

# Summary of key findings

## The Income Distribution

- Overall NI's income distribution was skewed towards the lower end in 2003/04
- There was a high concentration of individuals below the 60 percent of the GB median and 50 percent of the GB mean.
- Earned income was the main source of household income across all quintiles, although benefits/ tax credits account for a substantial proportion of gross income in quintiles one and two.

## 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 are particularly at 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 without children were less at risk of low incomes than those with 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 as Catholics both BHC and AHC.
- Individuals living in Private Rented, NIHE or Housing Association properties were more likely to be in low income than those who owned their homes (with or without a mortgage).
- Individuals living in the West were most at risk of being in low income. Those living in the East of the Province were least at risk.

- Around one in five individuals living in low income families did not have a bank account; two-thirds of individuals had no savings.
- Approximately half of NI's population have incomes between £200 and £400 per week.
- GB has a higher proportion of individuals in the upper income bands (£400+).

## Children

- In 2003/04, approximately half of children living in NI were in households with incomes in the bottom two quintiles of the income distribution.
- Children in families with two adults were less likely to be in lowest income band 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 in households with no disabled persons.
- Children living in families where the head was Catholic were more likely to experience low-income, compared to those where the head was Protestant, of another denomination or of no religion at all.
- The likelihood of children living in low-income families decreased as the age of the mother increased.
- Children living in Belfast and the West of the Province 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 the third and fourth quintiles were slightly more concentrated.
- Working-age adults living in workless households were much more likely to have low incomes, with seven in ten in the bottom two quintiles.
- Working-age adults with children were more likely to have incomes at the bottom of the income distribution.
- Male working-age adults were slightly more likely to have low-incomes, with only sixteen percent falling into the top quintile of the distribution.
- Working-age adults with children, with a head of household aged 24 and under were more likely to have low incomes.
- Working-age adults with no educational 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 Social Rented accommodation were most at risk of low-income, followed by those in Private-Rented accommodation. Adults in owner occupied properties 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.

## Pensioners

- Pensioners were more likely to be in the bottom two quintiles on a BHC basis (or in the second quintile AHC), and less likely to be in the top two quintiles.
- Single pensioners (in particular single male pensioners) are more likely to be at the bottom end of the income distribution.
- Pensioners living in Other accommodation were particularly at risk of low-income, compared to pensioners in Housing Association properties.
- The older the age of the head, the greater the likelihood of low-income for all pensioners.
- Pensioners living alone (both couples and singles) were at greater risk of falling into low-income, than those living alone.
- The majority of pensioners in low-income lived in the East of the Province (approximately half, both BHC and AHC).
- Pensioners without an occupational / personal pension were more likely to be in low-income (three-quarters of pensioners below 50% of GB mean income were in this group).
- More than a third 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 2003/04.
- ◆ There was a high concentration of individuals below the 60 percent of the GB median and 50 percent of the GB mean.
- ◆ Earned income was the main source of household income across all quintiles, although benefits / tax credits account for a substantial proportion of gross income in quintiles one and two.

## Introduction

This chapter looks at the overall income distribution in NI in 2003/04, and compares this to GB mean and median income.

## The overall income distribution

Figure 2.2 displays NI's income distribution in 2003/04 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 twelve percent 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, almost seventy percent of individuals had an equivalised household income lower than the GB mean, which is similar to that in GB (Figure 2.3). 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

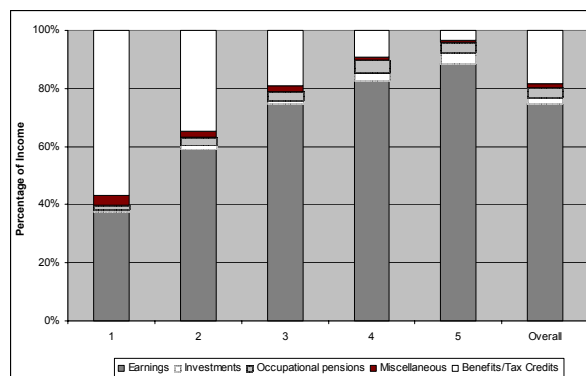


Figure 2.1 and Table 2.1 analyse each quintile of the NI population and illustrate the percentage contribution of each income source to the total gross income of the quintile.

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. Fifty-seven percent of income in the bottom quintile is sourced from Benefits / Tax Credits, along with thirty-eight percent from earnings. By comparison eighty-nine percent of income in the top quintile is sourced from earnings and only three percent from Benefits / Tax Credits.

Occupational pension income also increases as we move from the bottom to top quintile, peaking in the fourth quintile at 5%. Miscellaneous income decreases, and income from investments increases in general, as we move from the bottom to the top quintile.

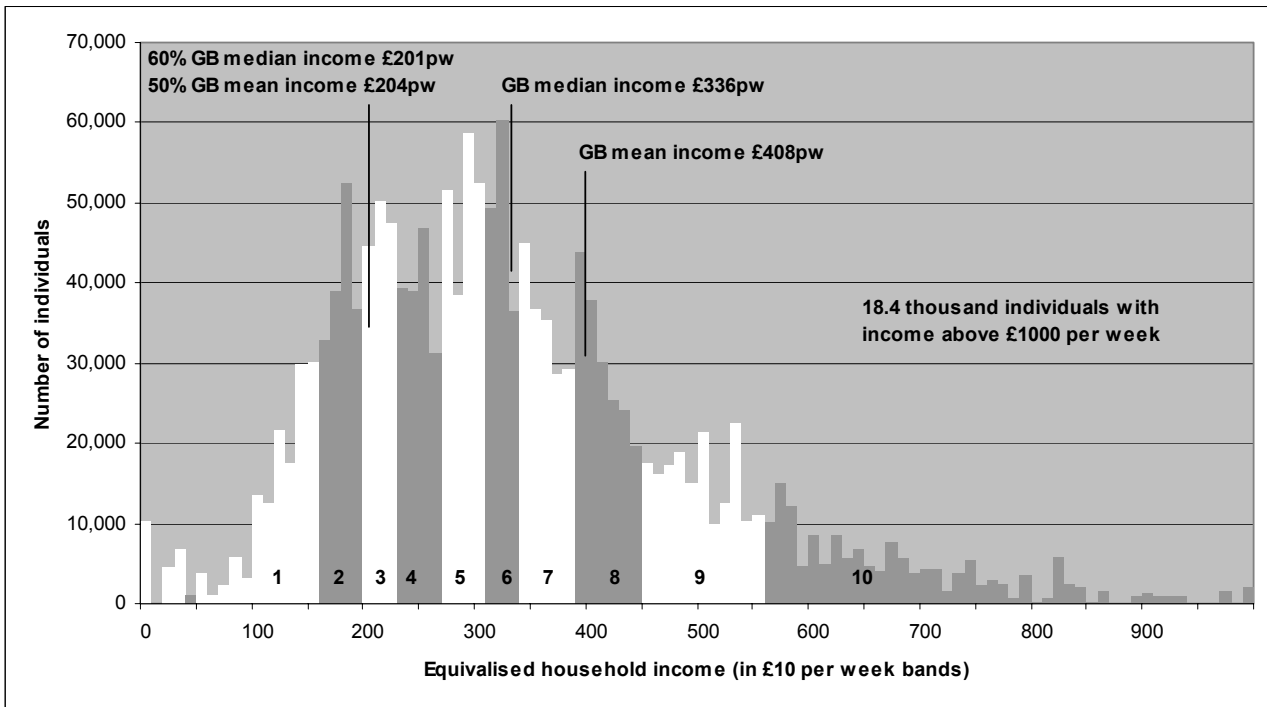
**Table 2.1: Income sources as a proportion of total<sup>1</sup> income by quintile**

Percentage of Total <sup>1</sup> Income						Source: FRS 2003/04
Source of Income	Bottom Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Top Quintile	Overall
<b>Before Housing Costs</b>						
Earnings	38	59	75	83	89	75
Investments	1	2	1	3	3	2
Occupational pensions	1	3	3	5	4	3
Miscellaneous	3	2	2	1	1	2
Benefits/Tax Credits	57	35	19	9	3	18
<b>After Housing Costs</b>						
Earnings	36	57	75	81	87	75
Investments	1	1	1	2	4	2
Occupational pensions	0	3	3	5	4	3
Miscellaneous	3	3	2	1	1	2
Benefits/Tax Credits	59	37	19	11	4	18

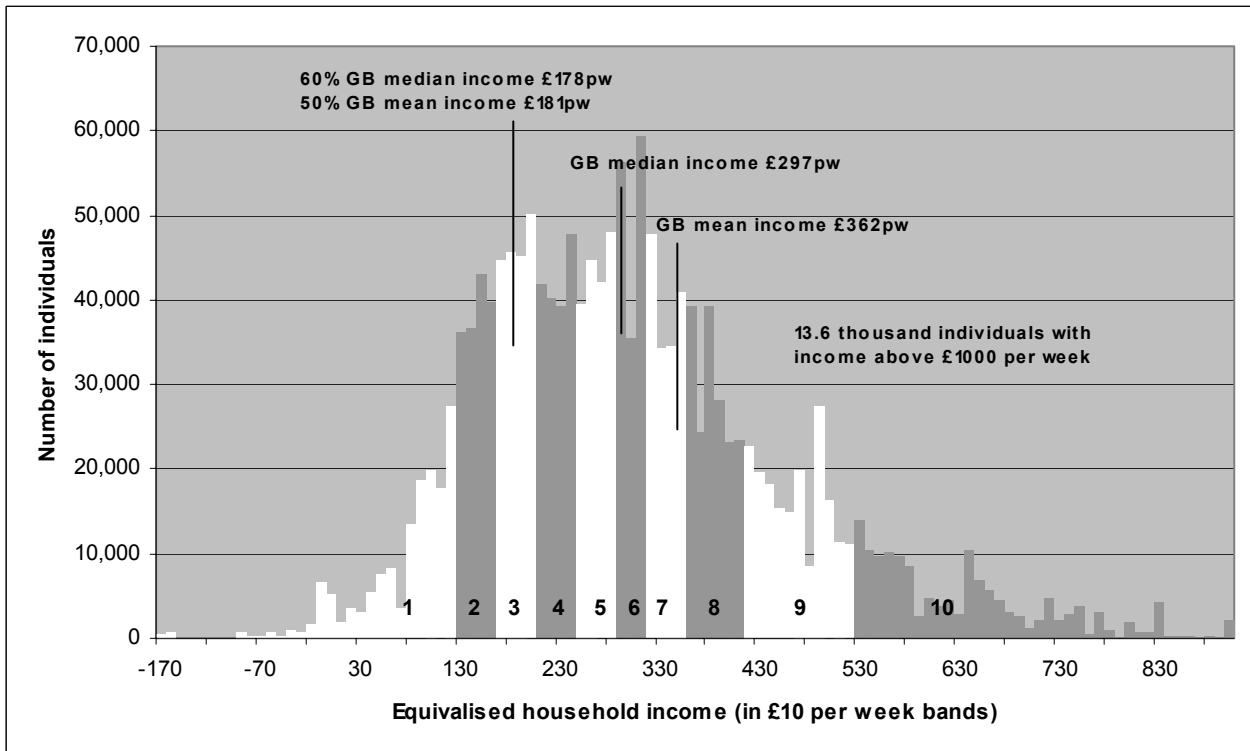
**Note:**

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

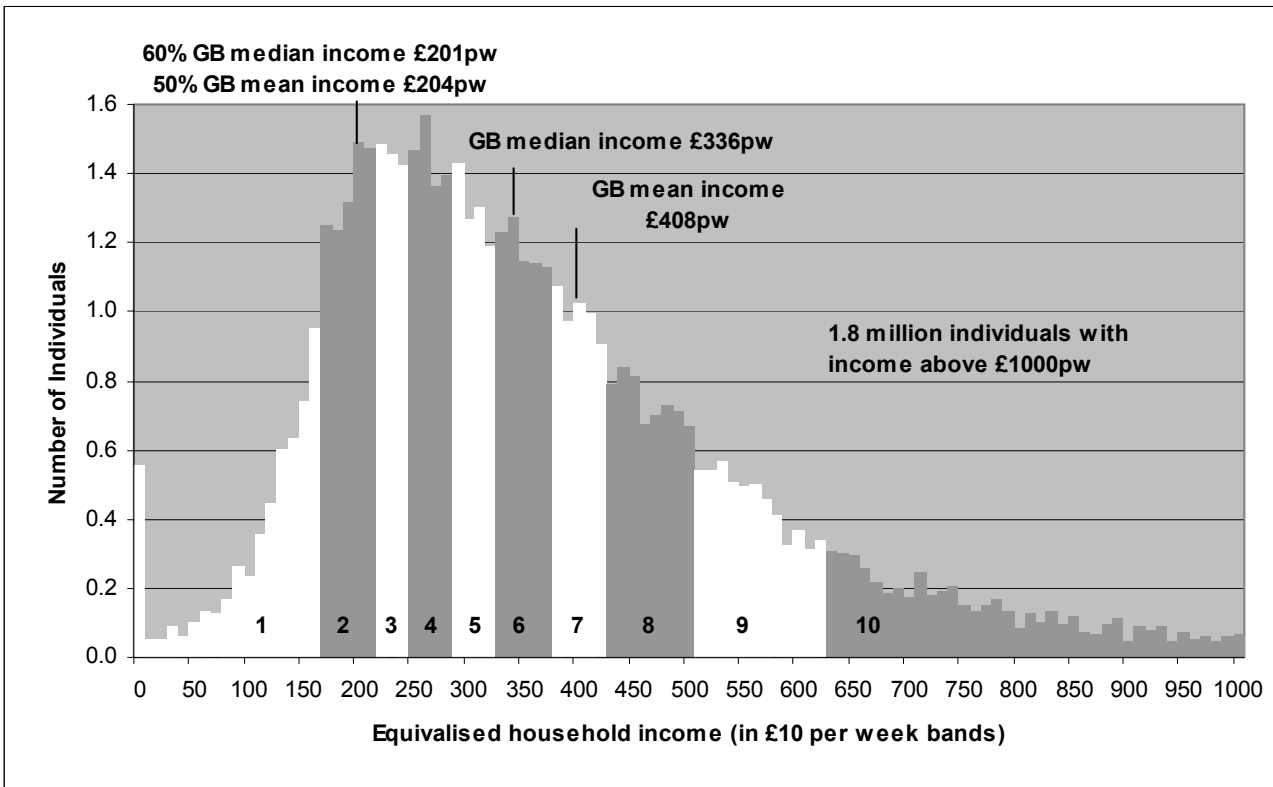
**Figure 2.2 (BHC): Income distribution for the total NI population, 2003/04**



**Figure 2.2 (AHC): Income distribution for the total NI population, 2003/04**



**Figure 2.3 (BHC): Income distribution for the total GB population, 2003/04**



**Figure 2.3 (AHC): Income distribution for the total GB population, 2003/04**

