

Summary of key findings

The Income Distribution

- ◆ Overall NI's income distribution was skewed towards the lower end in 2002/03.
- ◆ There was a high concentration of individuals below the 60% of the GB median and 50% of the GB mean.
- ◆ Earned income was the main source of household income across all quintiles except the bottom quintile, where benefits / tax credits account for the largest proportion of gross income.

Whole population

- ◆ Individuals living in families with one or more disabled adults were more at risk of low income than those in families with none.
- ◆ Individuals living in families with at least one disabled child and at least one disabled adult were at a particularly high risk of low income.
- ◆ Individuals in workless families were much more likely to live in low income than those with one or more adults in full-time work.
- ◆ Families with children were more at risk of low incomes than those without children. Lone parent families were particularly at risk.
- ◆ Single female pensioners had a higher risk of being in low income than single male pensioners.
- ◆ Individuals living in families where the head is Protestant were less at risk of experiencing low income than those living in families headed by a Catholic.
- ◆ Individuals living in NIHE or Privately Rented properties were more likely to be in low income than those who owned their homes.
- ◆ Individuals living in the West of the Province or Belfast were most at risk of being in low income. Those living in the East of the Province were least at risk.

- ◆ Three in ten individuals living in low income families did not have a bank account; seven in ten had no savings.
- ◆ GB has a higher proportion of individuals in the upper income bands (£400+).

Children

- ◆ In 2002/03, approximately half of the children in NI lived in households with incomes in the bottom two quintiles of the income distribution.
- ◆ Children in households with two adults were less likely to be in lowest income quintile than children in households with one adult.
- ◆ The greater the number of children in a family, the increased likelihood of low-income.
- ◆ Children living in families with at least one disabled adult or child were more likely to experience low-income than those living in households with no disabled persons.
- ◆ Children living in families where the head of household was Protestant were more likely to experience low-income, compared to those where the head was Catholic, of another denomination or of no religion at all.
- ◆ Children living in the West of the Province and particularly in Belfast were most likely to be in low-income families.
- ◆ Children living in families in receipt of JSA were most likely to be in low-income families.

Working-age Adults

- ◆ Working-age adults in NI were relatively evenly spread across the income distribution, although there was a slight concentration in the third and fourth quintiles.
- ◆ Working-age adults living in workless households were much more likely to have low incomes, with almost three-quarters of this group falling into the bottom two quintiles.
- ◆ Working-age adults with children were more likely to have incomes at the bottom of the income distribution than those without children.
- ◆ Female working-age adults were slightly more likely than males to have low-incomes, with 41% having fallen into the bottom two quintiles of the distribution.
- ◆ Working-age adults with children, with a head of household aged 24 and under were more likely to have low incomes.
- ◆ Those with no qualifications were more at risk of low-income, than students or those who had any educational qualification above or below degree level.
- ◆ Working-age adults living in NIHE or Housing Association accommodation were most at risk of low-income, followed by those in Private-Rented or Other accommodation. Adults in owner-occupied properties with a mortgage showed the least risk.
- ◆ Working-age adults living in the West of the Province showed the highest risk of low-income.
- ◆ NI had a higher proportion of working-age adults with incomes between £100 and £400 per week than GB, but the reverse was the case for incomes of £400 and over.

Pensioners

- ◆ Pensioners were more likely to be in the bottom two quintiles on a BHC basis (or in the second and third quintiles AHC), and less likely to be in the top two quintiles.
- ◆ Single pensioners (in particular single female pensioners) are more likely to be at the bottom end of the income distribution.
- ◆ Pensioners living in owned outright properties were particularly at risk of low-income, compared to pensioners in NIHE properties.
- ◆ The older the age of the head, the greater the likelihood of low-income for all pensioners.
- ◆ The majority of pensioners in low-income lived in the East of the Province (52% both BHC and AHC).
- ◆ Pensioners without an occupational/ personal pension were more likely to be in low-income.
- ◆ Two-thirds of pensioners, below GB mean and median incomes, were not in receipt of any benefits listed.
- ◆ GB has a higher proportion of pensioners in the upper income bands (£500+).

Chapter 2

The income distribution

- ◆ Overall NI's income distribution was skewed towards the lower end in 2002/03.
- ◆ There was a high concentration of individuals below the 60% of the GB median and 50% of the GB mean.
- ◆ Earned income was the main source of household income across all quintiles except the bottom quintile, where benefits / tax credits account for the largest proportion of gross income.

Introduction

This chapter looks at the overall income distribution in NI in 2002/03, and compares this to GB mean and median income.

The overall income distribution

Figure 2.2 displays NI's income distribution in 2002/03 both Before Housing Costs (BHC) and After Housing Costs (AHC). The distribution has been divided into deciles within the population. These are illustrated by the shaded areas numbered 1 to 10.

It should be noted that questions related to savings and assets are a sensitive section in the FRS questionnaire, producing a low response rate. Many respondents are unaware what interest is received on the assets they hold therefore approximately 12% of cases are imputed. Evidence also exists to suggest that there is some under-reporting of capital by respondents. Results in this section should therefore be treated with caution.

NI's income distribution is heavily skewed towards the lower end, with the tenth decile comprising of a long tail.

On an AHC basis, over 70% of individuals had an equivalised household income lower than the GB mean. A large proportion of individuals clustered around the 50% of the GB mean and 60% of the GB median income marks.

Variations in the size and composition of households in which people live are taken into account within the income measures, in a process known as equivalisation. This process is based on the assumption that as the number of individuals in a family increases, higher incomes are required in order for them to enjoy comparable living standards.

For example, a single person, a couple and a couple with two children (aged four and seven) all have a household income of £100 BHC. Equivalisation gives the single person £164 BHC, £100 to the couple and £72 to the couple with children. **(See Appendix 2 for more details.)**

Sources of income

Household income may be made up from a variety of sources, including earnings (including self employment income), occupational pensions, interest on investments, Social Security benefits (including Tax Credits).

Figure 2.1 (BHC) Income sources as a proportion of gross income by quintiles

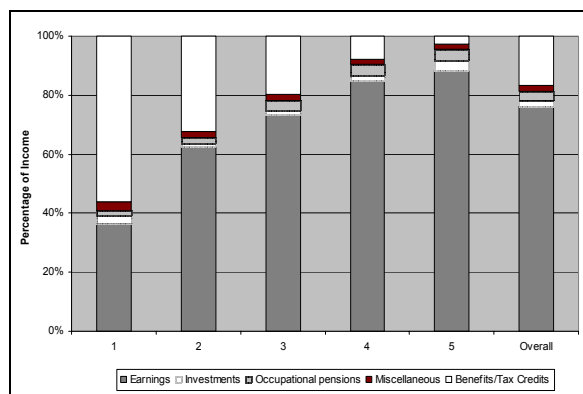


Figure 2.1 and Table 2.1 analyse each quintile of the NI population and illustrate the percentage contribution of each income source to the total gross income of the quintile.

Clearly as we move from the lower quintiles to the top (BHC), there is a marked decline in dependence on Benefits / Tax Credits and an increase in earned income. 56% of income in the bottom quintile is sourced from Benefits / Tax Credits, along with 37% from earnings. By comparison 88% of income in the top quintile is sourced from earnings and only 3% from Benefits / Tax Credits.

Occupational pension income also increases as we move from the bottom to the top quintile, peaking in the fourth and top quintile at 4%. Income from investments is highest in the top and bottom quintiles.

Table 2.1: Income sources as a proportion of total¹ income by quintile

Percentage of Total ¹ Income						Source: FRS 2002/03
Source of Income	Bottom Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Top Quintile	Overall
Before Housing Costs						
Earnings	37	63	74	85	88	76
Investments	3	1	1	1	4	2
Occupational pensions	1	2	3	4	4	3
Miscellaneous	3	2	2	1	2	2
Benefits/Tax Credits	56	32	20	8	3	17
After Housing Costs						
Earnings	35	62	73	84	87	76
Investments	3	1	1	1	4	2
Occupational pensions	1	2	3	4	4	3
Miscellaneous	3	3	2	1	2	2
Benefits/Tax Credits	59	33	21	9	3	17

Note:

1. Tax Credits are added into the definition of total income used here.

Figure 2.2 (BHC): Income distribution for the total NI population, 2002/03

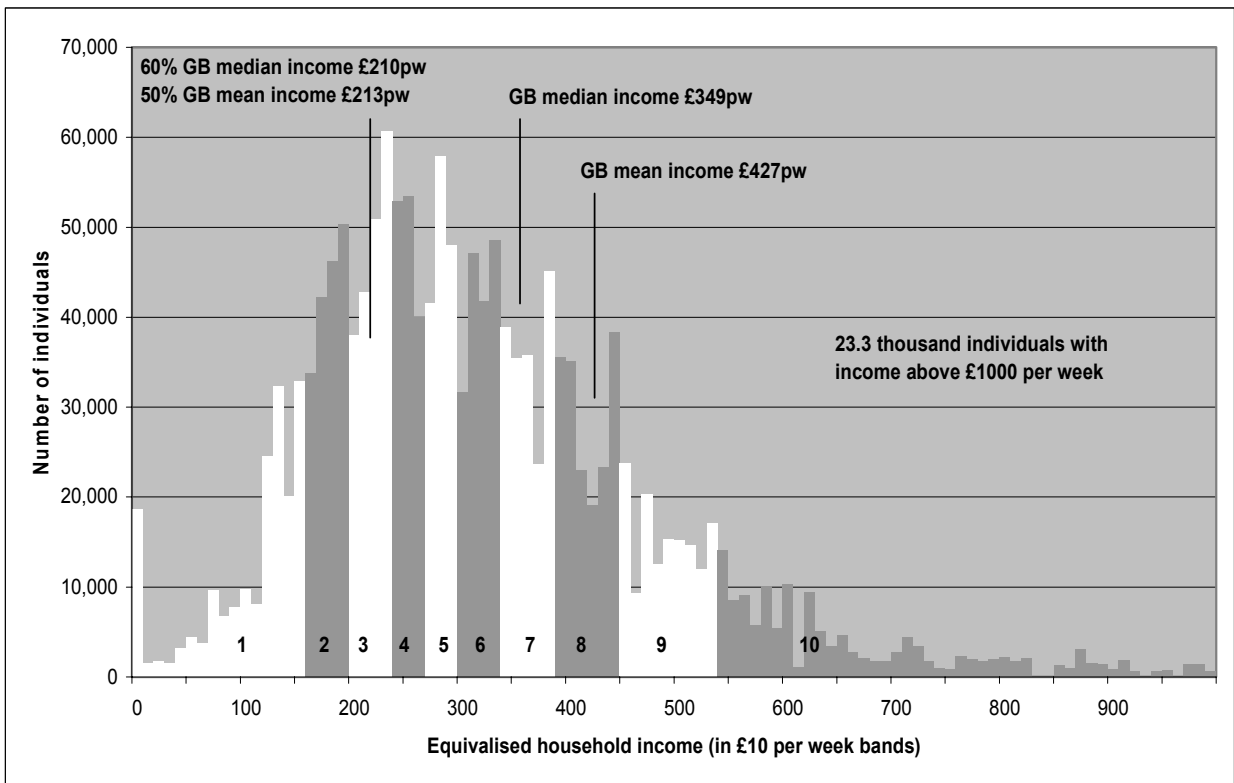


Figure 2.2 (AHC): Income distribution for the total NI population, 2002/03

