

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 that contains the 'true' figure on average 19 times out of 20. Note that this ignores any systematic errors which may be present in the survey and analysis processes.

Cumulative decile groups

These are combinations of **decile groups** working either upwards from the bottom or down from the top of the income distribution. 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 the income values which divide the United Kingdom population, when ranked by income, into ten equal-sized groups. **Decile** is also often used as a shorthand term for **decile group**; for example 'the bottom decile' is used 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 combined 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 by household size and composition as a proxy for material living standards. Household incomes are divided by household equivalence factors 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

The scales used in **equivalisation**. Appendix 2 gives the scales used in HBAI and discusses the methodology.

Gini coefficient

A widely-used, international standard summary measure of inequality. It can take values from zero to 100, where a value of zero would indicate total equality, with each household having an equal share of income, while higher values indicate greater inequality.

Mean

Mean household income of individuals is the "**average**", found by adding up equivalised household incomes for each individual in a population and dividing the result by the number of people. For example if one household with a total weekly equivalised income of £1,000 contains three persons and a second household with income of £2,000 contains four persons, mean weekly household income would be £1,571 as computed as $((3 \times £1,000) + (4 \times £2,000)) / 7$.

Median

Median household income divides the population of individuals, when ranked by equivalised household 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 the subsets of the income distribution: see **decile/quintile group medians**.

Percentiles

These are the income values which divide the United Kingdom 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. **Quantile groups** and **decile groups** are examples of quantile groups – or quantiles for short.

Quintiles

Quintiles are income values which divide the United Kingdom population, when ranked by income, into five equal-sized groups. The lowest quintile is the same as the 20th **percentile**. Quintile is also, often, 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 being below a given **threshold** (e.g. the risk for children in lone parent families being below 60 per cent of the **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.

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: fractions of 1998/99 **median** income or fractions of contemporary **medians**. A relative threshold is relative to the contemporary median for each year's survey. A **fixed** threshold uses the median from an 'anchor' year which is then updated for inflation as appropriate. For example, the absolute threshold '60 per cent of the 1998/99 median income' in 1998/99 is the same as the relative threshold, but the corresponding value in 2006/07 has been updated for inflation over the period.

Measures of Income¹

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 and composition 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. For the full list, please see the 'Other definitions used in HBAI' section;
- 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 and free TV licence for those aged 75 and over).

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 stakeholder and 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.

¹ The definition of income detailed here applies to the analyses based on FRS data. A very similar definition was used for analyses based on the Family Expenditure Survey. For details of the differences between the definitions please see Appendix 2 of HBAI 1979–1996/97.

Housing costs

These include the following:

- rent (gross of housing benefit);
- water rates, community water charges and council water charges;
- mortgage interest payments;
- structural insurance premiums (for owner occupiers);
- ground rent and service charges.

For Northern Ireland households water provision is funded from taxation and there are no direct water charges. Therefore it is already taken into account in the Before Housing Costs measure.

In the 1995/96 and subsequent datasets, 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 compiling the HBAI results. The main definitions are described below.

Adult

All those individuals who are aged 16 and over, unless defined as a dependent child (see Child); all adults in the household are interviewed as part of the Family Resources Survey (FRS).

Benefit unit

A single adult or a couple living as married and any dependent children; from January 2006 same-sex partners (civil partners and cohabiters) are also included in the same benefit unit.

Child

A dependent child is defined as an individual aged under 16. A person will also be defined as a child if they are 16 to 19-years old and they are:

- Not married nor in a Civil Partnership nor living with a partner; and
- Living with parents; and
- in full-time non-advanced education or in unwaged government training.

Contemporary average income

The average income for the period covered by the survey. Household incomes are adjusted from the date of interview to an average of 2006/07 prices.

Couple / married couple/civil partnership

A man and woman living together as husband and wife, including cohabiters. From January 2006, same-sex civil partners are also included in the same benefit unit.

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

English Government Office Regions comprise the following counties:

North East:	Durham, Northumberland, Tyne and Wear.
North West:	Cumbria, Cheshire, Greater Manchester, Lancashire, Merseyside.
Yorkshire and the Humber:	North Yorkshire, South Yorkshire, West Yorkshire.
East Midlands:	Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, Nottinghamshire.
West Midlands:	Shropshire, Staffordshire, Warwickshire, West Midlands, Worcestershire.
South West:	Cornwall and the Isles of Scilly, Devon, Dorset, Gloucestershire, Somerset, Wiltshire.
East of England:	Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk, Suffolk.
South East:	Buckinghamshire, East Sussex, Hampshire, Kent, Oxfordshire, Surrey, West Sussex.
London:	Greater London – which can also be split down into Inner and Outer London, which comprise of the following local authorities:
Inner London:	City of London, Camden, Hackney, Hammersmith and Fulham, Haringey, Islington, Kensington and Chelsea, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth, Westminster.
Outer London:	Barking/Dagenham, Barnet, Bexley, Brent, Bromley, Croydon, Ealing, Enfield, Greenwich, Harrow, Havering, Hillingdon, Hounslow, Kingston-upon-Thames, Merton, Redbridge, Richmond-upon-Thames, Sutton, Waltham Forest.

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 (used prior to 2001/02, since replaced by household reference person)

Interviewers classified the head of household using standard procedures:

- In a household containing only husband, wife and children under 16 (and boarders), the husband was always the head of household.
- Similarly, when a couple has been recorded as living together/cohabiting, the male partner was 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 was owned or rented was 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 was given in this way was the head.

Appendix 1

- 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 was the head; where they are of different sexes, the male was the head.

Household

The Family Resources Survey (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*.

Household reference person (used from 2001/02 onwards)

This is classified as the Highest Income Householder (HIH); without regard to gender.

In a single adult household

- The HIH is the sole householder (i.e. the person in whose name the accommodation is owned or rented).

If there are two or more householders

- The HIH is the householder with the highest personal income from all sources.

If there are two or more householders who have the same income

- The HIH is the eldest householder

Material Deprivation

The material deprivation suite of questions was introduced, from 2004/05, to investigate deprivation amongst families with children. Questions were asked on whether people were able to afford to buy essential items or services, or to participate in leisure or social activities. An analysis of how individuals responded to these questions by their location in the income distribution is given in Chapter 4 (Children).

Low Income and Material Deprivation

The Low Income and Material Deprivation is a combined measure using a **prevalence weighted** score from the material deprivation questions in combination with a 70 per cent income threshold. A child is considered materially deprived if it lives in a family that has a score of 25 or more and a household income below 70 per cent contemporary median income, before housing costs. An analysis of the risk and composition of children being materially deprived is given in Chapter 4 (Children). See Appendix 2 for further details.

Prevalence Weighted

Prevalence weighting is a technique of scoring deprivation, in which more weight in the deprivation measure is given to families lacking those items that most families already have. This means a greater importance, when an item is lacked, is assigned to those items that are more commonly owned in the population. See Appendix 2 for further details.

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 households

Those containing one or more individuals who normally work self-employed in his/her main job for 31 or more hours a week. In Table 2.3 of Chapter 2, where denoted with the heading 'excluding the self-employed', all individuals living in these households are excluded.

State support

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

- Attendance Allowance
- Back-To-Work Bonus ended 25th October 2004, accrued amounts frozen until 25th January 2007
- Carer's Allowance (formerly Invalid Care Allowance)
- Child Benefit
- Child Maintenance Bonus
- Child Tax Credit and Working Tax Credit, including disabled elements;
- Community Care Grants
- Council Tax Benefit
- Disability Living Allowance both CARE and MOBILITY components
- Disability Working Allowance
- Extended Payment of Council Tax Benefit
- Extended Payment of Housing Benefit
- Guardian's Allowance
- Housing Benefit
- In Work Credit
- Incapacity Benefit
- Income Support
- Industrial Injuries Disablement Benefit
- Job Grant (formerly Lone parent benefit run-on)
- Jobseeker's Allowance (Contributions-based)
- Jobseeker's Allowance (Income-based)
- Maternity Allowance
- Other State Benefits
- Pension Credit
- Rates Rebate
- Retirement Pension
- Return to Work Credit only available in a few remaining 'pilot areas' within the UK
- Severe Disablement Allowance ceased to be available to new claimants as of 6th April 2001
- Social Fund Grant for Funeral Expenses
- Social Fund Grant for Maternity Expenses
- Statutory Adoption Pay
- Statutory Maternity Pay
- Statutory Paternity Pay
- Statutory Sick Pay
- War Disablement Pension
- War Widow's Pension
- Widow's Payment/Bereavement Payment
- Widow's Pension/Bereavement Allowance
- Widowed Mother's Allowance/Widowed Parents Allowance
- Winter Fuel payments
- Work Search premium

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 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

Pensioner couple - a couple where one or more of the adults are state pension age or over. However, in the Pensioners chapter (Chapter 6), results for pensioner couples do not count anyone who is not a pensioner.

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

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

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

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

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

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

Single female without children - a non-pensioner single adult female 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 consistent with the International Labour Organization (ILO) classification.

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, one or more aged 60 or over - Benefit units where at least one adult is aged 60 or over.

Workless, one or more 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);

Economic status of household

For this analysis, households are classified according to an assessment of the employment status of all working-age adults and working pensioners within the household (i.e. non-working pensioners are not considered in the assessment, except in the case of those households where children live only with pensioners, where the status of all adults is considered). Individuals are assigned to one of three categories:

All adults in work - A household where all working-age adults are in employment or are self-employed, or if there are no working-age adults in the household, at least one working pensioner.

At least one, but not all adults in work - A household where at least one working-age adult is in employment or is self-employed, or where a pensioner is in work if none of the working-age adults in the household are in work.

Workless household - A household where no adult members are in employment or are self-employed.

So for example, a household with a pensioner in work, but a working-age person not in work, would be in the 'At least one adult in work, but not all' category. A household with all working-age adults in work and a pensioner not in work would be categorised as 'All adults in work'.