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Low Income Dynamics

Coverage: Great Britain
Theme: Economy

The Low Income Dynamics statistical paper, based on the results for Great Britain from the British Household Panel Survey (BHPS) for the period 1991 to 2007, is published today on the DWP website: <http://research.dwp.gov.uk/asd/lid.asp>.

The paper analyses the movements around the income distribution by individuals during the period 1991 to 2007, and examines the extent to which individuals living in low-income households are persistently experiencing low income, on both the Before Housing Costs (BHC) and After Housing Costs (AHC) measures. The report also contains tables showing the likelihood for all individuals, and for individuals in different family types and economic circumstances of making a transition either into or out of low income. Events and characteristics associated with the transitions are also identified.

Key results for the different analyses are as follows:

Tables on **persistent low income** (defined as three or four years out of any four-year period in a household with below 60 per cent of median income) show that:

- On a BHC basis, the level of persistent low income for all groups in 2004-2007 was at their lowest levels since 1991-1994, with the largest reductions for children.
- On an AHC basis, there were reductions in persistent low income for all groups over the period 1991 to 2007, with the largest reductions for children and pensioners.
- Persistent low income has been steadily falling for children since 1998-2001, on a BHC basis. The latest data for 2004-2007 shows that levels have remained at their lowest point at any time since 1991-1994.
- For pensioners, the proportion rose between the periods 1991-1994 and 1995-1998, remained level until 1997-2000 but has shown a marked and continuing fall since on an AHC basis. Levels are at their lowest point at any time since 1991-1994.
- For both working-age and disabled adults, there have been modest falls since 1991-1994 on both a BHC and AHC basis.

Tables on **other key findings** show that:

- The risk of experiencing persistent low income for children is higher for those living in lone-parent families, in rented accommodation and workless households (children have been allocated to a group according to their status in the first year of each four-year period).
- Changes over time should be interpreted with some caution. However, the evidence suggests that there has been a reduction since 1991-1994 in the risk of persistent low income for children who were, at least in the first year of each four-year period, in workless or lone-parent families, or who lived in rented accommodation.
- Over the period 1991 to 2007, around three in ten individuals in low income exited between one year and the next. Pensioners (both singles and couples) and lone parents had the lowest exit rates.

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Next Publication:
To Be Announced

- The corresponding entry rate for all individuals into low income between any two successive years was around one in fourteen. Lone parents and the workless had the highest rates of entry into low income.
- Around half of individuals who were in the bottom or top quintile at the start of the survey in 1991, spent nine or more years in that particular quintile from 1991 to 2007. Individuals in any of the middle three quintiles were less likely to have spent the majority of their time in their original 1991 quintile.

Notes to editors:

1. Low Income Dynamics has been published on the DWP website at <http://research.dwp.gov.uk/asd/lid.asp>.
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 (BHPS) 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 bears any responsibility for the analysis or interpretation of the BHPS data that is presented here.
5. The British Household Panel Survey has been subsumed into the larger Understanding Society survey from the start of 2009. This means that the next edition of Low Income Dynamics will be the final one in the current form. DWP statisticians are looking into options on how to continue measuring the persistence of low income.
6. Before the publication of the previous Low Income Dynamics report, a review of the persistent low income series was carried out to ensure that the series was consistent in its calculation of estimates across years so there would be greater comparability over time. Further information on the review is given in the technical note on the DWP website at: http://research.dwp.gov.uk/asd/hbai_arc/low_income/LID_tech_note.pdf.
7. The Government's Annual Report on poverty and social exclusion, *Opportunity for all* (Ofa), gives details of policies and indicators related to poverty and social exclusion. The figures in table 6.1 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.
8. As in previous years, there have been changes made to the base dataset by the data providers as new information can be collected from respondents for earlier years. This has resulted in modest revisions to the Ofa results for the period 2003-2006.
9. The methodology used for exits and entries into low income was based on the approach used in 'The dynamics of poverty in Britain', Department for Work and Pensions Research Report No 157 produced by S.P. Jenkins and J. Rigg (2001).
10. All definitions used in the report are explained in Appendix 1 of the paper and the methodology is covered in Appendix 2.