

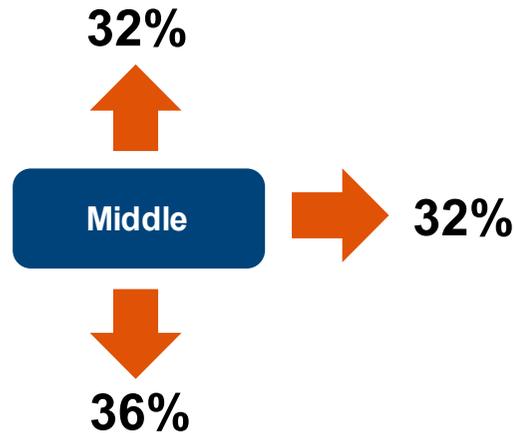
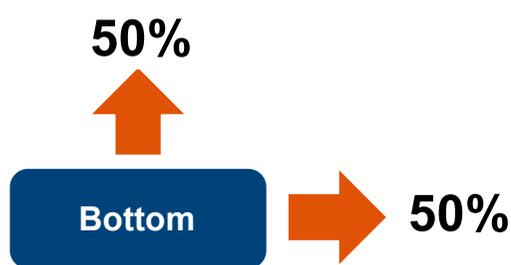


The experimental Income Dynamics report presents information on changes in income over time. These results relate specifically to movements between income quintiles. Quintiles divide the population, when ranked by household income, into five equal sized groups.

The percentage of individuals in 2014-2015 who were in the same quintile in 2010-2011 is lowest in the middle of the distribution, at 32 per cent in quintile 3 (BHC), rising to at least half in the lowest and top quintiles.

- Most movements between quintiles are short range.
- A similar pattern of movements is seen both Before and After Housing Costs.

Bottom quintile (BHC) Half moved to a higher quintile	Middle quintile (BHC) Over a third moved to a lower quintile	Top quintile (BHC) Two-fifths moved out of the top quintile
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Half stayed in the bottom quintile between 2010-2011 and 2014-2015.

Around a third moved to a higher quintile and around a third stayed in the same quintile between 2010-2011 and 2014-2015.

Three-fifths stayed in the top quintile between 2010-2011 and 2014-2015.

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Comments? Feedback is welcome

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What you need to know

This is a follow on ad hoc release to the experimental statistics publication, Income Dynamics. The purpose of this release is to show the movement of individuals in the income distribution by quintiles between 2010-2011 and 2014-2015, by their starting quintile in 2010-2011.

Income measures

Income Dynamics uses disposable household income adjusted for household size and composition as a proxy for living standards, estimated on both a before and after housing costs basis (BHC and AHC). A household is said to be in relative low income if their equivalised incomes is below 60 per cent of median income.

In line with international best practice, the income measures used in ID are subject to several statistical adjustments and, as such, are not always directly relatable to income amounts as they might be understood by individuals on a day-to-day basis. These adjustments are necessary, however, to allow us to compare measures over time and across households of different sizes and compositions on a consistent basis. These adjustments are discussed in more detail on page 4, with further information available in the ID Background information and methodology report.

These adjustments are similar to those used in Households Below Average Income (HBAI), which provides estimates of the prevalence of low incomes for a single year.

Survey data

ID estimates are based on the Understanding Society survey. In 2014-2015 it consisted of a longitudinal sample of over 40,000 individuals in the UK. It has a two-year survey period and follows the sample individuals over time. Each survey period is termed a wave. Individuals are interviewed once a year. Use of survey data means that results in this report are subject to a margin of error which can affect how changes should be interpreted, especially in the short term.

Figures are rounded to the nearest percentage point independently and as a result, may not sum exactly due to rounding.

Classifications are based on the relevant characteristics **in the first survey period**.

Additional tables and data

The Income Dynamics (experimental) publication, released on 16 March 2017, has a number of additional reference tables which are available online, breaking down headline results for different demographics and characteristics (including work status, ethnicity, region, and tenure type amongst others), as well as presenting detailed information for 2010-2014 as well as 2011-2015. See <https://www.gov.uk/government/statistics/income-dynamics-experimental>.

Planned developments

These are experimental statistics. We plan to improve the derivation of key variables such as income and housing costs, and to extend the range of analysis produced (see Background information and methodology for further details). If there is further analysis you wish to see included, please contact us.

Movement between income quintiles over four years

Most movements between quintiles are short range

UK, 2010-2015

BHC Quintile (per cent)		2010-2011 position in income distribution				
		Q1 (lowest fifth)	Q2	Q3	Q4	Q5 (highest fifth)
2014-2015 position in income distribution	Q1 (lowest fifth)	50	25	13	6	4
	Q2	25	37	23	10	5
	Q3	14	22	32	22	10
	Q4	7	11	22	39	21
	Q5 (highest fifth)	4	5	10	23	59
	Total	100	100	100	100	100

AHC Quintile (per cent)		2010-2011 position in income distribution				
		Q1 (lowest fifth)	Q2	Q3	Q4	Q5 (highest fifth)
2014-2015 position in income distribution	Q1 (lowest fifth)	48	26	13	6	5
	Q2	26	34	23	11	6
	Q3	13	23	33	22	9
	Q4	8	12	21	37	23
	Q5 (highest fifth)	5	5	10	24	57
	Total	100	100	100	100	100

Key



The information underlying these statistics allows us to follow individuals over time. This table shows where an individual was in the first wave (2010-2011) compared to where they were in the last wave (2014-2015) by quintile. Quintiles divide the population, when ranked by household income, into five equal sized groups. Quintile 1, for example, is the fifth of the population with the lowest household incomes.

The percentage of individuals in 2010-2011 who were in the same quintile in 2014-2015 is lowest in the middle of the distribution, at 32 per cent in quintile 3 (BHC), rising to at least half in the lowest and top quintiles. Across all quintiles, at most a quarter of individuals in each quintile in 2010-2011 had moved up or down by more than one quintile. A similar picture is seen AHC. This shows there are limited, mostly short-range movements in income over this period.

See **Table 1** for full data.

Measuring incomes and persistence in Income Dynamics – key terms

ID uses data from Understanding Society 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.

Understanding Society Survey Understanding Society is a longitudinal sample of over 40,000 individuals in the United Kingdom in 2014-2015 led by the University of Essex. Those not in private households at the start of the survey will not be included.

Sampling Error Results from surveys are estimates and not precise figures - in general terms the smaller the sample size, the larger the uncertainty. We are unable to calculate sampling uncertainties for these statistics, but please note that small changes are unlikely to be statistically significant.

Non-Sampling Error Survey data represents the best data from respondents to the survey. If people give inaccurate responses or certain groups of people are less likely to respond this can introduce biases and errors. This non-sampling error can be minimised through effective and accurate sample and questionnaire design and extensive quality assurance of the data. However, it is not possible to eliminate it completely, nor can it be quantified.

Income This includes:

- Labour income – usual pay and self-employment earnings. Includes income from second jobs.
- Miscellaneous income – educational grants, payments from family members and any other regular payment
- Private benefit income – includes trade union/friendly society payments, maintenance or alimony and sickness or accident insurance
- Investment income – private pensions/annuities, rents received, income from savings and investments
- Pension income – occupational pensions income
- State support – tax credits and all state benefits including State Pension

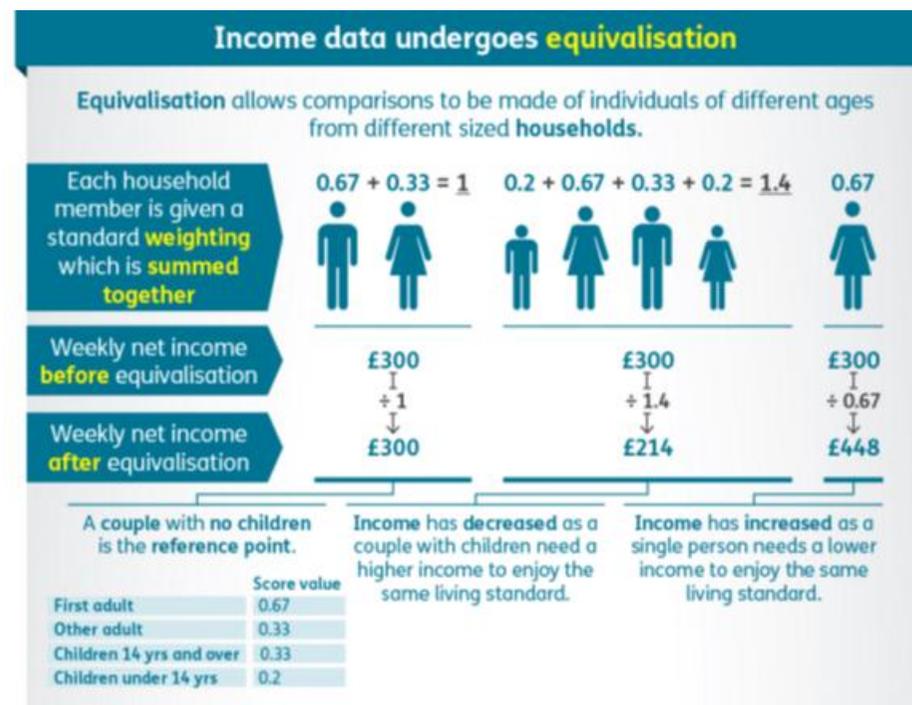
BHC income is often used for non-pensioner analysis and is net of the following:

- income tax payments and National Insurance contributions
- council tax

AHC income is derived by deducting housing costs calculated from mortgage and rent amounts from the BHC income measure. It is often used for pensioner analysis

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.

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.



Low income This is defined for this publication as an individual in a household with an equivalised household income of less than 60 per cent of median income. A household is in **persistent low income** if they are in low income for at least three of the last four survey periods.

Inflation is the speed at which the prices of goods and services rise or fall. ID uses a CPI-based adjustment, also used in Households Below Average Income, to compensate for the effects of inflation over time.

About these statistics

NATIONAL STATISTICS STATUS

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value.

All official statistics should comply with all aspects of the *Code of Practice for Official Statistics*. They are awarded National Statistics status following an assessment by the Office for Statistics Regulation. The Office for Statistics Regulation considers whether the statistics meet the highest standards of Code compliance, including the value they add to public decisions and debate.

Income Dynamics is currently an [experimental statistical](#) series, which means it is not currently assessed as a National Statistic, as it is in the testing phase and not yet fully developed.

Statistics in this publication are considered by DWP as “Fully Comparable at level A*” of the UK Countries Comparability Scale across countries.

Where to find out more

Further outputs and reference tables from Income Dynamics analysis, alongside our ID Background information and methodology, giving further detail on how we estimate the measures reported here are available via the following link

<https://www.gov.uk/government/statistics/income-dynamics-experimental>

Estimates of numbers in low income in a single year from Households Below Average Income can be found at

<https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

ONS produce a National Statistics series on persistent low income based on EU-SILC data. This is based on a different data source (the Survey of Living Conditions) and has a different definition of persistent low income. See Background information and methodology for further details:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2014>

ONS guidance on alternative sources of data on earnings and income is available at the following link and provides useful information to contextualise the ID statistics:

<http://www.ons.gov.uk/ons/guide-method/method-quality/specific/labour-market/articles-and-reports/a-guide-to-sources-of-data-on-earnings-and-income.pdf>

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 at the following links:

- A schedule of statistical releases over the next 12 months and a list of the most recent releases: <https://www.gov.uk/government/organisations/department-for-work-pensions/about/statistics>
- In accordance with the Code of Practice for Official Statistics, all DWP National Statistics are also announced at: <https://www.gov.uk/government/statistics/announcements>