

Appendix 1

Glossary and Definitions of Concepts and Technical Terms

Technical Terms

Confidence interval

A measure of **sampling error**. A 95 per cent confidence interval for an estimate is the range which will contain the 'true' figure on average 19 times out of 20. Note that this 'true' value may still be affected by systematic errors present in the survey and analysis processes.

Cumulative decile groups

These are combinations of **decile groups** working upwards from the bottom. Tables showing the bottom 30 per cent of the income distribution, for example, include all those people in the lowest three decile groups.

Deciles / decile points

Deciles (or decile points) are income values which divide the population, when ranked by income, into ten equal sized groups. The lowest decile is the same as the 10th **percentile**. Decile is also, sometimes, used as a shorthand term for **decile group**; for example 'the bottom decile' to describe the bottom ten per cent of the income distribution.

Decile groups

These are groups of the population defined by the **decile points**. The lowest decile group is the ten per cent of the population with the lowest incomes. The second decile group contains individuals with incomes above the lowest decile point but below the second decile point. The two lowest decile groups together make up the lowest **quintile group**.

Decile group medians / quintile group medians

These are **median** income values for a particular **decile** or **quintile group**, i.e. the income value which divides the group into two equal sized parts. The median of the lowest decile is thus the same as the 5th **percentile**; the median of the lowest quintile is the same as the 10th **percentile**.

Equivalisation

The process by which household income is adjusted to account for variation in household size and composition. Income is divided by scales which vary according to the number of adults and the number and age of dependants in the household. For more information see Appendix 2.

Equivalised income

Income which has undergone **equivalisation**.

Equivalence scales

Scales used in **equivalisation**. Appendix 2 gives the scales used in HBAI and discusses the sensitivity of results to the choice of scale.

Mean

The mean income is the **average**, found by adding up all the incomes in a population and dividing the result by the number of people.

Median

The median is the income value which divides a population, when ranked by income, into two equal sized groups. The median of the whole population is the same as the 50th **percentile**. The term is also used for the midpoint of subsets of the income distribution, see **decile group medians**.

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Percentiles

These are income values which divide the population, when ranked by income, into 100 equal sized groups. Ten per cent of the population have incomes below the 10th percentile, 20 per cent have incomes below the 20th percentile and so on.

Quantiles

A quantile group is any sub-group of the population extracted from the population when ranked by income. **Quintile groups** and **decile groups** are examples of quantile groups - or quantiles for short.

Quintiles

Quintiles are income values which divide the population, when ranked by income, into five equal sized groups. The lowest quintile is the same as the 20th **percentile**. Quintile is also, sometimes, used as a shorthand term for **quintile group**; for example 'the bottom quintile' to describe the bottom 20 per cent of the income distribution.

Quintile groups

These are groups of the population defined by the **quintiles**. The lowest quintile group is the 20 per cent of the population with the lowest incomes. The second quintile group is the population with incomes above the lowest quintile but below the second quintile.

Risk

This is the chance of individuals in a group falling below a given **threshold** (e.g. the risk of the unemployed being below the bottom **decile median**). It is calculated as the number in the group below the given threshold divided by the total number in the group.

Sampling error

The uncertainty in the estimates which arises from taking a random sample of the household population. The likely size of this error for a particular statistic can be identified and expressed as a **confidence interval**. For more information see Appendix 2.

Sensitivity testing

The process of assessing how sensitive a result is to the choice of **equivalence scale**. This involves calculating an estimate using a range of different scales and seeing how much it varies depending on the scale used. Details are given in Appendix 2.

Threshold

An **equivalised income** value used for comparing sections of an income distribution over time or for comparing proportions of groups over time, for example: 1994/5 **decile medians**, fractions of 1994/5 average income or fractions of contemporary **average**. A threshold can be fixed but increased to allow for inflation, e.g. half 1994/5 mean average in 1994/5 and the corresponding value increased for inflation in 1999/00. Alternatively, a threshold may move with the current period's income distribution, e.g. 60 per cent of contemporary median (1994/5) average in 1994/5 and 60 per cent of contemporary median (1999/00) average in 1999/00.

Measures of Income

The income measure used in HBAI is weekly net (disposable) equivalised household income. This comprises total income from all sources of all household members including dependants.

Income is adjusted for household size and composition by means of equivalence scales, which reflect the extent to which households of different size require a different level of income to achieve the same standard of living. This adjusted income is referred to as equivalised income. (See Appendix 2 for further details).

Income Before Housing Costs (BHC) includes the following main components:

- usual net earnings from employment;
- profit or loss from self-employment (losses are treated as a negative income);
- all Social Security benefits (including Housing Benefit, Social Fund, maternity, funeral and community care grants but excluding Social Fund loans) and Tax Credits;
- income from occupational and private pensions;
- investment income;
- maintenance payments, if a person receives them directly;
- income from educational grants and scholarships (including, for students, top up loans and parental contributions);
- the cash value of certain forms of income in kind (free school meals, free welfare milk and free school milk).

Income is net of the following items:

- income tax payments;
- National Insurance contributions;
- domestic rates / council tax;
- contributions to occupational pension schemes (including all additional voluntary contributions (AVCs) to occupational pension schemes, and any contributions to personal pensions);
- all maintenance and child support payments, which are deducted from the income of the person making the payment;
- parental contributions to students living away from home.

Income After Housing Costs (AHC) is derived by deducting a measure of *housing costs* from the above income measure.

Housing costs

These include the following:

- 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);
- ground rent and service charges.

In the 1995/6 and subsequent data sets, a refinement was made to the calculation of mortgage interest payments to disregard additional loans which had been taken out for purposes other than house purchase.

Negative incomes BHC are reset to zero, but negative AHC incomes calculated from the adjusted BHC incomes are possible. Where incomes have been adjusted to zero BHC, income AHC is derived from the adjusted BHC income.

Other definitions used in HBAI

A number of other definitions are employed in assembling the HBAI results. The main ones are described below.

Adult

An adult is:

- a married or cohabiting person, or
- an individual aged 19 or over, or
- a 16 to 18 year old not in full-time education, or
- a 16 to 18 year old on a course above 'A' level standard (or above 'Highers' in Scotland).

Benefit unit

This is a single adult or a couple, together with any dependent children. An adult living in the same household as his or her parents, for example, is a separate benefit unit from the parents and would be assessed separately for Income Support or Family Credit.

Child

A child is:

- an individual aged under 16, or
- an unmarried 16 to 18 year old on a course up to and including 'A' level standard (or up to and including 'Highers' in Scotland).

Contemporary average income

The average income for the period covered by the survey. Household incomes are adjusted from the date of interview to December 2000 prices.

Couple / married couple

A man and woman living together as husband and wife, including cohabiters.

Families / family units

The terms 'families' and 'family units' are used interchangeably with benefit units. See definition above.

Full-time work

Normally working 31 or more hours a week, either as an employee or self-employed.

Government Office Region

Government Office Regions comprise the following counties:

North East:	Cleveland, Durham, Northumberland, Tyne and Wear
North West and Merseyside:	Cumbria, Cheshire, Greater Manchester, Lancashire, Merseyside
Yorkshire and the Humber:	Humberside, North Yorkshire, South Yorkshire, West Yorkshire
East Midlands:	Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, Nottinghamshire
West Midlands:	Hereford and Worcester, Shropshire, Staffordshire, Warwickshire, West Midlands
South West:	Avon, Cornwall, Devon, Dorset, Gloucestershire, Somerset, Wiltshire
Eastern:	Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk, Suffolk
South East:	Berkshire, Buckinghamshire, East Sussex, Hampshire, Isle of Wight, Kent, Oxfordshire, Surrey, West Sussex
London:	Greater London

Head of benefit unit

The head of the first benefit unit will be the same as the head of the household. For second and subsequent benefit units the head will be the first adult to be interviewed.

Head of household

Interviewers classify the head of household using standard procedures:

- In a household containing only husband, wife and children under 16 (and boarders) the husband is always the head of household.
- Similarly, when a couple has been recorded as living together/cohabiting the male partner is treated as the head of household.
- In all situations where there are other relatives in the household or where some or all of the household are unrelated, (except that a husband always takes precedence), the person in whose name the accommodation is owned or rented is taken as the head.

- When the accommodation is supplied with a job or provided rent free for some other reason, the person to whom the accommodation is given in this way becomes the head.
- Occasionally more than one person will have equal claim to be the head, in these cases, where they are of the same sex, the oldest is the head; where they are of different sexes, the male is the head.

Household

The FRS definition of a household is a single person or group of people living at the same address as their only or main residence, who either share one meal a day together or share the living accommodation (i.e. living room). A household will consist of one or more *benefit units*.

Disability benefits/tax credits

Tax credits or Social Security benefits included in this category are:

- Attendance Allowance
- Disability Living Allowance (both Care and Mobility components)
- Disability Working Allowance
- Incapacity Benefit
- Industrial Injuries Disablement Benefit
- Invalid Care Allowance
- Severe Disablement Allowance
- War Disablement Pension
- Disabled Person's Tax Credit

Income-related benefits/tax credits

Tax credits or Social Security benefits included in this category are:

- Back To Work Bonus
- Income Support
- Family Credit
- Housing Benefit
- Council Tax Benefit
- Disability Working Allowance
- Social Fund Grant for Funeral or Maternity Expenses
- Jobseekers' Allowance (Income-based)
- Community Care Grants
- Working Families' Tax Credit
- Disabled Person's Tax Credit

Non-income-related benefits

Social Security benefits included in this category are:

- Statutory Sick Pay
- Statutory Maternity Pay
- Disability Living Allowance
- Child Benefit
- Retirement Pension
- Widowed Mother's Allowance

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Widow's Payment
Widow's Pension
War Disablement Pension
War Widow's Pension
Severe Disablement Allowance
Attendance Allowance
Invalid Care Allowance
Jobseeker's Allowance (contribution-based)
Industrial Injuries Disablement Benefit
Incapacity Benefit
Maternity Allowance
Guardian's Allowance

Part-time work

Normally working fewer than 31 hours a week, either as an employee or self-employed.

Pensioner

A person of state pension age or above (65 for men, 60 for women).

Self-employed

The self-employed are individuals in benefit units that contain one or more adults who normally work self-employed in his/her main job for 31 or more hours a week. In the tables by economic status, 'self-employed' identifies the number of these individuals. However, in analyses and tables which are headed 'excluding the self-employed', all individuals living in households with a self-employed benefit unit are excluded; this is a greater number than those with economic status 'self-employed'.

Workless working-age household

A household where no adult members are in employment or are self-employed and where there is at least one adult of below state pension age.

Family type and economic status classifications

For some analyses individuals are classified into family type or economic status groups. Individuals are classified according to the status of the benefit unit in which they live. All individuals in a benefit unit (adults and children) will therefore be given the same classification. The classifications are defined below.

Family type

Single pensioner - a single adult of state pension age or over.

Pensioner couple - a couple, where the male in the benefit unit is of state pension age or over.

Couple with children - a non-pensioner couple with dependent children.

Couple without children - a non-pensioner couple with no dependent children.

Single with children - a non-pensioner single adult with dependent children.

Single without children - a non-pensioner single adult with no dependent children.

Economic status

Individuals are allocated to the first category which applies in the following order; so, for example, a couple with one partner unemployed and the other working part-time would be allocated to the 'One or more in part-time work' group. It should be noted that this classification is not ILO consistent.

One or more full-time self-employed - Benefit units where at least one adult usually works self-employed in their main job for 31 or more hours a week.

Single or couple, all in full-time work - Benefit units where all adults usually work 31 or more hours a week.

Couple, one in full-time work, one in part-time work - Benefit units headed by a couple, where one partner usually works 31 or more hours a week and the other partner usually works fewer than 31 hours a week.

Couple, one in full-time work, one not working - Benefit units headed by a couple, where one partner usually works 31 or more hours a week and the other partner does not work.

No-one in full-time work, one or more in part-time work - Benefit units where at least one adult works, but for fewer than 31 hours a week.

Workless, head or spouse aged 60 or over - Benefit units where at least one adult is aged 60 or over.

Workless, head or spouse unemployed - Benefit units where at least one adult is unemployed.

Workless, other inactive - Benefit units not classified above (this group includes the long term sick, disabled people and non-working single parents).

Economic status groups for children

The tables that show estimates for dependent children use an amended economic status classification closely related to the definitions used above. Children are grouped according to family type and the economic status of their parent(s) as defined in the previous section. As with the main economic status groups, individuals are allocated to the first category that applies in the following order:

Lone parent

- **In full-time work** (includes self-employed)
- **In part-time work**
- **Not working** (unemployed or inactive)

Couple with children

- **One or more full-time self-employed**
- **Both in full-time work**
- **One in full-time work, one in part-time work**
- **One in full-time work, one not working**
- **Neither in full-time work, one or more in part-time work**
- **Both workless** (unemployed or inactive)

