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Issued by:
HBAI team
Information Directorate
Department for Work & Pensions

Telephone:
Press Office: 020 7238 0866
Public Enquiries: 020 7712 2171

DWP website:
www.dwp.gov.uk

Statistician:
Simon Lunn
Information Directorate
Department for Work & Pensions
4th Floor
The Adelphi
1-11 John Adam Street
London WC2N 6HT

Telephone: 020 7962 8232
Facsimile: 020 7712 2001
email:
team.hbai@dwp.gsi.gov.uk

HBAI Website:
www.dwp.gov.uk/asd/hbai.asp

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LOW INCOME DYNAMICS

The Low Income Dynamics statistical paper, based upon results from the British Household Panel Survey (BHPS) for the period 1991 to 2003, is published today on the DWP website: <http://www.dwp.gov.uk/asd/hbai.asp>

The paper analyses the movements around the income distribution by individuals over the period 1991-2003, and examines the extent to which individuals living in low-income households are persistently experiencing low income, on both Before Housing Costs (BHC) and After Housing Costs (AHC) measures. The report also contains tables showing the likelihood for different groups of making a transition either into or out of low income and, identifies events and characteristics which are associated with the transitions.

Key results for the different analyses are as follows:

Tables on income mobility on the BHC measure show that:

- Between 1991 and 2003, there was considerable income mobility. For example, if the population is divided into five groups (quintiles) of equal size, ranked by income, less than five per cent of the population remained in the same quintile of the income distribution for the whole of the period. There was less mobility for people who started in the top quintile as they were more likely to stay there throughout the period than those in any other quintile. These tables have been repeated for shorter time periods 1991-1997 and 1997-2003 for the first time, in order to show whether mobility has changed over time. There were no large differences between the two different time periods.
- Around half of individuals who were in the bottom or top quintile in 1991 spent seven or more years in that particular quintile from 1991 to 2003. Individuals in any of the middle three quintiles were less likely to have spent the majority of their time in their original 1991 quintile.
- Around two-thirds of people were, in 2003, in the same quintile as in 1991 or in an adjacent quintile. Individuals who had finished in a higher quintile had spent the majority of their time above their original quintile. Similarly, those who had finished in a lower quintile had spent the majority of their time below the original quintile.

The above statements are broadly consistent on an AHC basis.

Tables on persistence of low income show that:

- Over the thirteen-year period 1991-2003, slightly over half of all individuals spent at least one year in households with below 60 per cent of median household income on a BHC basis. Around one in five spent at least five years below this income level; and one per cent spent all thirteen years below 60 per cent of median household income. AHC estimates were broadly consistent, albeit somewhat higher.
- On a BHC basis, there was little change in persistent low income for the whole population over the period 1991-2003, as defined by spending three or more years out of any four-year period in a household with below 60 per cent of median income. There was little change for people of working-age. There was a reduction for children over the period 1991-1994 to 1993-1996, which remained broadly the same up to 1999-2002. Data for 2000-2003 suggest evidence of a fall. For pensioners, there was a slight increase up to 1998-2001, followed by a fall. On an AHC basis, there were falls in persistent low-income estimates for

children, working-age adults and the population as a whole over the thirteen-year period. For pensioners, the proportion rose between the periods 1991-1994 and 1998-2001, but has shown a marked fall since. The level of persistent poverty for pensioners in 2000-2003 was lower than it was at the start of the thirteen-year period.

- Pensioner families, lone-parent families, workless households, people in the social rented sector or people with no qualifications were more likely to experience persistent low income, as defined above, than other groups on the BHC income measure (individuals were allocated to a group according to their status in the first year of each four-year period). The same holds on an AHC basis with the exception of pensioner couples who exhibited a risk of low income which was close to the national average. Private renters had a relatively high risk of persistent low income on the AHC measure only.
- Women had a higher risk than men, though children had a higher risk than either, on both income measures. The results also suggest that, during the 1990s, the incidence of persistent low income fell for single parent families and workless households.
- The risk of experiencing persistent low income for children is higher for those living in lone-parent families, children living in rented accommodation and workless households. This is true on both BHC and AHC measures.

Tables showing exits and entry rates from low income and persistent low income using a methodology which produces a single estimate covering the BHPS survey years 1991-2002 were published by DWP for the first time in August 2004. The latest BHPS data incorporates revisions to historic data for this period which resulted in some modest revisions. For this reason, the tables have been re-issued in the analytical paper released today. The latest estimates also include data for 2003.

Notes to editors

1. Low Income Dynamics has been published primarily on the DWP website <http://www.dwp.gov.uk/asd/hbai.asp> with a paper copy available on request from the Households Below Average Income (HBAI) team in DWP.
2. Low Income Dynamics is a National Statistics publication and is produced to the high professional standards outlined in the National Statistics Code of Practice. National Statistics publications undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.
3. The British Household Panel Survey is a longitudinal survey designed to capture information on a nationally representative sample of the population of Great Britain; this was extended to cover Northern Ireland in 1997. It has been developed and run by The University of Essex, Institute for Social and Economic Research; further information and details of their database can be found on their web-site at <http://www.iser.essex.ac.uk/>
4. The BHPS data was made available through the UK Data Archive. The data is released under the auspices of the ESRC UK Longitudinal Studies Centre (ULSC) at the University of Essex. Neither the ULSC nor the Archive bear any responsibility for the analysis or interpretation of the BHPS data presented here.
5. There have been changes made to the base data set by the data providers. This has resulted in revisions which have affected pensioners to a greater extent.
6. The Government's Annual Report on poverty and social exclusion, 'Opportunity for all', gives details of policies and indicators related to poverty and social exclusion. The figures in table 6 of today's publication showing persistent low income for pensioners, children and working-age are one of many indicators used to report on poverty and social exclusion.
7. The methodology used for exits and entries into low income was based on the approach used in 'The dynamics of poverty in Britain', Research Report No 157' report produced by S.P. Jenkins and J. Rigg (2001).
8. All definitions used in the report are explained in Appendix 1 of the paper and the methodology in Appendix 2.