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Coverage: Great Britain
Theme: Economy

Low Income Dynamics

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 2008, is published today on the DWP website:

<http://research.dwp.gov.uk/asd/index.php?page=lid>.

The paper analyses the movements around the income distribution by individuals during the period 1991 to 2008, and examines the extent to which individuals living in low-income households are persistently experiencing low income, on both 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 client groups has decreased between 1991-1994 and 2005-2008. The largest improvements have been for children and pensioners. However, figures for the latest period 2005-2008 show an increase in persistent low-income for all client groups compared to 2004-2007, with the level for children showing the greatest increase.
- On an AHC basis, there were reductions in persistent low income for all groups over the period 1991-1994 to 2005-2008, with a slight fall in the latest period 2005-2008 for pensioners, but a slight rise for children and working-age adults.
- For both disabled and non-disabled adults there have been modest falls since 1991-1994, with a slight rise in the latest period on both a BHC and AHC basis.

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

- Children living in lone-parent families, in rented accommodation or in workless households are more likely to be experiencing persistent low-income compared to other population groups (all individuals have been allocated to a group according to their status in the first year of each four-year period). Whilst changes over time should be interpreted with some caution, evidence suggests that the percentage of children in these groups who experienced persistent low-income has decreased since 1991-1994.
- Over the period 1991 to 2008, 32 per cent of individuals in low income exited between one year and the next. Pensioners (both singles and couples) and lone parents had the lowest exit rates.
- The corresponding entry rate for individuals not in low income into low income between any two successive years was 7 per cent. Lone parents and the workless had the highest rates of entry into low income.
- Over 40 per cent of those 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 2008. Individuals in any of the middle three quintiles were less likely to have spent the majority of their time in their original 1991 quintile.

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Next Publication:
To Be Announced

Notes to editors:

1. Low Income Dynamics has been published on the DWP website at <http://research.dwp.gov.uk/asd/index.php?page=lid>.
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 BHPS has been subsumed into the larger Understanding Society survey from the start of 2009. This means that this edition of Low Income Dynamics (LID) will be the final one in the current form. Due to the timing of data delivery of the BHPS element of the Understanding Society survey it will not be possible to produce a Low Income Dynamics report next year; instead this period will be used to look into options on how to continue measuring the persistence of low income. Details of the Understanding Society survey are available at <http://www.understandingsociety.org.uk/>.
6. Before the publication of the 2006 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/low_income/LID_tech_note.pdf.
7. 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 results for the period 2004-2007.
8. 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).
9. All definitions used in the report are explained in Appendix 1 of the paper and the methodology is covered in Appendix 2.