

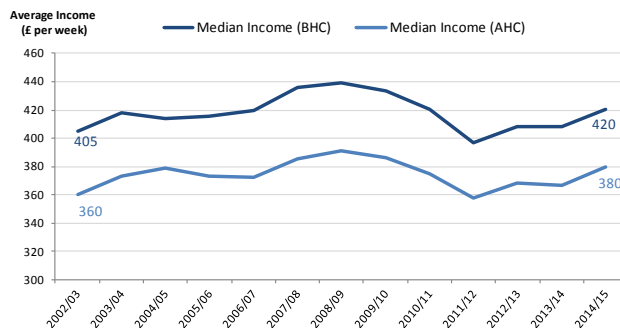
The Households below Average Income (HBAI) report presents information on living standards in Northern Ireland based on household income measures for the 2014/15 financial year. **Unless specifically stated, annual changes in the numbers and percentages presented in the body of this report are not statistically significant.**

Main stories

- In 2014/15 average (median) household income in Northern Ireland increased by 3%, to £420 per week Before Housing Costs (BHC). However, despite a general upward trend since 2011/12, average income in NI remains below the pre-recession peak of £439 per week in 2008/09.
- There has been a slight increase in the proportion of individuals in relative poverty, to 22% (BHC) in 2014/15.
- There has been a slight decrease in the proportion of individuals in absolute poverty, to 20% (BHC) in 2014/15.

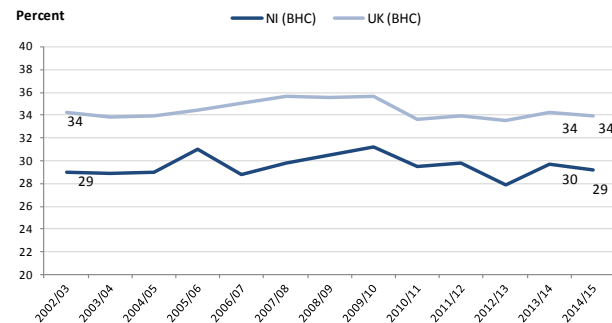
Household Income

Median income BHC increased to £420 in 2014/15



Income Inequality

The Gini coefficient decreased to 29% in 2014/15



Low Income Measures

Small change in headline figures in 2014/15

	Relative Poverty	Absolute Poverty
Before Housing Costs	22% (+1)	20% (-1)
After Housing Costs	22% (+1)	21% (-1)

In 2014/15 average (median) income in Northern Ireland increased in real terms for both BHC and AHC, by 3% and 4% respectively. However, average income remains lower than before the economic recession.

The Gini coefficient (BHC) has reduced by one percentage point to 29% in 2014/15, which is consistent with the long term trend. Income inequality is lower than in the UK as a whole, largely due to fewer individuals in NI having very high incomes.

The proportion of individuals in relative poverty has increased by 1 percentage point in 2014/15, whereas in absolute terms it has decreased by 1 percentage point.

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What you need to know

HBAI is the primary source for data and information about household income and income inequality in Northern Ireland. Users include central Government, local authorities, academics, journalists and the voluntary sector.

Income Measures

HBAI estimates incorporate widely-used international standard measures of low income and inequality. The primary measure used in HBAI is equivalised disposable household income, estimated on both a before and after housing costs basis (BHC and AHC). The main income measure includes contributions from earnings, state support, pensions, and investment income among others, and is net of tax.

In line with international best practice, the income measures used in HBAI are subject to several statistical adjustments and, as such, are not always directly relatable to income amounts as they might be understood by people on a day-to-day basis. These adjustments, however, allow us to compare measures over time and across households of different sizes and compositions on a consistent basis.

From 2014/15 HBAI has moved from using RPI to CPI inflation when estimating how incomes are changing in real terms over time. This will mainly affect trends in real terms income and absolute low income series. For further information see the HBAI Quality and Methodology Information Report.

Survey Data

Estimates are based on a sample of approximately 2,000 NI households. Use of survey data means that results in this report are subject to uncertainty which can affect how changes should be interpreted, especially in the short term. Latest estimates should be considered alongside long term patterns.

Statistical significance is a technical concept that says whether a reported change is likely to have arisen only by chance due to variations in the sampling. We calculate 95% **confidence intervals** around estimates in HBAI which sets a standard that, where any change is reported as statistically significant, there is less than a 1 in 20 chance that the reported difference is due to sampling variation and there is no real underlying change.

None of the changes in this release are statistically significant unless specifically stated.

Additional tables and data

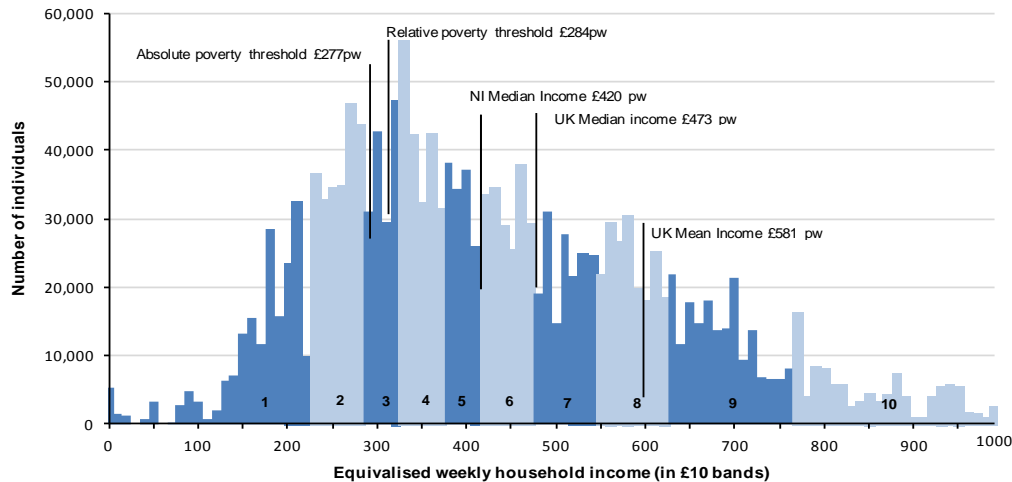
Supporting data tables are available to download at:

<https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-2>

The Overall Income Distribution

The distribution of Northern Ireland household income is positively skewed with a long right-hand tail of higher incomes. The shape of the overall income distribution evolves slowly over time, with relatively small year-on-year changes.

Income distribution (BHC) for the total NI population (2014/15)



Main Findings

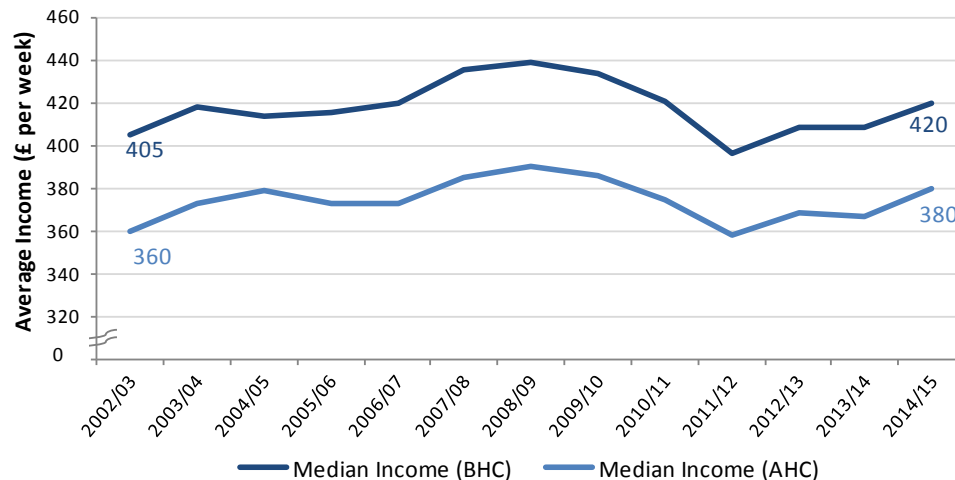
The NI income distribution is positively skewed with the mass of the distribution towards the lower end. In 2014/15 nearly three quarters of individuals in NI had a household income below the UK mean income of £581 per week.

Almost three fifths of individuals in NI had a household income below the UK median income of £473 per week.

There are a large number of individuals with a household income around the relative and absolute poverty thresholds. As a result small movements in the income distribution can sometimes lead to more sizeable movements in the level of poverty.

See **Table 2.7** for full data.

Average real terms incomes in 2014/15 prices



In 2014/15 average (median) real terms household income before housing costs increased to £420 per week (£21,900 per year), representing a 3% increase from the previous year.

Average household income after housing costs also increased in 2014/15 to £380, which represents a 4% increase from the previous year.

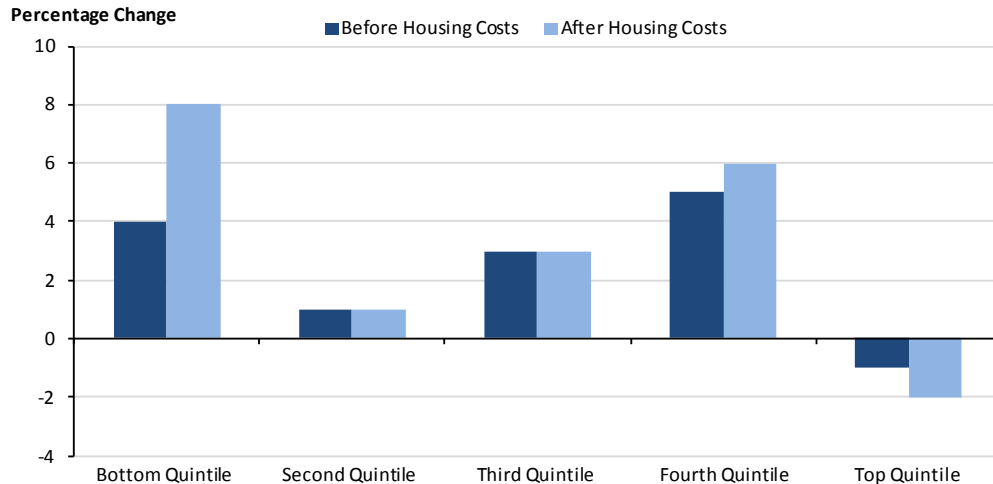
The BHC and AHC income measures have each followed a very similar pattern since the time series began in 2002/03; each reached their highest level in 2008/09 followed by a fall as a result of the economic recession. Since 2011/12 incomes have begun to rise again, but still remain lower than the series high in 2008/09.

See **Table 2.6** for full data.

Income Inequality

Between 2013/14 to 2014/15 there have been increases in incomes across the distribution (except quintile 5).

Changes in real terms income by quintile, 2013/14 to 2014/15



Interpretation

Quintiles divide the population, when ranked by a particular variable (in this case household income) into five equal groups where the first quintile represents the lowest fifth of the data (household income, 1-20%); the second quintile represents the second fifth (21-40%) and so on.

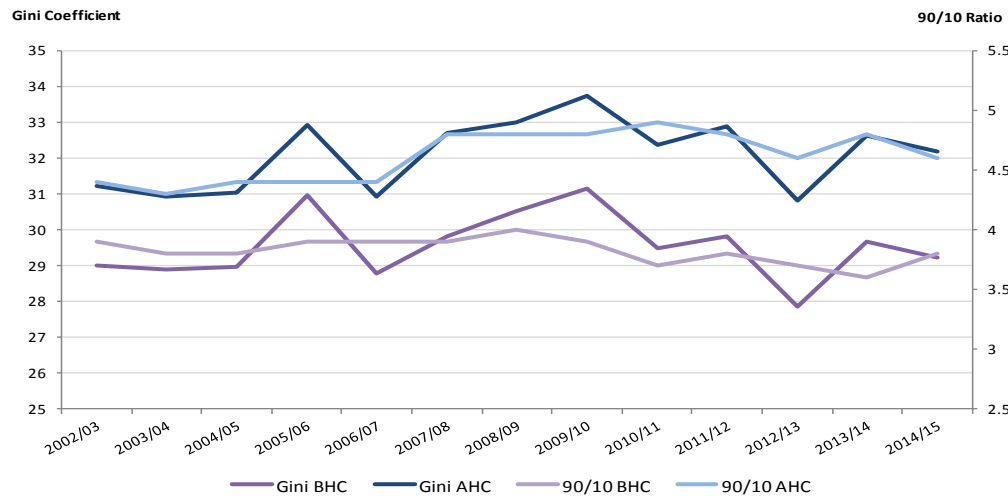
By dividing the population into quintiles ranked by household income it enables analysis of how the most well off and least well off compare against each other and against the previous year.

Main Findings

Between 2013/14 and 2014/15 income for all quintiles except the top quintile experienced real terms growth. The largest increase in equivalised household income (BHC) was noted in the fourth quintile, while the largest growth AHC was in the bottom quintile, although these changes are not statistically significant.

See **Table 2.5** for full data.

Income inequality 2002/03 to 2014/15



Interpretation

The Gini coefficient is an international standard technical measure, showing how incomes are distributed across all individuals. It ranges from 0% (when everyone has identical incomes) to 100% (when all income goes to only one person).

The 90/10 ratio is the average (median) income of the top 20% divided by the average income of the bottom 20%. The higher the number, the greater the gap between those with the highest incomes and those with the lowest incomes.

Main Findings

The Gini coefficient showed a small decrease between 2013/14 and 2014/15 both BHC (from 30% to 29%) and AHC (from 33% to 32%) and has been relatively stable over the long term. The 90/10 ratio is up slightly from the previous year to 3.8 BHC and down slightly to 4.6 AHC.

See **Table 2.4** and **Table S2** for full data.

Sources of Income

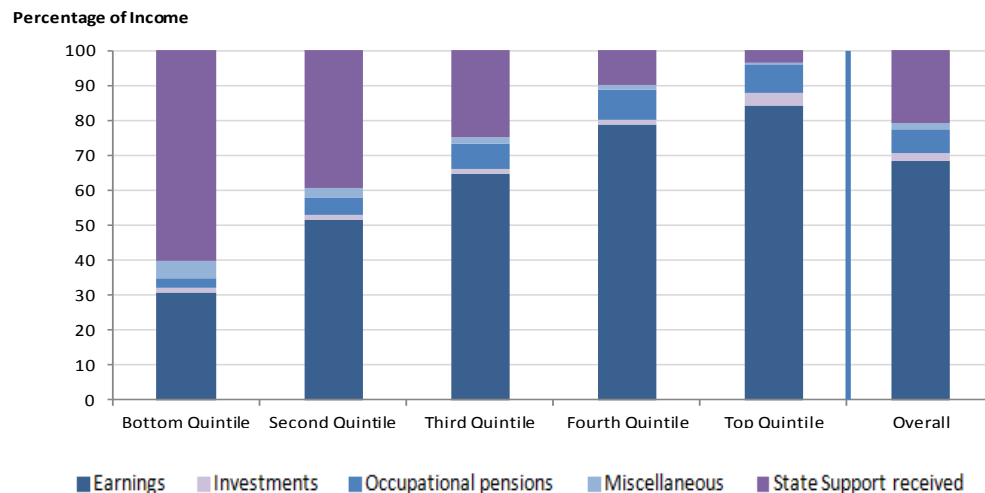
The majority of household income in Northern Ireland comes from either earnings or state support.

Main Findings

The chart below shows the proportion of each income source that makes up the overall gross household income, divided into quintiles. It is evident from the chart that the two fundamental income sources that make up the majority of household income are earnings and state support which together account for around 89% (85% in UK) of combined income.

From the chart it is clear that as the population moves from those in the bottom quintile to the top quintile the proportion of gross income made up by earnings increases and the level of dependency on state support decreases. However, in all quintiles there is still a proportion of income coming from earnings and state support; at no point is either reduced to zero.

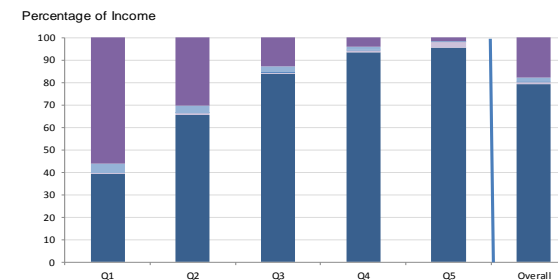
Income Sources as a proportion of gross income (BHC) by Quintile (2014/15)



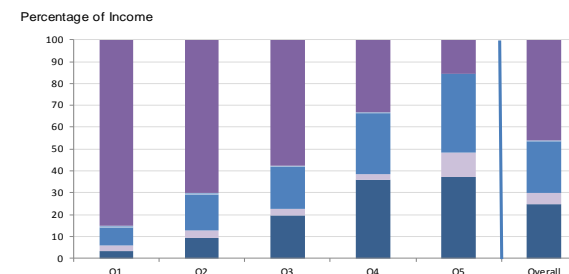
The charts to the right show the proportion of income from the various sources for three different household types. From the charts it is noticeable that, with the exception of those in the bottom quintile, households containing working age adults only and households that contain children receive the majority of their income from earnings; this is particularly evident in the higher quintiles. Whereas, households containing pensioners and no children receive the majority of their income from state support and occupational pensions.

Income Sources as a proportion of gross income BHC by quintile and household type (2014/15)

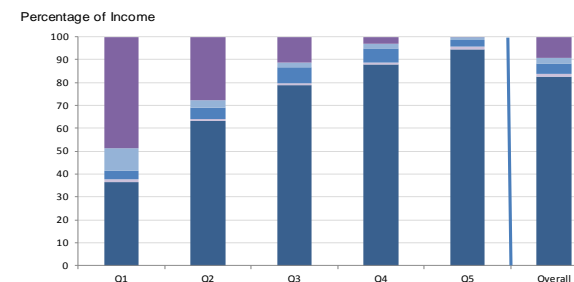
Households containing children



Households containing pensioners no children



Households containing working age adults only



See Tables 2.1 to 2.1c for full data.

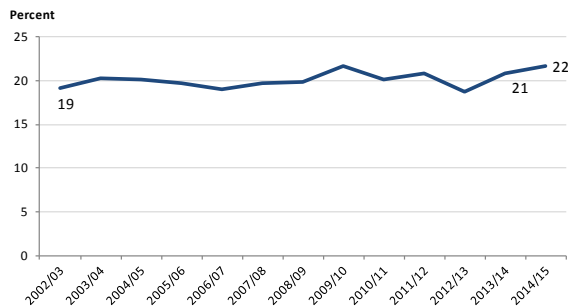
Low Income Indicators

Most Relative and Absolute low income indicators for the overall population have remained relatively unchanged.

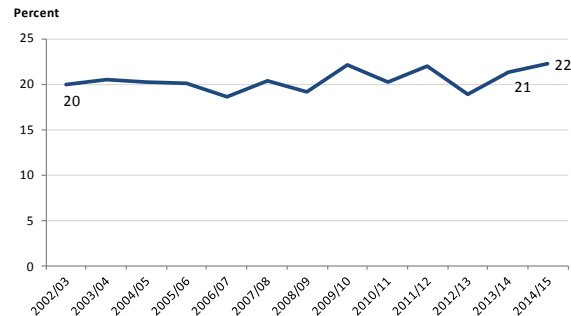
Percentage of Individuals falling below headline low income indicators

Interpretation

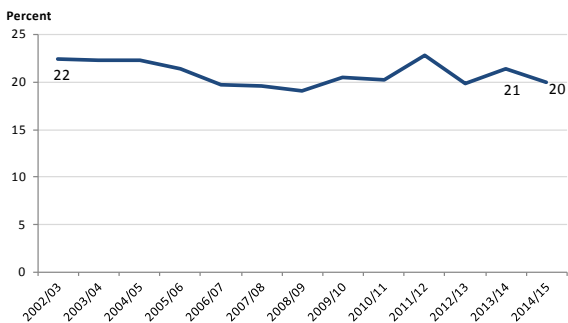
Relative Poverty Before Housing Costs



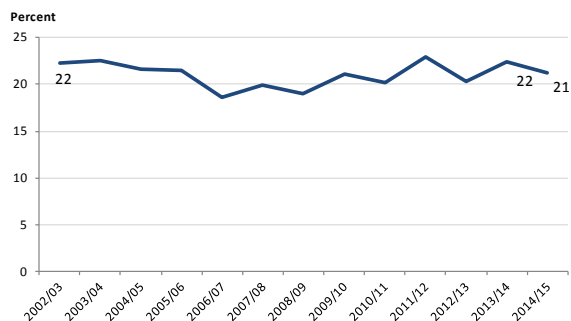
Relative Poverty After Housing Costs



Absolute Poverty Before Housing Costs



Absolute Poverty After Housing Costs



Relative low income sets a threshold which is a proportion of the UK median income (60% in this report). The threshold changes each year as average income changes.

The percentage of individuals in relative low income will decrease if:

- Average income stays the same or rises, and individuals with lower incomes see their incomes rise more than average; or
- Average income falls, and individuals with lower incomes see their income rise or fall less than average income.

Absolute low income sets a threshold which is a proportion of the UK median in a given year (60% of the 2010/11 median in this report) and moves each year in line with inflation.

The percentage of individuals in absolute low income will decrease if individuals with lower incomes see their incomes rise by more than inflation.

See **Tables 1.2** and **1.5** for full data.

Main Findings

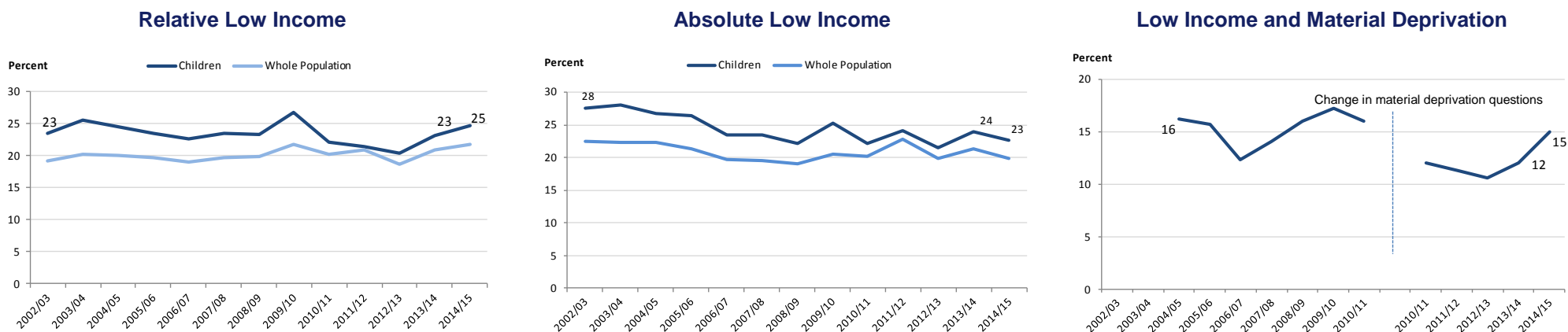
- **Relative Poverty** levels have been relatively unchanged from 2002/03. In 2014/15 **22% of individuals were considered to be in relative poverty BHC**, this compares to 21% in the previous year.
- **Absolute Poverty** levels have also remained broadly similar since 2002/03. In 2014/15 **20% of individuals were considered to be in absolute poverty BHC**, this compares to 21% in the previous year.

Children in Low Income Households

Three low income measures for children from HBAI are referenced in the 2016 Welfare Reform and Work Act; a 60% threshold relative low income measure, a 60% threshold absolute low income measure, and a combined 70% threshold low income and material deprivation measure. All use a before housing costs (BHC) measure of income.

Relative low income and combined low income and material deprivation for children are following an upward trend.

Percentage of children falling below headline low income indicators BHC



Interpretation

Child Low Income & Material Deprivation - respondents are asked whether they have access to a list of 21 goods and services. If they can't afford a given item, this is scored in the material deprivation measure, with items more commonly owned in the population given a higher weighted score. A child is considered to be in low income and material deprivation if they live in a family that has a total score of 25 or more out of 100 and an equalised household income BHC below 70% of median.

Main Findings

- The percentage of children in **relative low income increased to 25%** in 2014/15 (BHC), up from 23% in the previous year. This has been following an upward trend since 2012/13 and in 2014/15 was 2 percentage points higher than at the start of the series in 2002/03.
- In 2014/15 the proportion of children in **absolute low income has decreased to 23% (BHC)**, down by 1 percentage point from the previous year. This measure has fluctuated by around one percentage point year on year since the baseline reference year (2010/11).
- The long term trend shows that **children are at a higher risk of living in poverty** than the overall NI population in both relative and absolute measures.
- The percentage of children in **combined low income and material deprivation increased to 15% in 2014/15**, which is the highest level recorded since the new suite of questions were introduced in 2010/11.

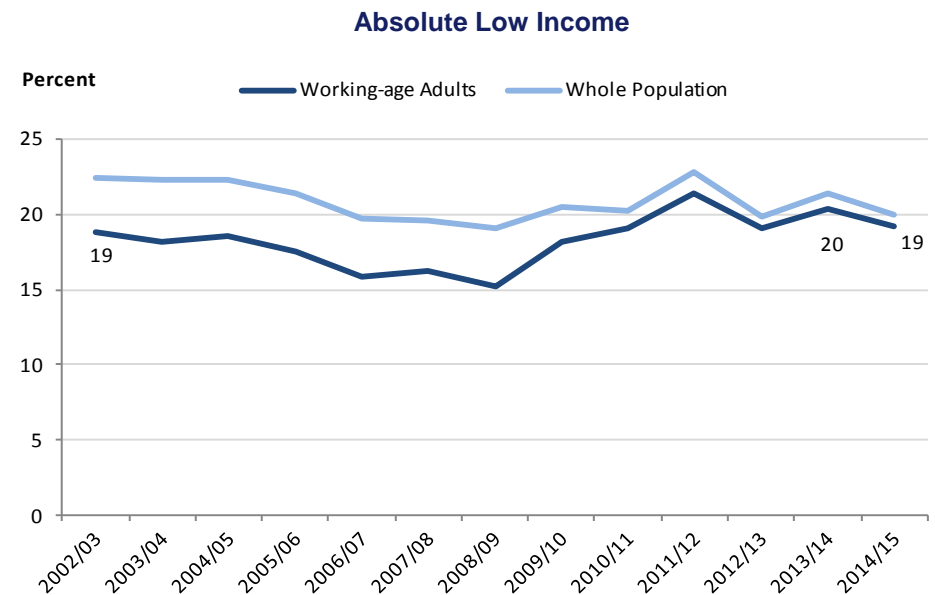
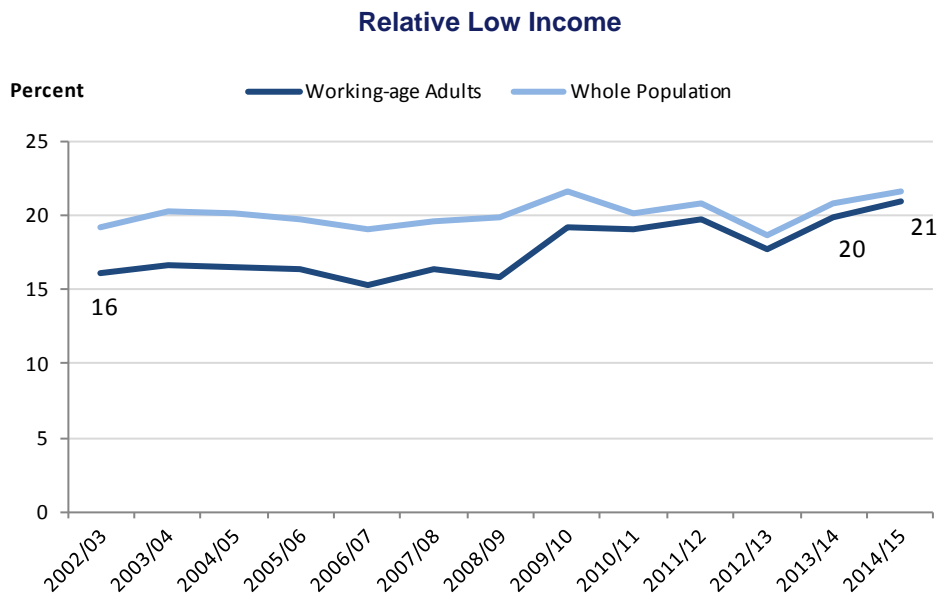
See **Tables 1.2, 1.5 and 4.8** for full data.

Working Age Adults in Low Income Households

Working age adults make up approximately 60% of the Northern Ireland population, therefore changes in income within this group can have a large impact on the overall results. As seen in the 'Sources of Income' section on page 5, the majority of income for working age adults is sourced from earnings and therefore results are sensitive to changes in the labour market.

The proportion of working age adults in relative poverty increased to 21% in 2014/15.

Percentage of working age adults below low income indicators (BHC)



See **Tables 1.2** and **1.5** for full data

Main Findings

- The percentage of working age adults in **relative low income increased in 2014/15 to 21%** (BHC), up from 20% in the previous year. At 21% this is a new series high and is 5 percentage points higher than at the start of the time series, which is a **statistically significant** increase.
- The percentage of working age adults in **absolute low income decreased slightly to 19%** (BHC), down from 20% in the previous year.
- Over the long term absolute poverty gradually decreased from the start of the time series until around the time of the economic recession in 2008/09. Subsequently it increased 4 years in a row to a series high of 21% in 2011/12. Since then it has been lower than the series high for 3 years in a row.
- The percentage of working age adults in both relative and absolute poverty has consistently been lower than that of the whole population, but has followed a similar trend.

Low Income and Working Pattern for Working Age Adults

Working age adults in working families face a much lower risk of relative low income than those families where no-one is in work.

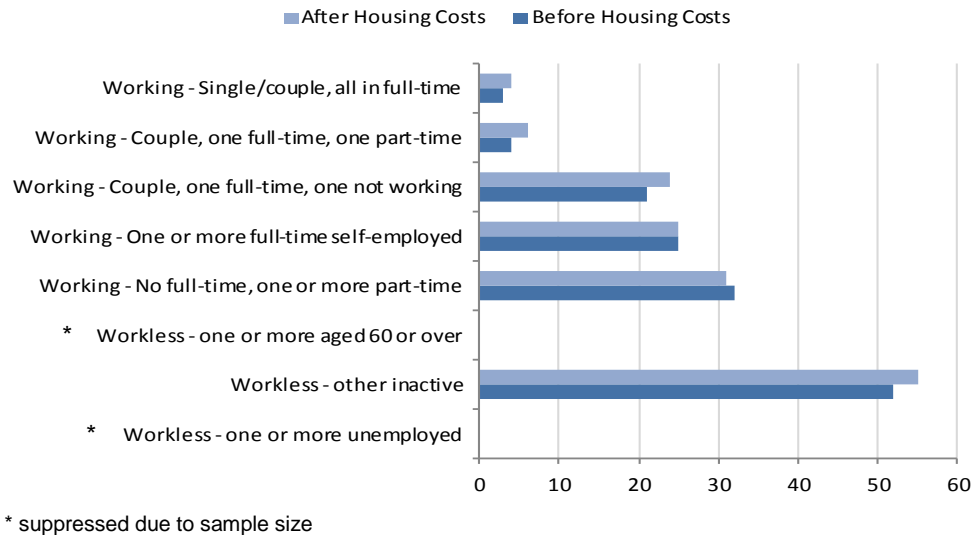
Main Findings

In 2014/15:

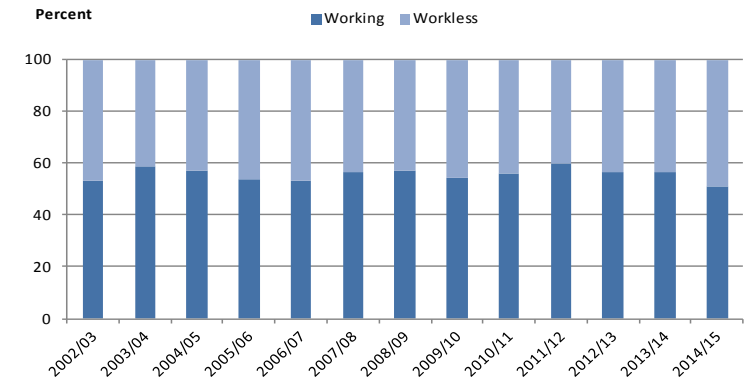
- **249,000 adults** were in workless families. Of these, **126,000** (51%) were in relative low income BHC.
- **829,000 adults** were in working families. Of these, **101,000** (12%) were in relative low income BHC.

The chart below shows the risk of relative low income for working age adults broken down by economic status. Singles and couples all in full time work had the lowest risk of living in relative poverty, whereas families who are workless are at a much higher risk.

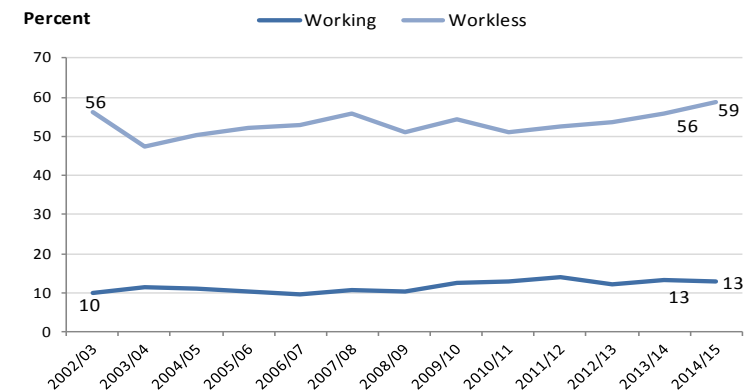
Risk of relative low income for working age adults by economic status of adults in family



Composition of relative low income BHC for working age adults by economic status of household



Risk of relative low income BHC for working age adults by economic status of household



The charts to the right show the long term trend for the composition and risk of relative poverty by economic status of household. It is clear to see from the 'Risk' chart that the risk of being in relative poverty is much higher for workless households compared to working households. However, when looking at the compositional breakdown of working age adults in relative poverty 51% are living in a household with at least one adult in work and 49% are living in a workless household.

See **Tables 5.4, 5.7 and 5.11** for full data.

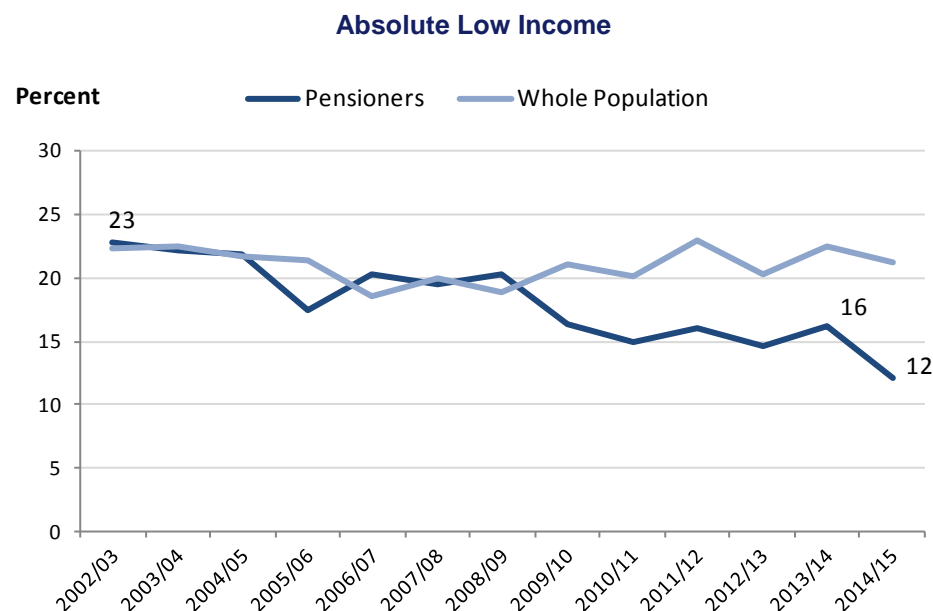
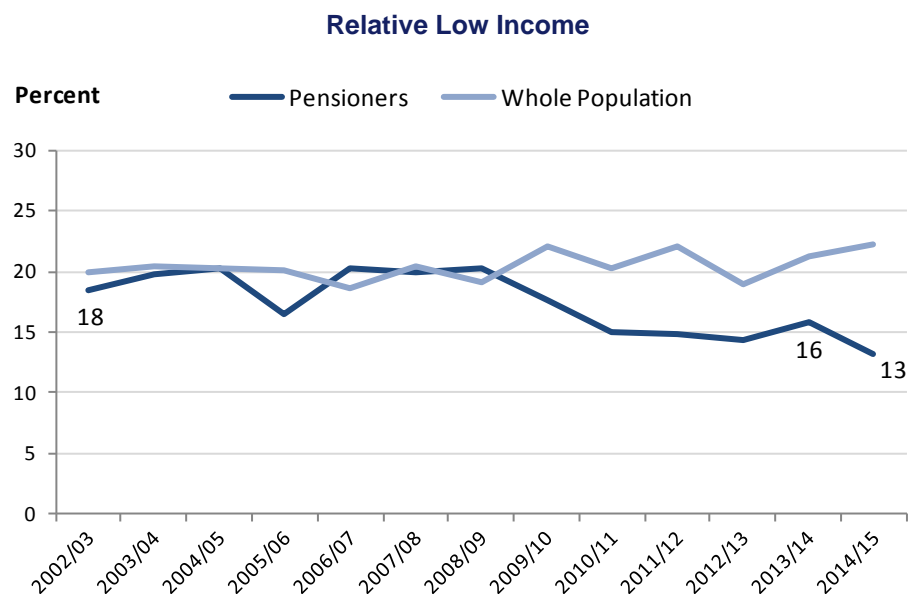
Pensioners in Low Income Households

When looking at relative and absolute low income for pensioners the After Housing Costs analysis is the Government's preferred measure due to the fact that over three quarters (76%) of pensioners live in homes that are owned outright (compared to approximately 27% of the working age population).

See **Tables 1.2 and 1.5** for full data.

Headline low income indicators show decreases in 2014/15 for both Relative and Absolute measures.

Percentage of pensioners falling below headline low income indicators (AHC)



Main Findings

- The percentage of pensioners in **relative low income decreased to 13% in 2014/15**, down from 16% in the previous year.
- The percentage of pensioners in **absolute low income decreased to 12% in 2014/15**, also down from 16% in the previous year.
- In 2014/15 **both relative and absolute low income for pensioners has fallen to the lowest level recorded** since the start of the time series in 2002/03. This is a **statistically significant** change.
- As shown in the charts above, since 2008/09 pensioners have been at a much lower risk of being in poverty than the population as a whole.

Measuring income in HBAI

HBAI uses data from the Family Resources Survey (FRS) 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.

FRS Survey Data The FRS covers a sample of approximately 2,000 private households in Northern Ireland. Therefore, certain individuals, for example students in halls of residence and individuals in nursing or retirement homes will not be included.

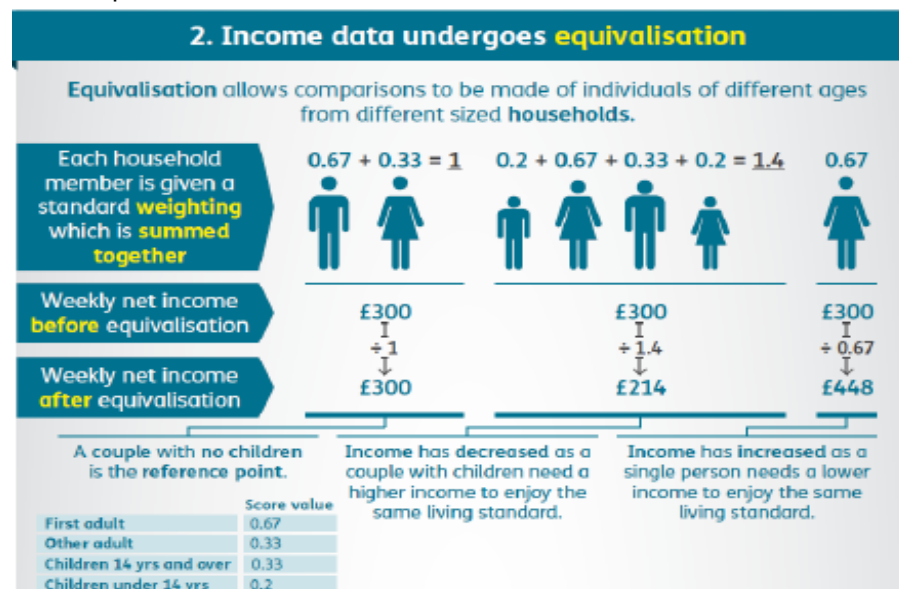
Sampling Error Survey results are always estimates, not precise figures and so subject to a level of uncertainty. Two different random samples from one population, for example NI, are unlikely to give exactly the same survey results. The level of uncertainty can be calculated and is commonly referred to as sampling error.

Non-Sampling Error These results are based on 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 is measured as total weekly household income from all sources (including child income) after tax, national insurance and other deductions. Income measures are presented before and after housing costs (rent, mortgage interest payments, buildings insurance etc.)

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.



Inflation is the speed at which the prices of goods and services rise or fall. The use of different inflation measures has an effect on trends in average household income and absolute low income measures in HBAI.

From 2014/15, HBAI uses variants of CPI to adjust for inflation to look at how incomes are changing over time in **real terms**. For example, if average incomes rise by 3% in cash terms but inflation is higher at 5%, then we will record a fall in average incomes as the real average purchasing power of incomes has fallen.

KEY DEFINITIONS:

HOUSEHOLD	VS	FAMILY or BENEFIT UNIT
One person living alone or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room, sitting room, or dining area. A household will consist of one or more benefit units/families.		A single adult or a couple living as married and any dependent children.

About these statistics

HBAI presents analysis of disposable income on two bases: **Before Housing Costs (BHC)** and **After Housing Costs (AHC)**.

Income **BHC includes** the following main components:

- usual net earnings from employment;
- profit or loss from self-employment (losses are treated as negative income);
- state support – all benefits and tax credits, including state pension;
- income from occupational and private pensions;
- investment income;
- maintenance payments, if a person receives them directly;
- income from educational grants and scholarships;
- the cash value of certain forms of income in kind, including free school meals.

BHC Income is net of:

- income tax payments and National Insurance contributions;
- domestic rates/council tax; (*This includes water and sewerage charges for NI*)
- contributions to occupational pension schemes;
- all maintenance payments;
- student loan repayments;
- parental contributions to students living away from home.

Where to find out more

Supporting data tables and our HBAI Quality and Methodology Information Report, giving further detail on how we estimate the measures reported here are available via the following link: <https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-2>

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

Housing costs include:

- rent (gross of housing benefit);
- water rates, community water charges and council water charges; (*These charges apply only to GB*)
- mortgage interest payments;
- structural insurance premiums;
- ground rent and service charges.

Children are defined as individuals aged under 16; or aged 16 to 19 in full-time non-advanced education.

Pensioners are defined as individuals over their state pension age at the time they are interviewed.

National Statistics The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Services Act 2007 and signifying compliance with the Code of Practice for Official Statistics. Designation can be broadly be interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.