

• Annual

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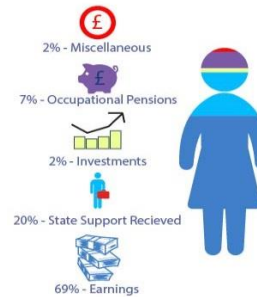
The Households below Average Income (HBAI) report presents information on living standards in Northern Ireland based on household income measures for the 2016/17 financial year. **Unless specifically stated, annual changes in the numbers and percentages presented in the body of this report are not statistically significant.**

Income Distribution



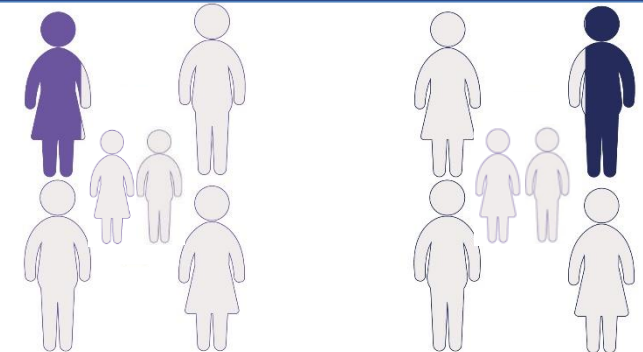
In 2016/17 the average (median) income before housing costs in Northern Ireland was 3% higher than in 2015/16.

Sources of Income



Earnings and state support account for approximately 89% of combined income.

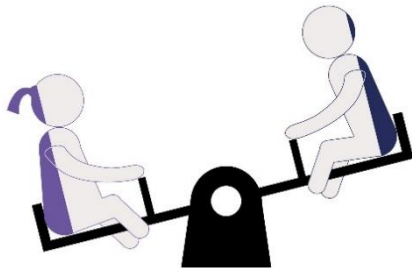
Low income/Poverty Indicators



Relative
Poverty BHC
= 18%

Absolute
Poverty BHC
= 15%

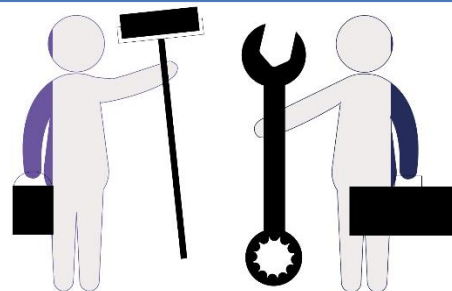
Children in low income households



Relative
Poverty BHC
= 22%

Absolute
Poverty BHC
= 18%

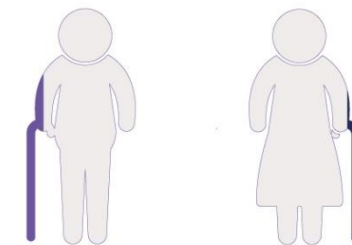
Working Age Adults in low income households



Relative
Poverty BHC
= 16%

Absolute
Poverty BHC
= 14%

Pensioners in low income households



Relative
Poverty AHC
= 15%

Absolute
Poverty AHC
= 10%

At a glance

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 poverty 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 such as take home pay. These adjustments, however, allow us to compare measures over time and across households of different sizes and compositions on a consistent basis.

HBAI uses Consumer Price Index (CPI) inflation when estimating how incomes are changing in real terms over time. **For further information on how income is measured see the HBAI Quality and Methodology Information Report.** <https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-2>

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Relative Poverty Threshold (Equivalised)



Absolute Poverty Threshold (Equivalised)



Survey Data

Estimates are based on responses from approximately 2,000 Northern Ireland households provided during face to face interviews. Use of survey data means that results in this report are subject to uncertainty which can affect how changes should be interpreted in this report especially in the short term. Therefore latest estimates should be considered alongside long term patterns. However, the survey sample is proportionally representative of the Northern Ireland population and is statistically valid.

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

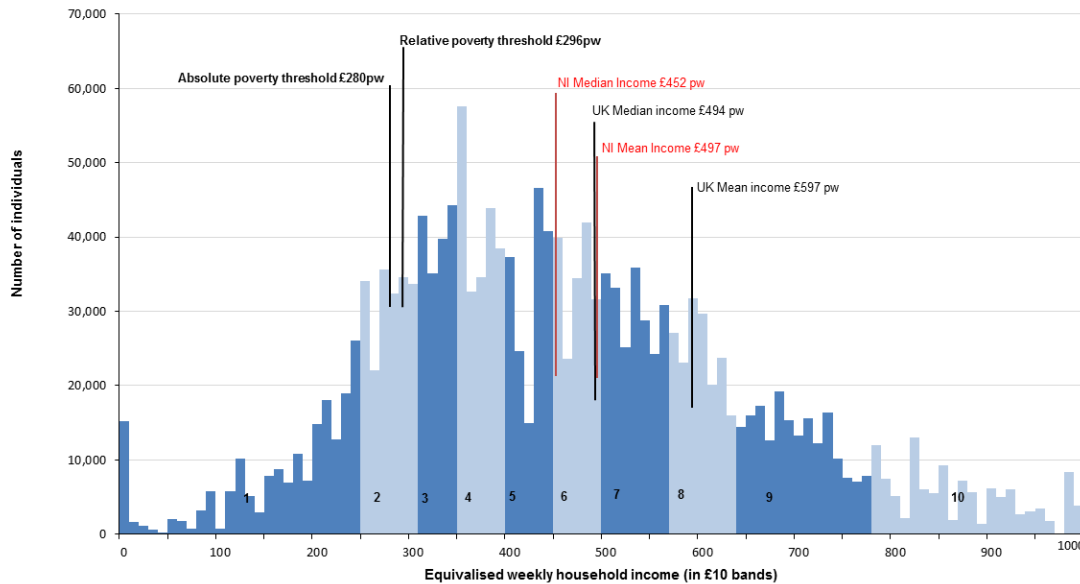
Supporting data tables are available to download at:

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

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The Overall Northern Ireland Income Distribution

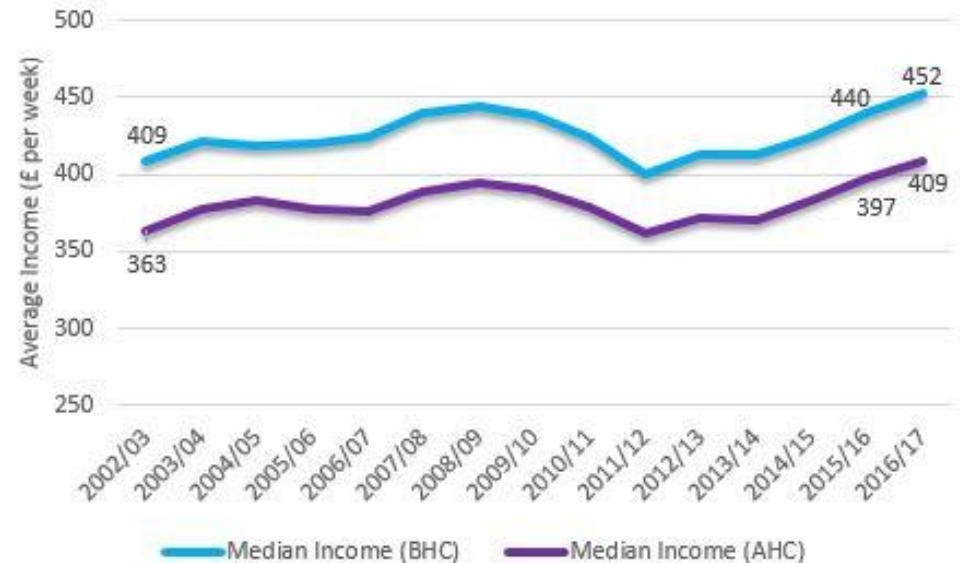
Income distribution BHC for the total population, 2016/17, Northern Ireland



- In 2016/17 58% of individuals in Northern Ireland had a household income below the **NI mean income of £497 per week** resulting in a positive skew to the distribution (64% in the UK). Compared with the UK, NI household incomes are more evenly distributed, although 42% of individuals in NI live in households with an income above the mean.
- The presence of high-earning individuals skews the distribution, therefore the median is generally used as the standard measure of average income.
- Almost three fifths of individuals in Northern Ireland had a household income below the **UK median income** of £494 per week.
- There are a large number of individuals (approximately 103,000) with an equivalised household income between £270 and £300 per week. With the relative and absolute poverty thresholds at £296 and £280 respectively, small movements in the income distribution can lead to more sizeable movements in the levels of poverty.
- See **Table 2.7** for full data. Note that this distribution should be treated as indicative of the actual distribution since confidence intervals associated with £10 bands will be very large.

Average real terms incomes in 2016/17 prices

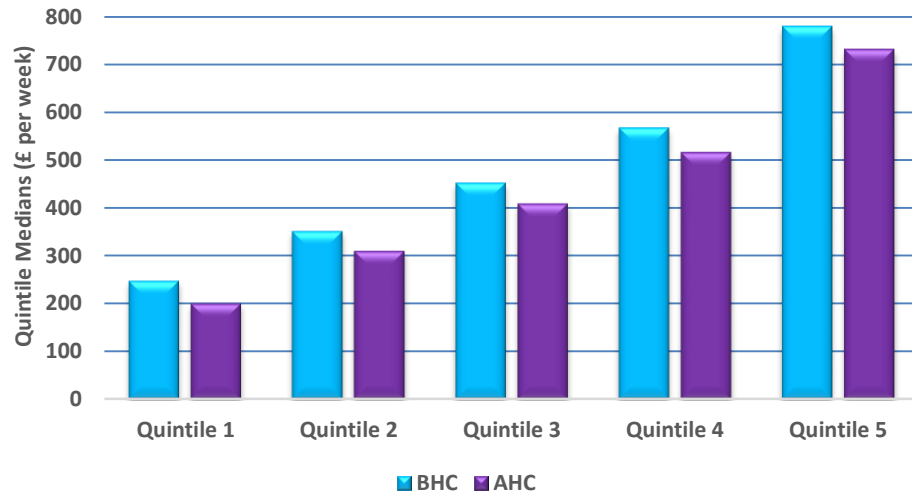
- In 2016/17 average (median) real terms household income before housing costs increased to £452 per week (£23,600 per year), representing a 3% increase from the previous year. The after housing costs income also increased by 3% to £409.
- The BHC and AHC income measures have followed a similar pattern since the time series began in 2002/03; each increased up to 2008/09 followed by a fall to a series low in 2011/12 as a result of the economic recession. Since 2011/12 incomes have begun to rise again and in 2016/17 both of these measures were above the 2008/09 levels for the first time in the series. See **Table 2.6** for full data.
- Although the Northern Ireland income levels remain lower than those in the UK as a whole, the rate of increase in 2016/17 was higher in Northern Ireland (3 percentage points compared to 2 percentage points in the UK).



Income Equality

Income by quintile 2016/17, NI

Interpretation



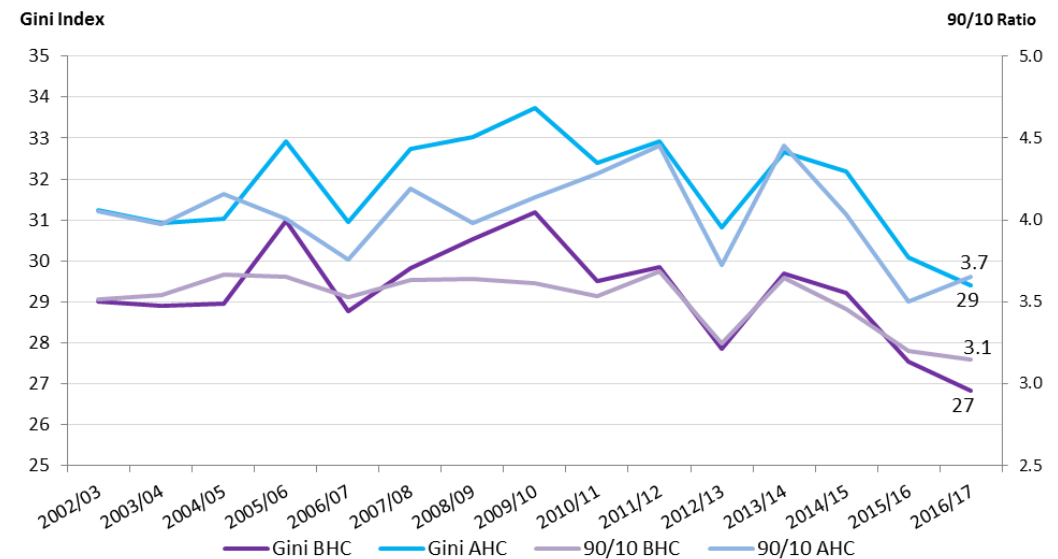
- Quintiles divide the population, when ranked by a particular variable (in this case household income) into five equal groups where the first and fifth quintiles represents the lowest and highest 20% of the income distribution respectively.
- By dividing the population into quintiles ranked by household income it enables analysis of how the most well off and least well off compare against each other.
- In 2016/17 the median values of the equivalised weekly income for each quintile on a BHC basis increase steadily between quintiles 1 and 4, with an average increase between quintiles of approximately £106 per week. This is also the case on an AHC basis.
- The largest increase between consecutive quintiles is seen between quintiles 4 and 5 where equivalised weekly income is over £200 higher in quintile 5 compared to quintile 4. This is true for both the BHC and AHC measures.

See **Table 2.5** for full data.

Measuring Inequality

Income inequality 2002/03 to 2016/17

- Income inequality measured by the Gini coefficient and the 90/10 ratio shows the disparity between high-income and low-income households.
- The Gini coefficient is a widely-used, international standard measure of inequality. It can take values from zero to 1, where a value of zero would indicate total equality, with each household having an equal share of income, while higher values indicate greater inequality.
- The 90/10 ratio is the average (median) income of the top 20 per cent of the income distribution divided by the average income of the bottom 20 per cent. The higher the number, the greater the gap between those with the highest incomes and those with the lowest incomes.
- The Gini index which is the coefficient multiplied by 100 showed a small decrease between 2015/16 and 2016/17 both BHC (28% to 27%) and AHC (30% to 29%). This has been relatively stable over the long term and is lower than in the UK as a whole (34% BHC and 38% AHC) suggesting a more equal income distribution in NI than in the UK.
- The 90/10 ratio shows a similar trend and is also lower than that for the UK. The ratio measured on BHC incomes is 3.1 for Northern Ireland and 3.9 for the UK, while the AHC ratio saw a slight increase in Northern Ireland to 3.7, compared with a small decrease to 5.1 in the UK. See **Table 2.4** for full data.



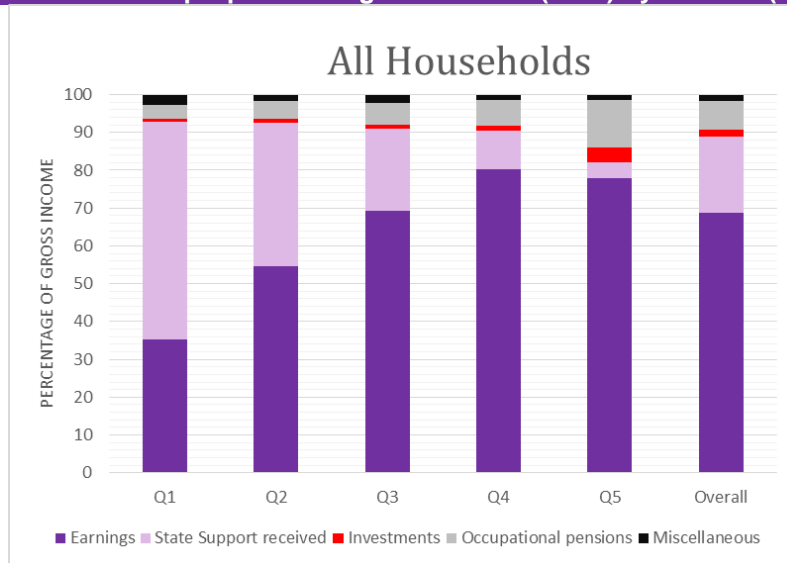
Sources of Income

Income Sources as a % of gross income BHC by Quintile & household type 2016/17

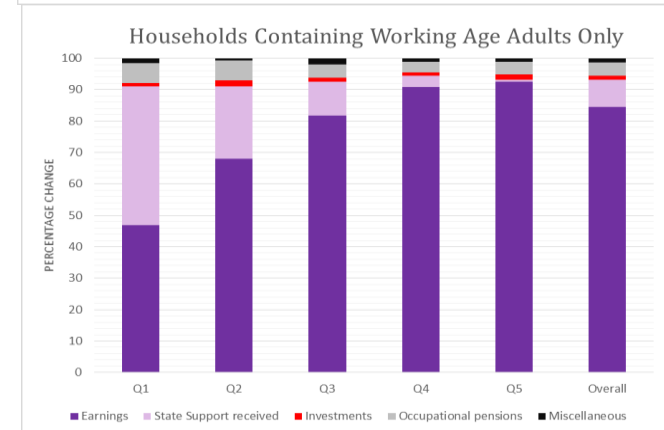
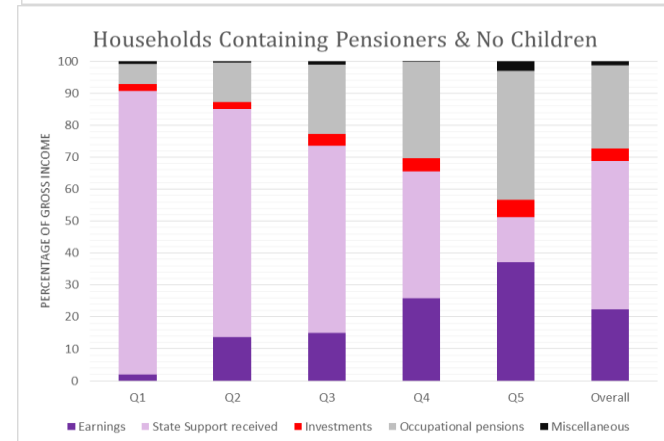
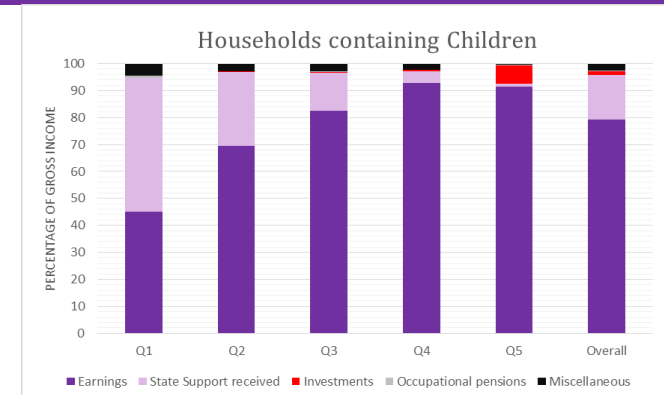
Main Findings

- 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 approximately 89% of combined income. This is higher than in the UK overall where 86% of income is sourced from earnings and state support.
- From the chart below it is clear that as the population moves from those in the bottom quintile to the fourth 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 both earnings and state support; at no point is either reduced to zero. See **Table 2.1** for a full breakdown.

Income Sources as a proportion of gross income (BHC) by Quintile (2016/17)



- 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. See **Tables 2.1 – 2.1c** for a full breakdown.



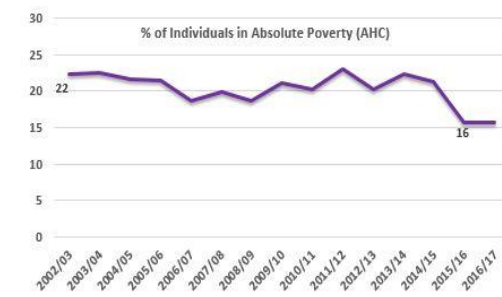
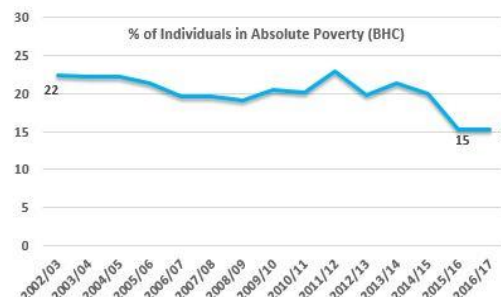
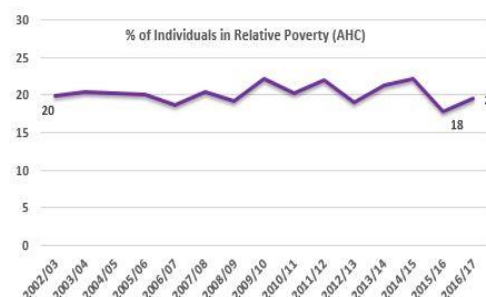
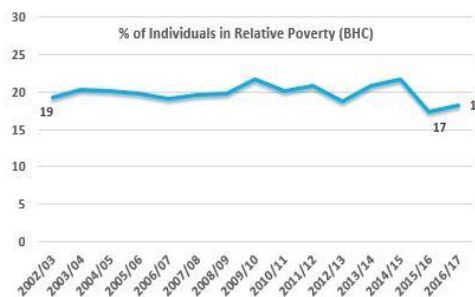
Poverty Measures

Relative Poverty

- An individual is considered to be in relative poverty if they are living in a household with an equivalised income below 60% of UK median income in the **year in question**.
- This is a measure of whether those in the lowest income households are keeping pace with the growth of incomes in the **population as a whole**.
- In 2016/17** the relative poverty threshold for a couple with no children was an income of **£296 per week** (BHC) from all sources. For a couple with children the threshold would be higher and for a single person (without children) the threshold would be lower (£198).

Absolute Poverty

- An individual is considered to be in absolute poverty if they are living in a household with an equivalised income below 60% of the (inflation adjusted) **UK median income in 2010/11**.
- This is a measure of whether those in the lowest income households are seeing their **incomes rise in real terms**.
- In 2016/17 the absolute poverty threshold for a couple with no children was an income of **£280 per week** (BHC).
- See **Tables 1.2** and **1.5** for full data.



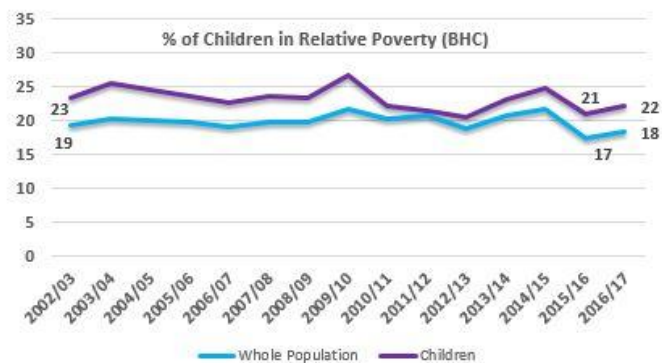
Main Findings

- Until 2015/16 **Relative Poverty** levels had been relatively unchanged from 2002/03. In 2016/17 **18% of individuals were considered to be in relative poverty BHC**, this is comparable to 17% in 2015/16.
- Until 2015/16 **Absolute Poverty** levels had also remained broadly similar since 2002/03. In 2016/17 **15% of individuals were considered to be in absolute poverty BHC**, the same as in 2015/16.
- Relative poverty showed no statistically significant increase on a BHC basis but increased by 2 percentage points AHC which was statistically significant. This suggests that an increase in housing costs has impacted on those at the lower end of the income distribution. More information on housing costs is included on page 9 and in tables 9.1-9.3.
- Other factors which would affect relative poverty would be earnings in NI compared to the UK, the respective unemployment and economic activity rates and the impact of Welfare Reforms.
 - There was a slight fall in NI earnings as a proportion of UK earnings.
 - The Economic Activity rate in NI fell slightly while the UK rate remained stable.
 - Although the unemployment rate was higher in NI it followed a similar trend to that in the UK as a whole.
 - The lag in the implementation of welfare reforms in NI compared to the rest of the UK and the introduction of mitigation schemes could possibly counter any negative effects of these other economic factors on the relative poverty rate in NI.
- The low CPI inflation rate over the survey period (around 1% on average) explains why there was no statistically significant changes in the absolute poverty rates.

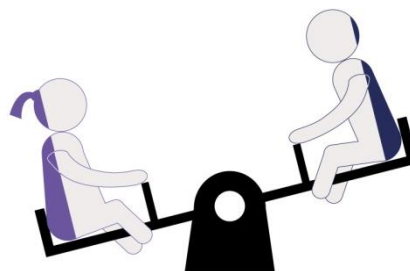
Children in Poverty

Three poverty measures for children from HBAI are referenced in the 2016 Welfare Reform and Work Act; a 60% relative poverty measure, a 60% absolute poverty measure, and a combined 70% low income and material deprivation measure. All use a before housing costs (BHC) measure of income. Further details are available in the Methodology document <https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-2>

% of children in Relative Poverty BHC



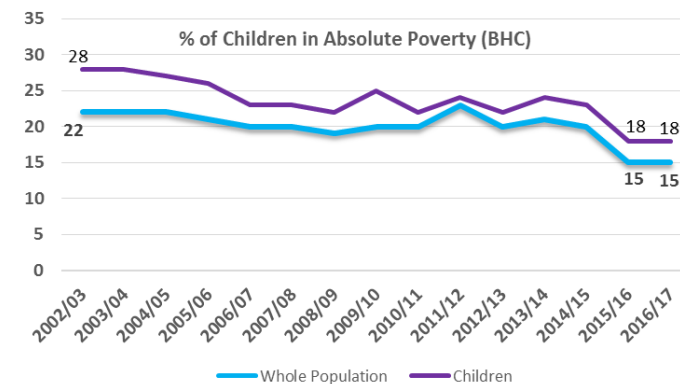
Children in Poverty



Relative Poverty BHC = 22%

Absolute Poverty BHC = 18%

% of children in Absolute poverty BHC



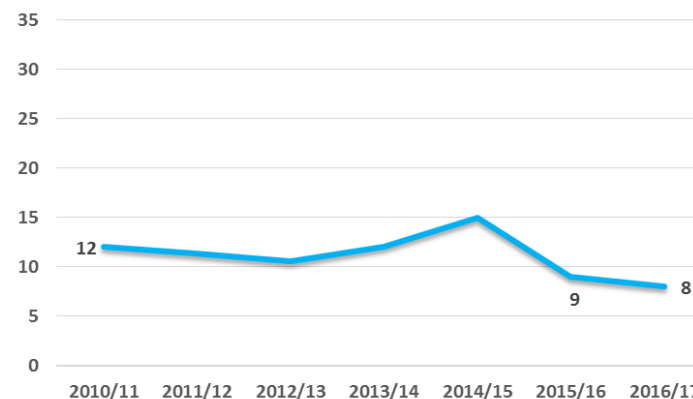
Main Findings

- The proportion of children in **relative poverty** is 22% in 2016/17 (BHC) which is comparable to the 21% estimate in the previous year.
- In 2016/17 the proportion of children in **absolute poverty remained at the series low of 18%** (BHC), the same as 2015/16.
- The long term trend shows that **children are at a higher risk of living in poverty** than the overall Northern Ireland population in both relative and absolute measures. See **Tables 1.2 and 1.5** for data

Low Income and Material Deprivation

- **Child Low Income & Material Deprivation** – respondents are asked whether they have access to a list of 21 goods and services including for example, affording to go on school trips or affording a warm winter coat. 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 equivalised household income BHC below 70% of the median.
- The estimated percentage of children in **combined low income and material deprivation fell 1 percentage point in 2016/17 to 8%** (11% in the UK), which is the lowest level recorded since the new suite of questions were introduced in 2010/11. See **Table 4.8** for full data. The difference in the 2010/11 and 2016/17 estimate is statistically significant.

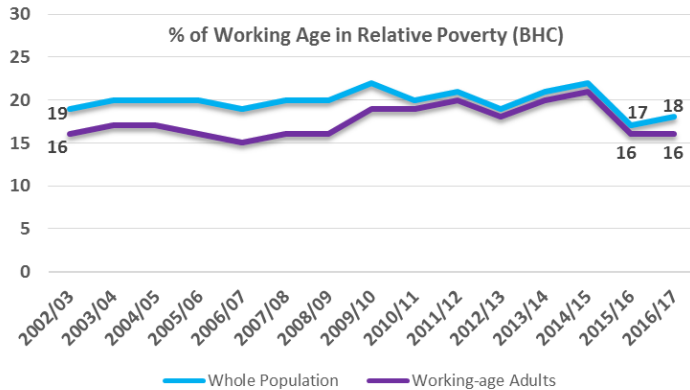
Percentage and number of children falling below thresholds of low income and material deprivation



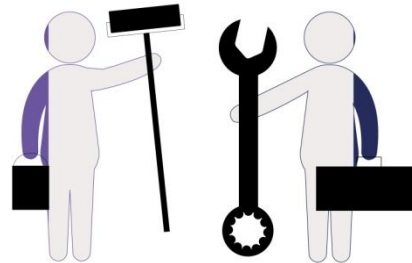
Working-age Adults in Poverty

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 4, the majority of income for working-age adults is sourced from earnings and therefore results are sensitive to changes in the labour market.

% of Working-age Adults in Relative poverty BHC



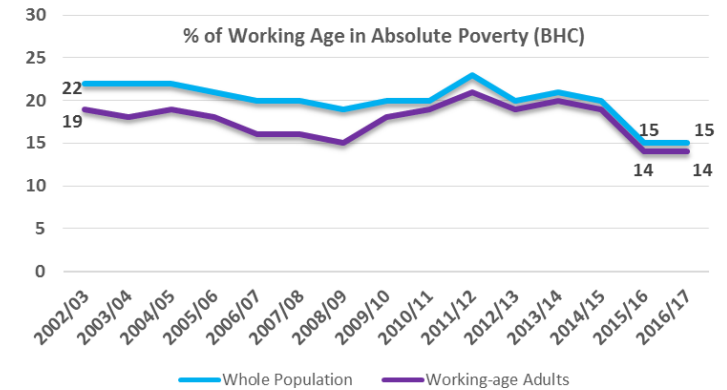
Working-age Adults in Poverty



Relative
Poverty BHC
= 16%

Absolute
Poverty BHC
= 14%

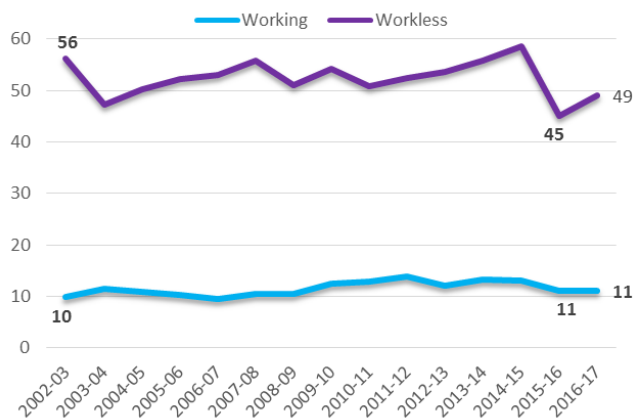
% of Working-age Adults in Absolute poverty BHC



Main Findings

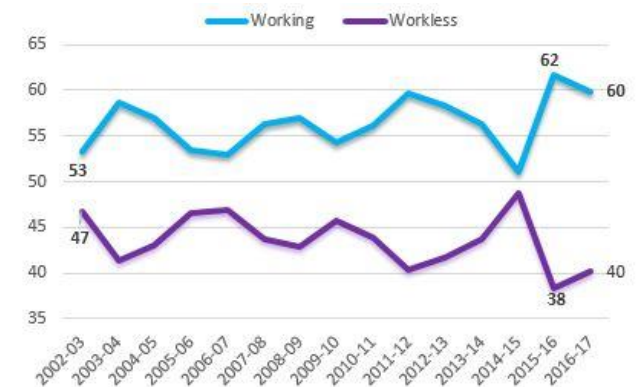
- The proportion of working-age adults in **relative poverty in 2016/17 remained the same as 2015/16 at 16%** (BHC). At 16% this is the lowest the series has been since 2008/09. **Composition of Working-age adults in poverty by economic status** % of Working-age adults in poverty by economic status
- The proportion of working-age adults in **absolute poverty in 2016/17 also remained the same as 2015/16 at 14%** (BHC), which also matches the series low.
- Absolute poverty for the Working Age gradually decreased from the start of the time series until around the time of the economic recession in 2008/09. Subsequently it increased 3 years in a row to a series high of 21% in 2011/12. Since then it has been lower than the series high for 5 years in a row and stands at 14% in 2016/17.
- 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.

% of Working-age adults in poverty by economic status



- In 2016/17, 11% of working-age adults in working families were in relative poverty BHC compared to 49% in workless families (remaining the same and increasing from 45% respectively)
- Although employment reduces the likelihood of working-age adults being in poverty, the majority of those in relative poverty belong to households where someone works. This is because there is a greater number of working households in general, when we look at the profile of those living in poverty.
- In total, 181,000 working-age adults were in relative poverty BHC with 60% in working families and 40% in workless families.

Composition of Working-age adults in poverty by economic status



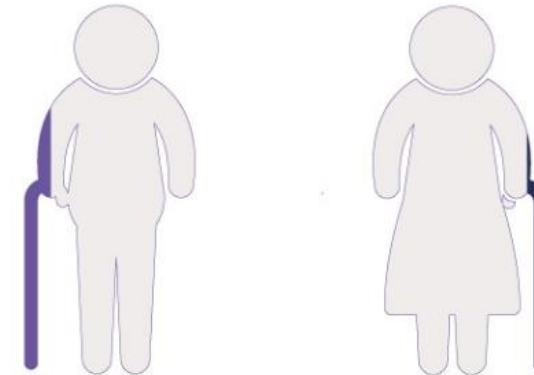
Pensioners in Poverty

Pensioners in Poverty AHC

Main Findings

- The charts on this page provide pensioner analysis on an AHC basis. When looking at pensioner poverty **the After Housing Costs analysis is the Government's preferred measure**. This is because over three quarters (78%) of pensioners live in homes that are owned outright (compared to approximately 32% of the working age population).
- The estimated proportion of pensioners in **relative poverty AHC was 15% in 2016/17**, comparable to 12% in the previous year.
- The estimated percentage of pensioners in **absolute poverty AHC was 10% in 2016/17**, comparable to 9% in the previous year.
- As shown in the charts below, after 2008/09 pensioners have been at a much lower risk of being in poverty AHC than the population as a whole.

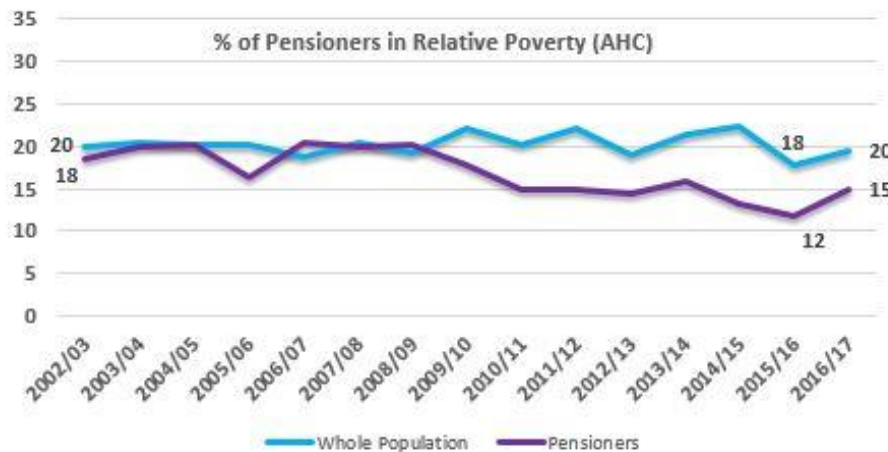
BHC and AHC measures are available in **tables 1.2 and 1.5** with further pensioner analysis available in section 6 of the tables which accompany this report



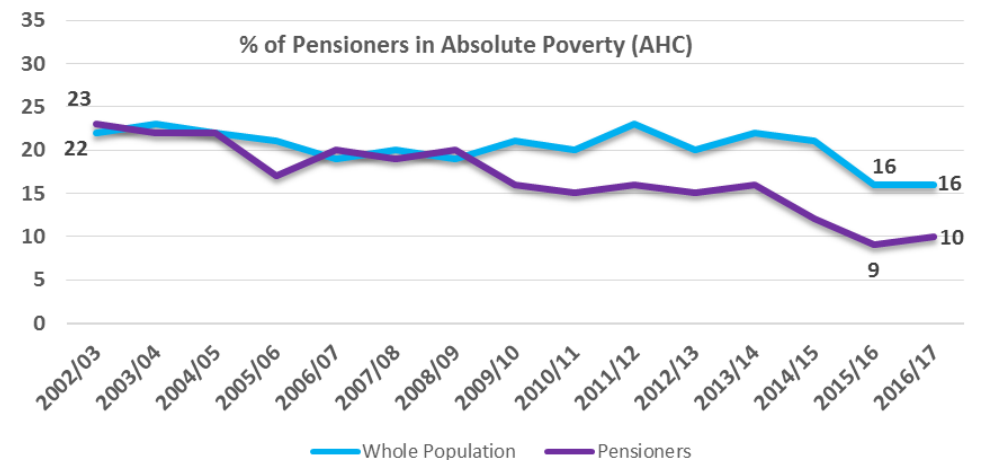
Relative Poverty BHC = 15%

Absolute Poverty BHC = 16%

% of Pensioners in Relative Poverty AHC

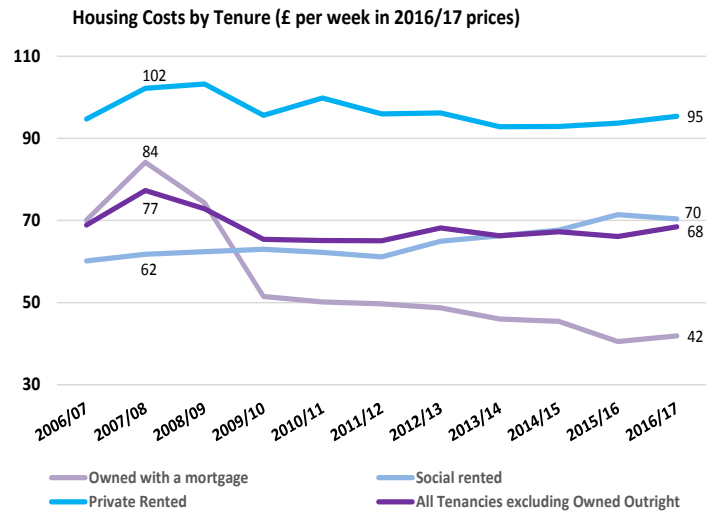


% of Pensioners in Absolute Poverty AHC



Housing Costs and Poverty by Tenure

Housing Costs by tenure (2016/17 Prices)



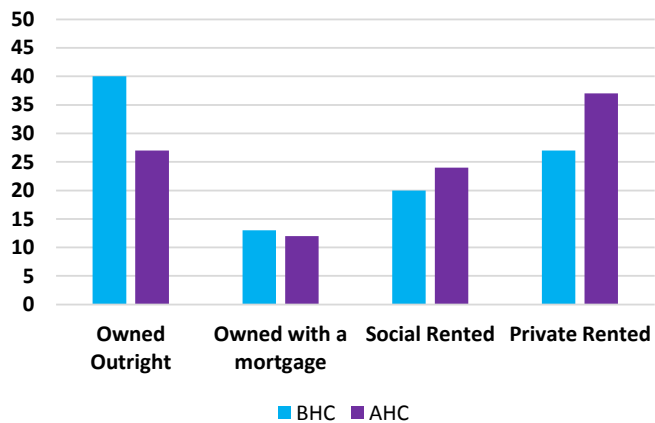
Main Findings

- The poverty estimates reported in this bulletin measure relative and absolute poverty both on a BHC and AHC basis, represented by the charts on page 5. The background data available in the accompanying tables (**Tables 1.2 and 1.5**) show that these estimates can vary by between 1 and 2 percentage points.
- The highest overall housing costs were in 2007/08 (£77 per week) while the 2016/17 figure stands at 12% below that level (£68 per week).
- Comparing different tenures for the same time period, housing costs for Owning with a Mortgage* is currently 50% lower, Private Rented sector is 7% lower and Social Rented sector is 13% higher.
- The highest housing costs in 2016/17 (£95 per week) are associated with the Private Rented sector compared with £70 for Social Rented and £42 for Owned with a Mortgage.

*Note that the housing costs associated with those Owning with a Mortgage only include the interest component of mortgage payments.

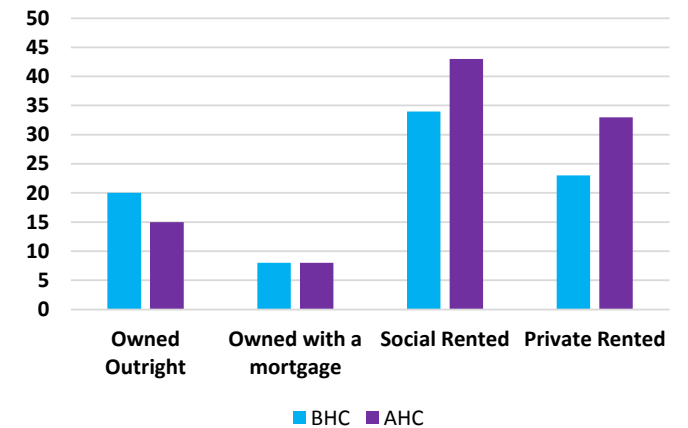
Composition and Percentage of Individuals in Relative Low Income by Housing Tenure

Composition of low-income individuals by Housing Tenure 2016/17



- Of those individuals in relative low income BHC 40% live in homes which are owned outright, 27% live in the private rented sector, 20% live in the social rented sector and 13% live in homes owned with a mortgage.
- On an AHC basis the figures are 37% in private rented, 27% owned outright, 24% in the social rented sector and 12% owned with a mortgage.
- Although the private rented sector make up a bigger proportion of those in poverty than the social rented sector, the risk of being in poverty is higher for the social rented sector both before and after housing costs.

Percentage of Individuals in relative low income by Housing Tenure 2016/17



More analysis is provided in **tables 9.1-9.3**

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 statistically valid 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.

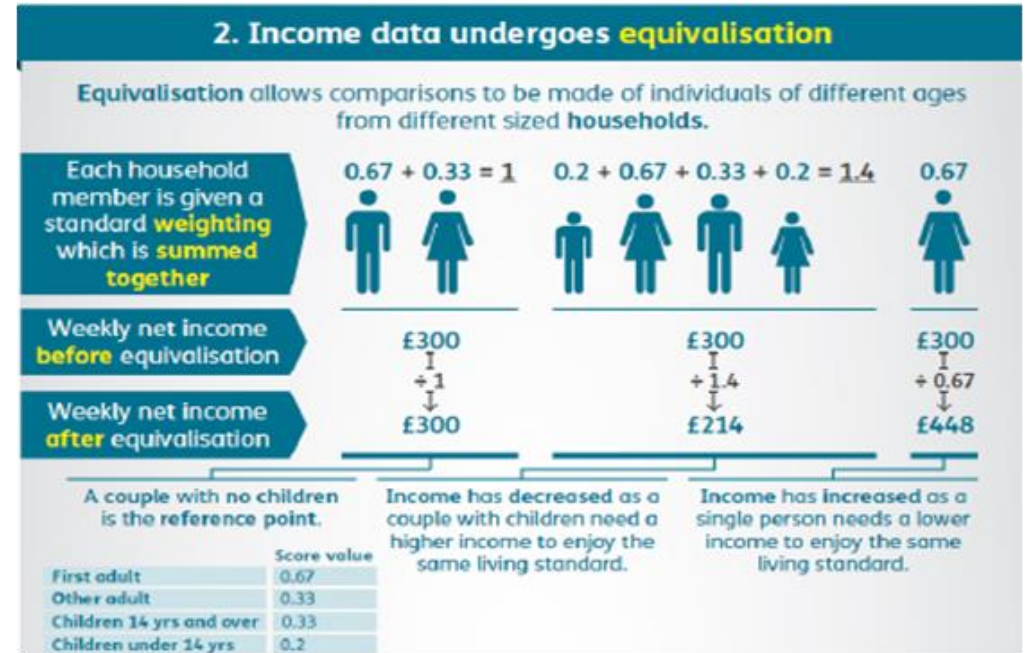
Sampling Error Survey results are always estimates, not precise figures and so subject to a level of uncertainty. Two different random samples from one population, for example NI, are unlikely to give exactly the same survey results. This level of uncertainty can be calculated and is commonly referred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

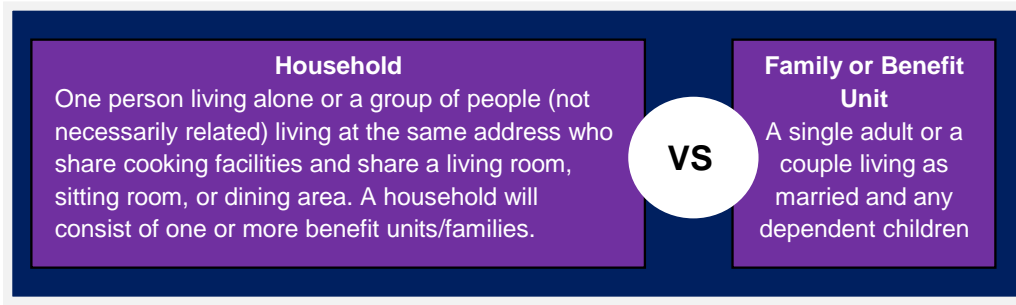
A household income measure implicitly assumes that all members of the household benefit equally from the household's income and so appear at the same position in the income distribution.

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 poverty measures in HBAI.

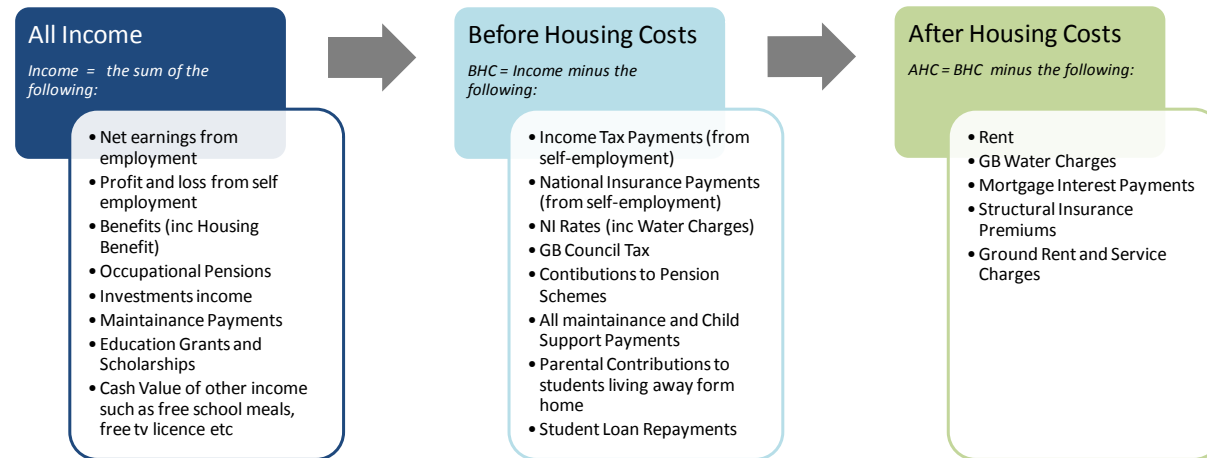
This report uses variants of the Consumer Price Index to adjust for inflation to look at how incomes are changing over time in **real terms**. For example, if average incomes rise by 3% in cash terms but inflation is higher at 5%, then we will record a fall in average incomes as the real average purchasing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



About these statistics

Measurements of Income

HBAI presents analysis of disposable income on two bases: **Before Housing Costs (BHC)** and **After Housing Costs (AHC)**. The graphic below explains how the two measures are derived from all income received in a household.



While the AHC measure is comparable between Northern Ireland and UK, BHC analysis is not. This is due to the difference in the way water charges are collected.

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 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.

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>

Other FRS Publications

Northern Ireland Urban Rural report

<https://www.communities-ni.gov.uk/publications/urban-rural-report-northern-ireland-2014-2015>

Northern Ireland households Poverty bulletin

<https://www.communities-ni.gov.uk/topics/family-resources-survey#toc-1>

Family Resources Survey report - Northern Ireland

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

Pensioners' income series - Northern Ireland

<https://www.communities-ni.gov.uk/publications/pensioners-income-series-2014-2015>