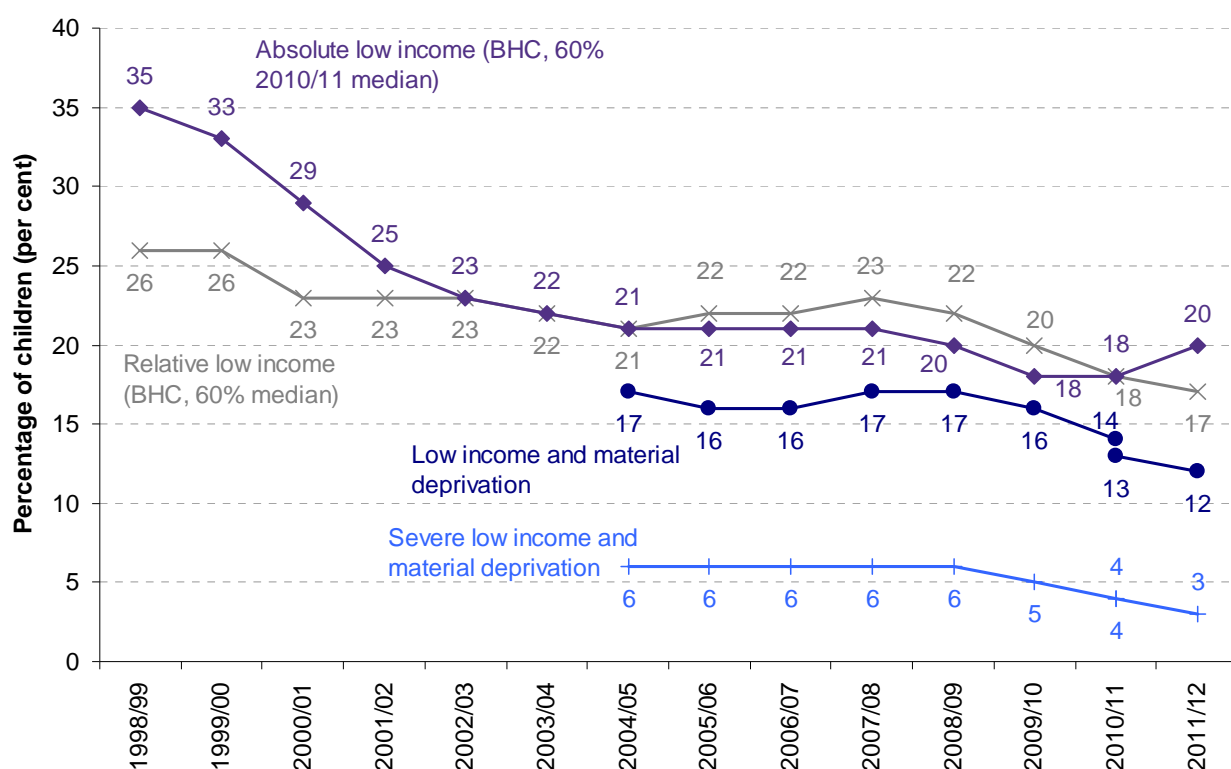
Note: Because new material deprivation items were introduced in 2010/11, low income and material deprivation and severe poverty figures prior to 2010/11 are not comparable to 2011/12.

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[16] Both BHC and AHC measures are reported in the HBAI statistical report.
[17] Below 70 per cent of equivalised median household income, BHC and material deprivation.
[18] Below 60 per cent of median household income for at least three of the last four years.
[19] This increase is statistically significant.
[20] These reductions are not statistically significant.
[21] Table 4.1tr in the HBAI statistical report shows a change from 18 to 17 per cent between 2010/11 and 2011/12, but unrounded figures show relative low income to be flat. Rounding figures at the final point of calculation of a statistic produces the best estimate. This change is not statistically significant.
[22] This increase is statistically significant.

New material deprivation items were introduced in 2010/11. The proportion of children living in low income (below 70 per cent of equivalised median household income, BHC) and material deprivation and severe poverty (below 50 per cent of median household income and in material deprivation) for 2011/12 has fallen to 12 per cent and 3 per cent respectively in 2011/12, representing a one percentage point fall for both measures compared to 2010/11[23]. As the proportion of households with children falling below the 70 per cent and 50 per cent low-income thresholds remained the same in 2011/12 compared to 2010/11, this fall was primarily driven by a decrease in the proportion of families experiencing material deprivation. As only two years' worth of data exists using the new items it is not possible to compare the trends prior to 2010/11 for either measure[24].


[23] These reductions are not statistically significant.
[24] The break in the series is explained in the Statistical Notice published on 16th May 2013 and reproduced in **Appendix 3** in the HBAI statistical report.

Working-age adults

Both BHC and AHC measures are used to examine low income for working-age population. In this release we focus on BHC measures[25], as AHC measures can underestimate the true living standard of families who choose to spend more on housing to attain a higher standard of accommodation.

Between 2010/11 and 2011/12 the percentage of working-age adults in relative low income BHC remained constant, but an increase in the population led to a further 100,000 working-age adults in relative low income. This stability was driven by incomes for households near the bottom of the income distribution falling by roughly the same rate as incomes for households in the middle. The real terms decline in average income was driven by both earnings and benefit income growing by less than RPI inflation.

Figure 6: Working-age adults, main measures, 1998/99 to 2011/12, United Kingdom
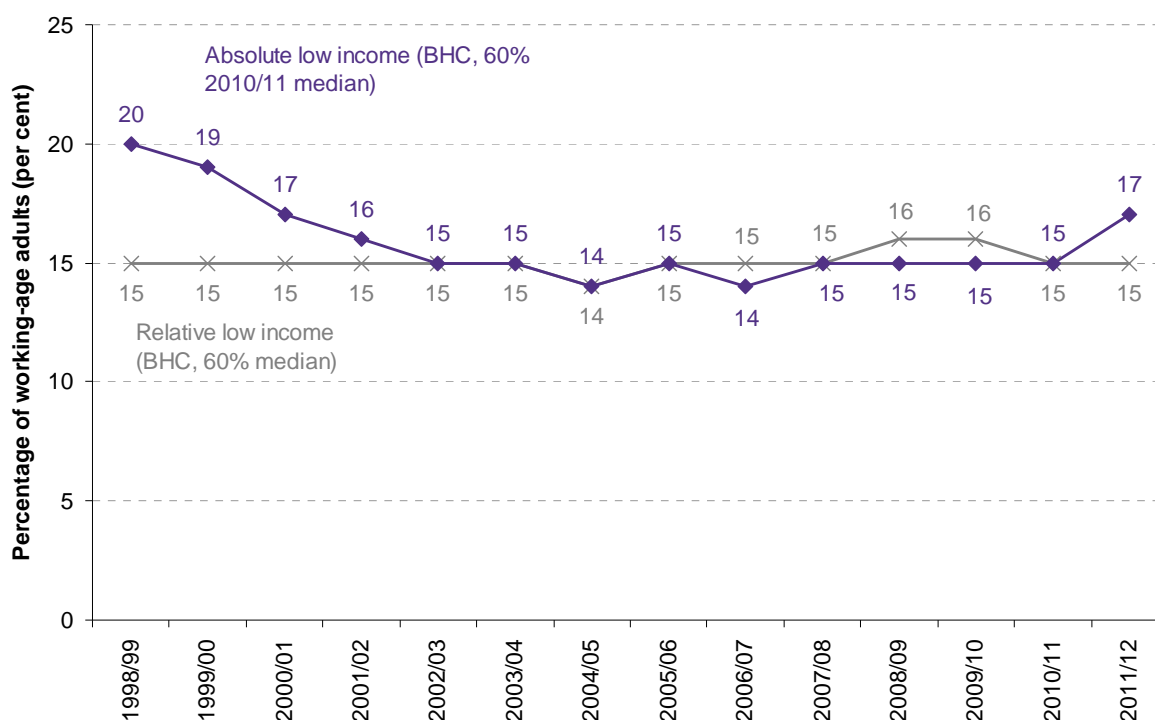
The percentage of working-age adults in absolute low income increased by one percentage point BHC[26]. This constituted an increase of 600,000 working-age adults BHC in absolute low income. The recent increase was driven by a reduction in real terms income. The absolute low income threshold was uprated by RPI inflation and so the population falling into low income increased.

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[25] Both BHC and AHC measures are reported in the HBAI statistical report.
[26] This increase is statistically significant.

Pensioners

Both BHC and AHC measures are used to examine low income for the working-age population. The preferred measure of low income for pensioners is based on incomes measured AHC[27], as around three quarters of pensioners own their own home. Considering pensioners' incomes compared to others after deducting housing costs allows for more meaningful comparisons of income between working-age people and pensioners, and for pensioners over time. Pensioners are defined as all those adults above State Pension age. Prior to 6th April 2010, women reached the State Pension age at 60. From 6th April 2010, the qualifying age for women has been gradually increasing. For example, pensionable age at 30 June 2011 was 65 for men and approximately 60 years and 238 days for women.

There was a one percentage point decrease in the percentage of pensioners in relative low income between 2010/11 and 2011/12[28], with the percentage close to a historic low, and pensioners less likely to be in relative low income than the population as a whole, AHC. The reduction of 100,000 pensioners was driven primarily by incomes for pensioners at the lower end of the income distribution falling less than incomes around the middle. Households containing pensioners in the lowest quintiles generally received a larger proportion of their income from benefits and a smaller proportion from other sources. The introduction of the triple guarantee in 2011/12 meant that the key pensioner benefit – the State Pension – was uprated by 4.6 per cent in April 2011 (the higher of earnings, prices or 2.5 per cent). In addition the Pension Credit (Guarantee Credit) was increased by 3.6 per cent to ensure the lowest income pensioners received the full increase of the State Pension. These increases were larger than for many other state benefits, which meant that pensioners in the lowest quintiles saw their income fall less in real terms than other households.

There was an increase of one percentage point[29] in the proportion of pensioners in absolute low income AHC, as low-income households containing pensioners saw their income fall in real terms. This is because, despite the higher increases in benefits, incomes for low-income pensioners in 2011/12 rose by less than RPI inflation. The absolute low income threshold was uprated by RPI inflation and so the population falling into low income increased by 100,000.

There has been a small decrease in the proportion of pensioners aged 65 or over in material deprivation, down from 9 per cent in 2010/11 to 8 per cent in 2011/12[30].

Figure 7: Pensioners, main measures, 1998/99 to 2011/12, United Kingdom

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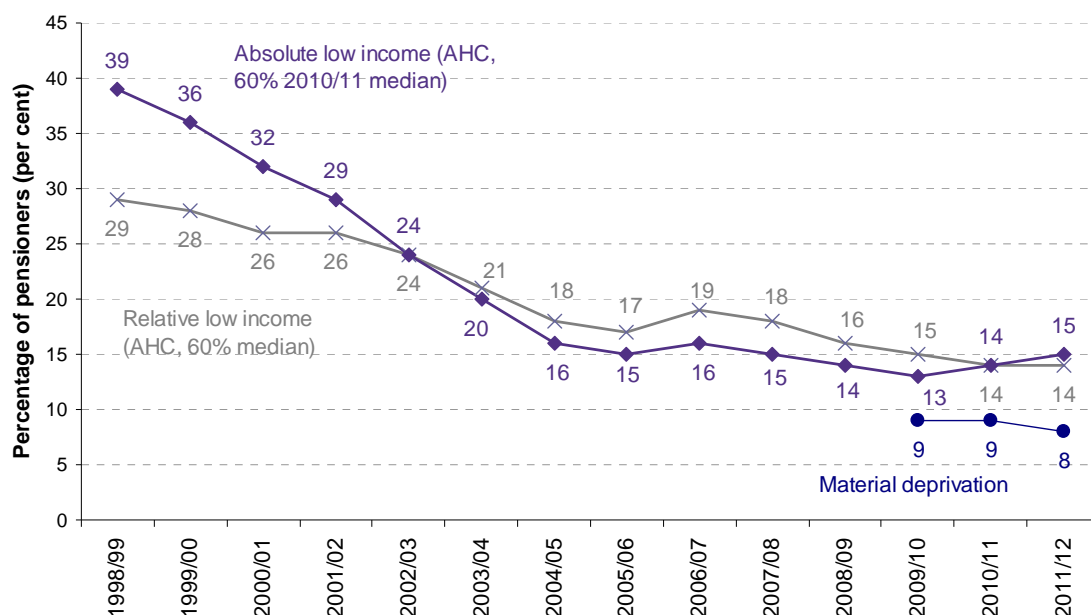
[27] Both BHC and AHC measures are reported in the HBAI statistical report.
[28] Figure 7 shows that the percentage in relative low income AHC was 14 per cent in 2010/11 and 2011/12, but unrounded figures show a reduction of one percentage point. This decrease is not statistically significant.
[29] This increase is statistically significant.
[30] This decrease is not statistically significant.

Disability

Both BHC and AHC measures are used to examine relative low income for disabled people. In this release we focus on BHC measures[31], in line with most of the other figures in this release.

Between 2010/11 and 2011/12, there has been a decrease in the percentage of individuals living in relative low income in families where at least one member is disabled by one percentage point to 19 per cent BHC[32], whilst the percentage of individuals living in relative low income in families where no member is disabled has remained constant.

Over the longer term, since the Office for Disability Issues (ODI) baseline of 2004/05[33], BHC, there has been a decrease in the percentage of individuals living in relative low income in families where at least one member is disabled of 4 percentage points to 19 per cent[34]. The percentage of individuals living in relative low income in families where no-one is disabled BHC has remained level.

A higher proportion of individuals living in families with at least one disabled member live in relative low income BHC, compared to individuals living in families with no disabled members. This is particularly the case for individuals living in families containing one or more disabled member and not receiving disability benefits.

Figure 8: Individuals by family disability status 2002/03 to 2011/12, United Kingdom
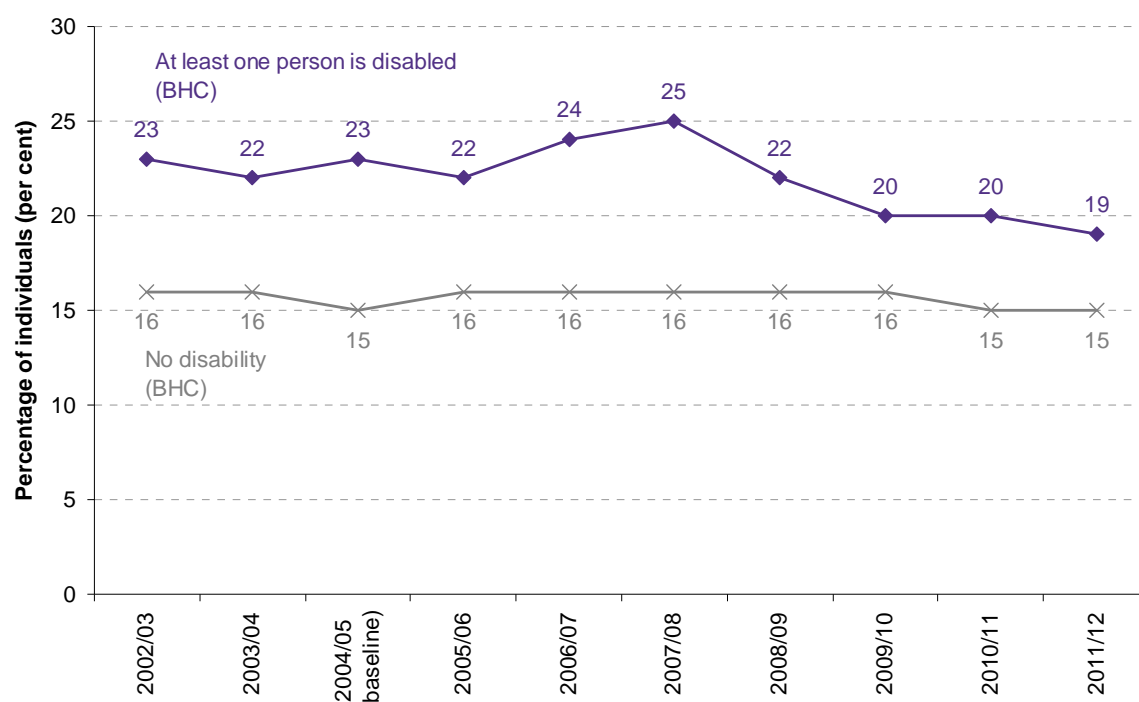
No adjustment is made to disposable household income to take into account any additional costs that may be incurred due to a disability. This means that the position in the income distribution of these groups may be somewhat upwardly biased.

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[31] Both BHC and AHC measures are reported in the HBAI statistical report.
[32] This change is not statistically significant.
[33] The ODI has an indicator which looks at the percentage of individuals living in families containing one or more disabled member in low income with a baseline of 2004/05. http://odi.dwp.gov.uk/disability-statistics-and-research/disability-equality-indicators.php
[34] This change is statistically significant.

Other publications focusing on income and low-income statistics

The HBAI first release and report are released alongside a number of other publications focused on income and low-income statistics:

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

EU comparisons
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** in the HBAI statistical report.

The effects of taxes and benefits on household income. The article provides estimates of income, taxes and benefits (in cash and in kind) in decile groups ranked by equivalised disposable income.
http://ons.gov.uk/ons/taxonomy/index.html?nscl=Effects+of+Taxes+and+Benefits+on+Households

Pensioners' Incomes series. This gives more a more detailed analysis of pensioners' incomes.
http://research.dwp.gov.uk/asd/index.php?page=pensioners_income

Family Resources Survey
http://research.dwp.gov.uk/asd/frs/

Low-Income Dynamics
http://research.dwp.gov.uk/asd/index.php?page=lid

Survey of Personal Incomes
http://www.hmrc.gov.uk/statistics/personal-incomes.htm

Estimates of income and low-income levels for small areas

HBAI data cannot be broken down below the level of region (NUTS1), 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 benefit unit not household level, a series of manipulations have to be made to calculate this. The 2010 data, which is the most recent published, is available for England, Wales, Scotland and Northern Ireland at the following geographic levels: region (NUTS1), 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 are available here:
http://www.hmrc.gov.uk/statistics/child-poverty-stats.htm.

The local child poverty proxy 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 and 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 Local Authority level. Data is available from 2011 and can be accessed via the following link:
http://research.dwp.gov.uk/asd/asd1/ben_hholds/index.php?page=child_ben_hholds

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.

Data quality

Chapter 1 and **Appendix 2** of the HBAI statistical report present information on the reliability of the HBAI results.

Glossary

Housing costs

The HBAI statistics include low-income measures on both a before and after housing costs basis. The BHC measure allows an assessment of the relative standard of living of those individuals who were actually benefiting from a better quality of housing by paying more for better accommodation, and income growth over time incorporates improvements in living standards where higher costs reflected improvements in the quality of housing.

The AHC measure allows an assessment of living standards of individuals whose housing costs are high relative to the quality of their accommodation (for example, some residents of London), and income growth over time may also overstate improvements in living standards for low income groups, as a rise in Housing Benefit to offset higher rents (for a given quality of accommodation) would be counted as an income rise.

Housing costs are made up of: rent (gross of housing benefit); water rates, community water charges and council water charges; mortgage interest payments (net of tax relief); structural insurance premiums (for owner occupiers); and ground rent and service charges.

Material deprivation

A suite of questions designed to capture the material deprivation experienced by families with children has been included in the Family Resources Survey (FRS) since 2004/05. Respondents are asked whether they have each of a series of goods and services. If they do not have them, they are asked whether this is because they do not want them or because they cannot afford them. An analysis of how families with children responded to these questions by their location on the income distribution is included in the HBAI publication with the accompanying relative low income and material deprivation measure of child poverty. These questions can be used as an additional way of measuring living standards for children and their families.

A suite of questions designed to capture the material deprivation experienced by pensioners aged 65 or over has been included in the FRS since May 2008. Respondents are asked whether they have access to a series of goods and services. If they do not have a good or service, they are asked why this is.

Equivalisation

In order to allow comparisons of living standards between different household types, income is adjusted to take into account variations in the size and composition of the household in a process known as equivalisation. This adjustment reflects the common sense notion that a household of several people requires a higher income than a single person in order for both households to have an equivalent standard of living. A key assumption made in HBAI is that all individuals in the household benefit equally from the combined equivalised income of the household. The equivalisation scales used in the report are modified OECD scales, which are consistent with those used in the EU.

Income

The income definition used in the main analysis in HBAI, derived from the FRS is as follows: net earnings; profit or loss from self-employment after income tax and NI; all social security benefits and tax credits, including Social Fund grants; occupational and private pension income; investment income; maintenance payments; top-up loans and parental contributions for students, educational grants and payments; the cash value of certain forms of income in kind such as free school meals, Healthy Start vouchers and free TV licences for the over 75s (where data are available). HBAI income is net of: income tax payments; National Insurance contributions; contributions to occupational, stakeholder and personal pension schemes; council tax/domestic rates; maintenance and child support payments made; parental contributions to students living away from home and student loan repayments.

Low incomes

In previous years, analysis comparing household expenditure levels using the Family Expenditure Survey (a survey run for the Office for National Statistics which captures household expenditure)

indicated that the standard of living of people in the bottom decile was no worse than that of people in the second decile; and the expenditure levels of zero or negative income cases place nearly half of them in the top half of the expenditure distribution. For these reasons, results for the bottom end of the income distribution should not be interpreted as relating unambiguously to the bottom end of a distribution of living standards.

Rounding

To ensure that the figures produced from the survey can provide reliable estimates, we round the figures to the nearest 100,000. This can mean that figures may not sum due to this rounding. As an example, if poverty levels amongst a certain group changed from 1.64 to 1.57 million, the rounded levels of poverty would be 1.6 million in both years as both levels round to this, but the unrounded difference would be 0.07 million which would be rounded to 0.1 million. This could also work in the opposite direction, as if the statistics changed from 1.66 to 1.64, the rounded levels of poverty would be 1.7 million in the first year and 1.6 in the second year because of rounding, but the unrounded difference would be 0.02 million which would be rounded to no change. Only rounding figures at the final point of calculation of a statistic produces the best estimate.